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As filed with the Securities and Exchange Commission on October 15, 2012

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM F-1
REGISTRATION STATEMENT

UNDER
THE SECURITIES ACT OF 1933

YY INC.

(Exact name of Registrant as specified in its charter)

Not Applicable
(Translation of Registrant's name into English)

Cayman Islands	7389	Not Applicable
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

Building 3-08, Yangcheng Creative Industry Zone
No. 309 Huangpu Avenue Middle
Tianhe District, Guangzhou 510655
People's Republic of China
Tel: (+86 20) 2916 2000
(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

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(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. ☐ ______

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Proposed maximum aggregate offering price[1]	Amount of registration fee
Class A common shares, par value US$0.00001 per share[2][3]	US$100,000,000	US$13,640

(1) Estimated solely for the purpose of determining the amount of registration fee in accordance with Rule 457(o) under the Securities Act of 1933.
(2) 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, and also includes Class A common shares that may be purchased by the underwriters pursuant to an over-allotment option. These Class A common shares are not being registered for the purpose of sales outside the United States.
(3) American depositary shares issuable upon 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 Class A common shares.

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 preliminary prospectus is not complete and may be changed. Neither we nor the selling shareholders may sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and we and the selling shareholders are not soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

PROSPECTUS (Subject to Completion)
Issued , 2012

American Depositary Shares

YY Inc.

REPRESENTING CLASS A COMMON SHARES

YY Inc. is offering American Depositary Shares, or ADSs, and the selling shareholders are offering ADSs. Each ADS represents Class A common shares, par value $0.00001 per share. This is our initial public offering and no public market currently exists for our ADSs or our common shares. We anticipate that the initial public offering price will be between US$ and US$ per ADS.

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, voting together as one class on all matters that require a shareholders' vote. Each Class B common share is convertible into one Class A common share at any time by the holder thereof, while Class A common shares are not convertible into Class B common shares under any circumstance. The Class B common shares outstanding immediately after the completion of this offering will constitute approximately % of our total outstanding shares and % of the then total voting power. Upon the completion of this offering, our senior management and other existing shareholders will own an aggregate of Class B common shares, which will represent % of the then total voting power of our outstanding shares.

We are an "emerging growth company" under applicable U.S. federal securities laws and are eligible for reduced public company reporting requirements.

We have applied to have our ADSs listed on the Nasdaq Global Market under the symbol "YY."

Investing in our ADSs involves a high degree of risk. See "Risk Factors" beginning on page 16.

PRICE $ AN ADS

	Price to Public	*Underwriting Discounts and Commissions*	*Proceeds to Company*	*Proceeds to Selling Shareholders*
Per ADS	*$*	*$*	*$*	*$*
Total	*$*	*$*	*$*	*$*

YY Inc. has granted the underwriters the right to purchase up to an additional ADSs to cover over-allotments.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the ADSs to purchasers on , 2012.

Morgan Stanley *Deutsche Bank Securities* *Citigroup*

Pacific Crest Securities *Piper Jaffray*

, 2012.

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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 , all dealers that buy, sell or trade ADS, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation 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 prospectus contains information from a consumer survey commissioned by us and conducted by iResearch Consulting Group, or iResearch, a third party market research firm, in July 2012 to provide information on our market position in China. We refer to this report as the iResearch Report in this prospectus.

Overview

YY is a revolutionary rich communication social platform that engages users in real-time online group activities through voice, text and video. YY Client, our core product launched in China in July 2008, has attracted 400.5 million registered user accounts as of September 30, 2012. We achieved approximately 10.0 million peak concurrent users and approximately 70.5 million monthly active users on YY in August 2012.

People are social creatures with a fundamental desire to connect, interact and communicate with each other. YY empowers users to create and organize groups of varying sizes to discover and participate in a wide range of online activities, including online games, karaoke, music concerts, education, live shows and conference calls. We believe that our proprietary technology infrastructure was the first to develop the capacity to support simultaneous communication among millions of concurrent users in a single channel. YY's scale, social features and high quality voice and video make it popular among internet users in China, as evidenced by the 393.0 billion voice minutes that users spent on YY Client in the first nine months of 2012. "Voice minute" means a minute in which the user is using our voice- or video-enabled services, such as listening to or talking on YY channels.

Our platform consists of YY Client, the YY.com and Duowan.com web portals and Mobile YY. YY Client is our personal computer, or PC-based user software that provides real-time access to online activities groups, which we refer to as channels. Although online communication tools such as instant messenger and social networking services existed when we introduced YY Client in July 2008, these tools and services were confined to text or limited-scale voice or video communications. YY Client has transformed online social communications by enabling large-scale group activities through our platform. In 2011, we held an approximate 84.2% market share in the real-time online group voice communications market in China in terms of user time spent, according to the iResearch Report. On average, each active user spent approximately 51.7 hours on YY Client in September 2012. YY Client is available to download for free from YY.com, our online portal and guide to channels, events and content available across our platform. We also operate Duowan.com, which provides access to and interactive resources for online games, and was ranked the No. 2 game media website in China in terms of monthly unique visitors in the eight months ended August 31, 2012 according to iResearch. To increase the accessibility and usage of YY Client, we introduced our mobile application, Mobile YY, in September 2010. In order to make YY more easily and widely accessible, in October 2012, we launched web-based YY, a version of YY Client that enables users to conduct real-time interactions on the web without requiring any downloads or installations.

Delivering superior user experience is our core focus, and it relies on our proprietary technology and industry know-how. A single YY channel can currently have from only a handful to approximately 1.4 million concurrent users. YY enables users to continually create new channels to engage in activities on our open platform designed to make offline group activities more effective and efficient online. YY is supported by our highly scalable infrastructure throughout China, and our proprietary algorithms enabling low latency, low jitter and low loss rates in delivering voice and video data.

While the basic use of our platform is currently free, we monetize our user base through internet value-added services, or IVAS, and online advertising. Currently, revenues from IVAS are primarily generated through

sales of virtual items and game tokens that our users may purchase for use in online activities on our platform, including online games, which are all web games, and YY Music, our music channels on YY Client. Online advertising revenues are primarily generated from sales of different forms of advertising on Duowan.com. Although we do not currently derive revenues from Mobile YY, we have plans to monetize it by selling virtual items on Mobile YY in the future. We believe that we will be able to capitalize on the large and highly engaged user base of our open platform by exploring additional monetization opportunities and diversifying our revenue sources.

We have achieved significant growth in recent years. Our total net revenues increased from RMB32.7 million in 2009 to RMB128.3 million in 2010 and to RMB319.7 million (US$50.8 million) in 2011, representing a CAGR of 212.6% from 2009 to 2011. For the six months ended June 30, 2012, our total net revenues grew to RMB324.5 million (US$51.1 million), representing a 173.2% increase from RMB118.8 million for the six months ended June 30, 2011. We had a net loss of RMB47.1 million, RMB238.9 million and RMB83.2 million (US$13.2 million) in 2009, 2010 and 2011, respectively, and in the six months ended June 30, 2012, we had a net income of RMB20.8 million (US$3.3 million). Our adjusted net loss, a non-GAAP measure, decreased from RMB10.6 million in 2009 to RMB1.9 million in 2010, and in 2011, we had an adjusted net income of RMB51.8 million (US$8.2 million). In the six months ended June 30, 2012, our adjusted net income amounted to RMB75.1 million (US$11.8 million) compared to an adjusted net loss of RMB3.3 million in the same period in 2011. Our adjusted net (loss) income excludes non-cash share-based compensation expenses. For information regarding adjusted net (loss) income and a reconciliation of each to net (loss) income, see "—Our Summary Consolidated Financial Data—Non-GAAP Financial Measure" on page 14.

The PRC government extensively regulates foreign ownership of, and the licensing and permit requirements pertaining to, companies that provide internet-based services such as our YY platform. To comply with these restrictions, we conduct our operations principally through our consolidated affiliated entities in China. We face risks and uncertainties associated with our corporate structure, as our control over these consolidated affiliated entities is based on contractual arrangements rather than equity ownership. See "Risk Factors—Risks Relating to Our Corporate Structure and Our Industry" and "Corporate History and Structure."

Our Strengths

We believe the following factors have contributed to the success of our rich communication social platform:

- Large and highly engaged user base;
- Powerful network effects;
- Superior user experience;
- Scalable platform serving a broad range of potential end markets; and
- Proprietary and scalable technology infrastructure.

Our Strategies

Our mission is to make offline group activities available and better online. We are dedicated to continue to pursue our mission by pursuing the following strategies:

- Further expand our user base;
- Increase the monetization of our user base;
- Further develop and expand the use of Mobile YY; and
- Continue to invest in our leading technology infrastructure.

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Monetization Opportunities

As users continue to unlock the full potential of our platform, we believe we will have increasing opportunities to expand our portfolio of products and services, and monetize them in various manners. Currently, we derive revenues from our internet value-added services users and third party advertisers. Although we do not currently derive revenues from Mobile YY, we have plans to monetize it by selling virtual items on Mobile YY in the future.

Internet Value-Added Services

We primarily generate revenues from paying users of online web games, YY Music and membership. We believe the following areas represent the most significant monetization opportunities for our platform:

Online Games. Online games, which include massive multiplayer online games and web games, have become an increasingly popular source of entertainment for individuals and groups of internet users. According to the iResearch, China's online games market generated RMB43.4 billion (US$6.9 billion) of revenue in 2011, and is expected to grow to RMB84.6 billion (US$13.3 billion) in 2016. Our platform attracts a large number of online game players and is particularly attractive to online game players' guilds, the members of which congregate on YY Client to discuss gaming strategies and to communicate during online games. Our platform provides users with access to a wide variety of web games which we monetize. In the future, we intend to develop and introduce more online games-related services such as the recently introduced live broadcasting of online games to a large audience.

Music. YY has become a popular platform for live music performances on music channels. YY provides a stage for grassroots musicians, celebrities and professional performers to perform live. We create and offer to users virtual items that can be used on the music channels. Users can purchase consumable virtual items from us to show support for their favorite performers or time-based virtual items that provide users with recognized status, such as priority speaking rights or special symbols on the music channels. We share with certain popular performers and channel owners a portion of the revenues we derive from such in-channel virtual item sales on YY Music. According to a report we commissioned in 2012 conducted by the Data Center of China Internet, or DCCI, the total market size for karaoke and live music performance in ten major cities in China, including Beijing, Shanghai and Shenzhen, was US$8.6 billion. We have encouraged and facilitated numerous large-scale music events such as fan club gathering and meet-and-greets with various performers, as well as concerts and singing competitions for performers from various music channels. In the future, we intend to encourage more live music events which users can access in real-time for an entry fee.

Membership. We provide enhanced membership privileges to users who pay a monthly fee and subscribe to our membership program. Enhanced privileges include access to new and unreleased channel functions, including additional video usage, priority entrance to certain live performances, and exclusive rights to access VIP avatars, VIP ring-tones, VIP fonts and VIP emoticons. In the future, we intend to continue exploring different ways to expand our members-only offerings so as to better serve our members and attract a larger membership base.

Education. YY provides a convenient and efficient platform for lectures or personal tutoring sessions to be conducted in real time. Our education channels provide numerous classes that cover diverse subjects such as foreign languages, the PRC government civil employee examination and IT training. In the future, we intend to continue enabling users to conduct education courses and cooperate with various educational institutions to provide online classes on YY for a fee.

Advertising Services

We believe that our extensive user base represents an attractive demographic target for advertisers. We believe our advertising business will continue to develop as we grow our user base and advertisers embrace our platform and solutions for them.

Online Display Advertising. According to iResearch, Duowan was the No. 2 game media website in China in the eight months ended August 31, 2012, with a market share of 15.7% in terms of monthly unique visitors during that period. Also, according to iResearch, total online advertising spending by game developers in China was approximately RMB687.0 million (US$108.1 million) in 2011, while the overall online advertising market in China was RMB51.3 billion (US$8.1 billion). According to iResearch, the overall online advertising market in China is expected to grow to as much as RMB187.7 billion (US$29.5 billion) in 2015, representing a CAGR of 38.3% from 2011 to 2015.

The vast majority of our current advertising revenues are generated from advertisements on Duowan.com. In 2011 and the six months ended June 30, 2012, revenues generated from advertisements on Duowan.com contributed 93.8% and 97.8% of our total advertising revenues, respectively. We currently do not allow advertising on YY.com and Mobile YY, and have minimal advertising on YY Client. In the future, we intend to expand our capacity and advertisement solutions for online advertising as our user base grows and to launch additional special interest content-driven portals to complement Duowan.com. Currently, a significant majority of our advertisers are game developers and we intend to further diversify our advertising client base.

Our Challenges

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

- successfully implement our relatively new business model, grow and monetize our user base and expand our product and service offerings;
- continue developing innovative technologies in response to evolving user demand and maintain our technological leadership;
- develop and maintain relationships with advertisers in a broad range of industries;
- generate and increase revenues from a diverse group of online games; and
- attract and retain qualified personnel.

In addition, we expect to face risks and uncertainties related to our corporate structure and doing business in China, including:

- risks associated with our control over our consolidated affiliated entities in China, which is based on contractual arrangements rather than equity ownership; and
- uncertainties associated with our compliance with applicable PRC regulations and policies, including those relating to various channels on our YY platform.

Corporate Information

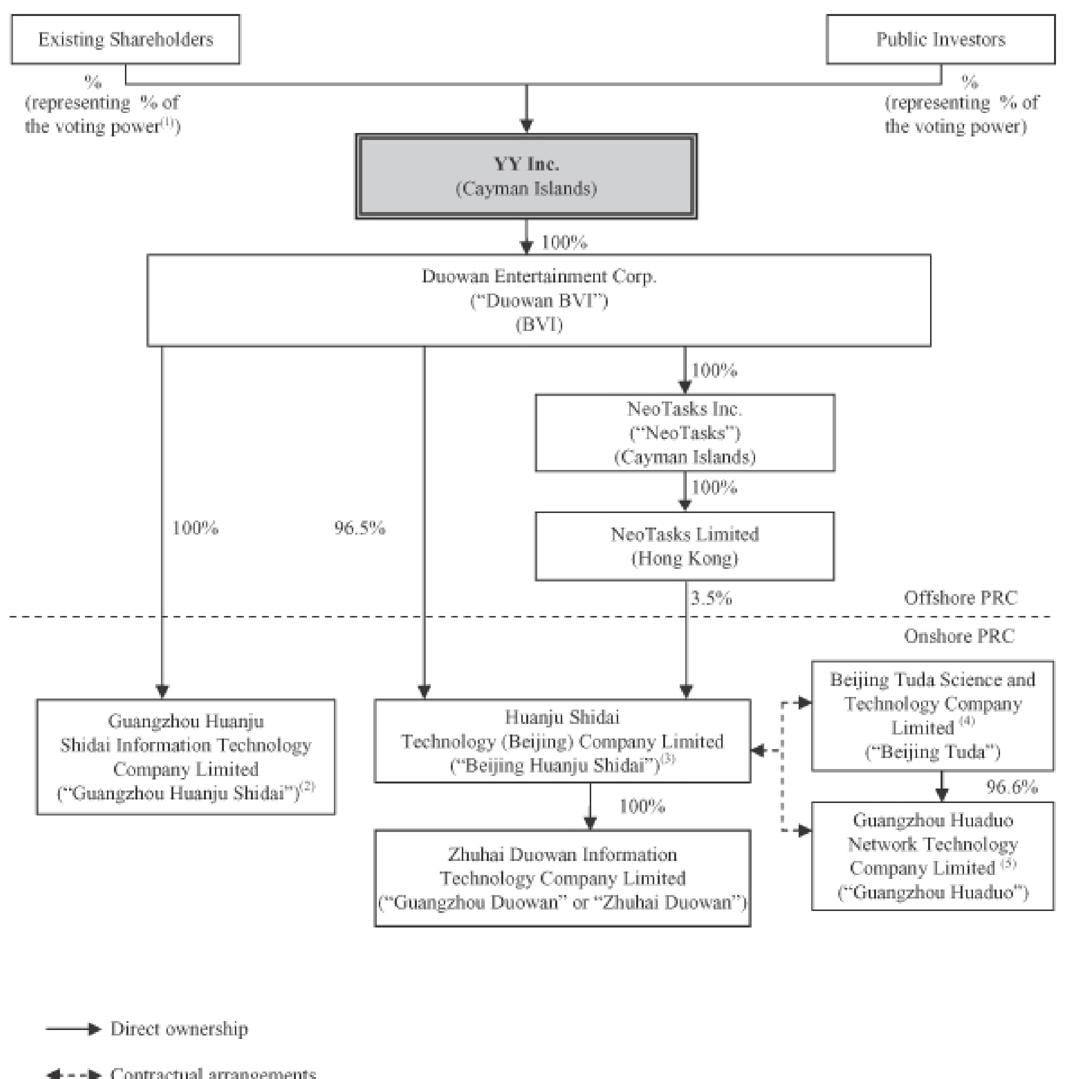
Our principal executive offices are located at Building 3-08, Yangcheng Creative Industry Zone, No. 309 Huangpu Avenue Middle, Tianhe District, Guangzhou 510655, People's Republic of China. Our telephone number at this address is (+86 20) 2916 2000. Our registered office in the Cayman Islands is located at the offices of Codan Trust Company (Cayman) Limited of Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KYI-1111, 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.yy.com*. The information contained on our website is not a part of this prospectus.

Corporate History

We commenced operations in April 2005 in China. In November 2007, we established Duowan Entertainment Corp., or Duowan BVI, in the British Virgin Islands. Through its wholly owned subsidiary, Duowan BVI entered into a series of contractual arrangements with certain PRC consolidated affiliated entities and their shareholders through which it exercises effective control over the operations of these PRC consolidated affiliated entities. Our current holding company, YY Inc., was incorporated in July 2011 as a limited liability company in the Cayman Islands. Through a share exchange in September 2011, the shareholders of Duowan BVI exchanged all of their outstanding common and preferred shares in Duowan BVI for common shares, meaning common shares with a par value US$0.00001 per share, and preferred shares, meaning series A, B, C-1 and C-2 preferred shares with a par value of US$0.00001 per share, of YY Inc. on a pro rata basis. No additional consideration was paid in connection with the share exchange. As a result, Duowan BVI became a wholly owned subsidiary of YY Inc. For more details, see "Corporate History and Structure."

The following diagram illustrates our corporate structure upon the completion of this offering, assuming that the underwriters do not exercise their option to purchase additional shares:



(1) Upon the completion of this offering, our senior management and other existing shareholders will own an aggregate of % of the total voting power of our outstanding shares.
(2) Formerly known as Zhuhai Duowan Technology Company Limited.
(3) Formerly known as Duowan Entertainment Information Technology (Beijing) Company Limited.
(4) Beijing Tuda is our PRC consolidated affiliated entity. Mr. David Xueling Li, our co-founder, chief executive officer and director, Mr. Tony Bin Zhao, our chief technology officer and Mr. Jin Cao, the general manager of our website department, own 97.7%, 1.5% and 0.8% of Beijing Tuda's equity interests, respectively.
(5) Guangzhou Huaduo is our PRC consolidated affiliated entity. Mr. David Xueling Li, Mr. Jun Lei, our co-founder and chairman, Mr. Tony Bin Zhao, Mr. Jin Cao and Beijing Tuda own approximately 1.7%, 1.5%, 0.1%, 0.1% and 96.6% of Guangzhou Huaduo's equity interests, respectively.

Implications of Being an Emerging Growth Company

As a company with less than US$1.0 billion in revenue for our last fiscal year, we qualify as an "emerging growth company" pursuant to the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include exemption from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, in the assessment of the emerging growth company's internal control over financial reporting. The JOBS Act also provides that an emerging growth company does not need to comply with any new or revised financial accounting standards until such date that a private company is otherwise required to comply with such new or revised accounting standards. However, we have elected to "opt out" of this provision and, as a result, we will comply with new or revised accounting standards as required when they are adopted for public companies. This decision to opt out of the extended transition period under the JOBS Act is irrevocable.

We will remain an emerging growth company until the earliest of (a) the last day of our fiscal year during which we have total annual gross revenues of at least US$1.0 billion; (b) the last day of our fiscal year following the fifth anniversary of the completion of this offering; (c) the date on which we have, during the previous three-year period, issued more than US$1.0 billion in non-convertible debt; or (d) the date on which we are deemed to be a "large accelerated filer" under the Securities Exchange Act of 1934, as amended, or the Exchange Act, which would occur if the market value of our ADSs that are held by non-affiliates exceeds US$700 million as of the last business day of our most recently completed second fiscal quarter. Once we cease to be an emerging growth company, we will not be entitled to the exemptions provided in the JOBS Act discussed above.

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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$ and US$ per ADS.
ADSs offered by us	ADSs
ADSs offered by the selling shareholders	ADSs
Common shares outstanding immediately after this offering	We will adopt a dual class common share structure immediately upon the completion of this offering. common shares (or common shares if the underwriters exercise their over-allotment option in full) will be outstanding immediately upon the completion of this offering, comprised of (1) Class A common shares, par value US$0.00001 per share (or Class A common shares if the underwriters exercise their over-allotment option in full), and (2) Class B common shares, par value US$0.00001 per share. The Class B common shares outstanding immediately after the completion of this offering will represent % of our total outstanding shares and % of the then total voting power.
ADSs outstanding immediately after this offering	ADSs (or ADSs if the underwriters exercise their over-allotment option in full)
The ADSs	Each ADS represents Class A common shares, par value US$0.00001 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 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.

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	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.
	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 issue Class A common shares represented by our ADSs in this offering.
	All of our existing common shares will be redesignated as Class B common shares and all of our outstanding preferred shares will be automatically converted into Class B common shares on a one-for-one basis immediately upon the completion of this offering.
	All share-based compensation awards, including options, restricted shares and restricted share units, regardless of grant dates, will entitle holders to the equivalent number of Class A common shares once the vesting and exercising conditions on such share-based compensation awards are met.
	Immediately upon the completion of this offering, we will have Class B common shares outstanding, including Class B common shares, or % of the total Class B common shares outstanding which will be beneficially owned by our founders, Messrs. David Xueling Li, Jun Lei, Tony Bin Zhao and Jin Cao and their affiliates collectively.
	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 all matters that require a shareholders' vote.
	Each Class B common share is convertible into one Class A common share at any time by the holder. Class A common shares are not convertible into Class B common shares under any circumstances. Upon any transfer of Class B common shares by a holder to any person or entity which is not an affiliate of such holder and which is not any of our founders or any affiliates of our founders, such Class B common shares will be automatically and immediately converted into the equivalent number of Class A common shares.
	In addition, if at any time, Messrs. David Xueling Li, Jun Lei, Tony Bin Zhao and Jin Cao and their affiliates collectively own less than 5% of the total number of the issued and outstanding Class B common shares, each issued and outstanding Class B common share will be automatically and immediately converted into one Class A common share, and we will not issue any Class B common shares thereafter.

/.\	
	Furthermore, if at any time more than 50% of the ultimate beneficial ownership of any holder of Class B common shares (other than our founders or our founders' affiliates) changes, each such Class B common share will be automatically and immediately converted into one Class A common share.
	See "Description of Share Capital."
Over-allotment option	We and the selling shareholders have granted to the underwriters an option, which is exercisable within 30 days from the date of this prospectus, to purchase up to additional ADSs.
Use of proceeds	We plan to use the net proceeds we receive from this offering for investing in our voice and video technology and infrastructure, expanding our product development and services offerings, expanding our sales and marketing activities and other general corporate purposes, including working capital needs. See "Use of Proceeds" for additional information.
	We will not receive any of the proceeds from the sale of ADSs by the selling shareholders.
Lock-up	We, our directors and executive officers, our existing shareholders and certain of our options, restricted shares and restricted share units holders 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 after the date of this prospectus. See "Underwriting" for more information.
Proposed Nasdaq Global Market symbol	We have applied to have the ADSs listed on the Nasdaq Global Market under the symbol "YY." Our ADSs and Class A common shares will not be listed on any other stock exchange or traded on any automated quotation system.
Payment and settlement	The underwriters expect to deliver the ADSs against payment therefor through the facilities of the Depository Trust Company on , 2012.
Depositary	Deutsche Bank Trust Company Americas
Directed share program	At our request, the underwriters have reserved for sale, at the initial public offering price, up to ADSs offered by this prospectus to some of our directors, officers, employees, business associates and related persons.
Risk factors	See "Risk Factors" and other information included in this prospectus for a discussion of risks that you should carefully consider before investing in our ADSs.

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The number of common shares that will be outstanding immediately after this offering:

- assumes re-designation or conversion of all outstanding common shares and series A, B, C-1 and C-2 preferred shares into Class B common shares immediately upon the completion of this offering;
- assumes no exercise of the underwriters' over-allotment option;
- excludes Class A common shares issuable upon the exercise of options outstanding at a weighted average exercise price of US$ per share as well as restricted shares and restricted share units that have vested as of the date of this prospectus; and
- excludes Class A common shares reserved for future issuances under the 2009 Scheme, and Class A common shares reserved for future issuances under the 2011 Plan.

Our Summary Consolidated Financial Data

The following summary consolidated statements of operations data for the years ended December 31, 2009, 2010 and 2011 and the summary balance sheet data as of December 31, 2010 and 2011 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. Our consolidated financial statements are prepared and presented in accordance with U.S. GAAP. The summary consolidated statements of operations data for the six months ended June 30, 2011 and 2012 and the summary consolidated balance sheet data as of June 30, 2012 have been derived from our unaudited consolidated financial statements included elsewhere in this prospectus. The unaudited consolidated financial statements have been prepared 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 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.

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	For the Year Ended December 31,				For the Six Months Ended June 30,		
	2009	2010	2011		2011	2012	
	RMB	RMB	RMB	US$	RMB	RMB (Unaudited)	US$
	(in thousands, except for share, per share and per ADS data)						
Summary Consolidated Statements of Operations Data:							
Internet value-added service							
—Online game	12,976	86,316	165,933	26,380	71,679	150,398	23,674
—YY Music	—	—	52,854	8,403	9,645	92,721	14,595
—Others	853	1,282	13,589	2,161	1,969	30,961	4,873
Online advertising	18,881	40,740	87,279	13,876	35,467	50,370	7,929
Total net revenues	32,710	128,338	319,655	50,820	118,760	324,450	51,071
Cost of revenues[(1)]	(28,849)	(110,062)	(182,699)	(29,046)	(78,349)	(164,138)	(25,836)
Gross profit	3,861	18,276	136,956	21,774	40,411	160,312	25,235
Operating expenses[(1)]:							
Research and development expenses	(12,597)	(49,219)	(106,804)	(16,980)	(43,215)	(77,809)	(12,248)
Sales and marketing expenses	(4,951)	(12,363)	(13,381)	(2,127)	(7,917)	(4,862)	(765)
General and administrative expenses	(32,878)	(192,222)	(118,241)	(18,798)	(59,165)	(50,170)	(7,897)
Total operating expenses	(50,426)	(253,804)	(238,426)	(37,905)	(110,297)	(132,841)	(20,910)
Operating (loss) income	(46,565)	(235,528)	(99,488)	(15,816)	(69,886)	28,142	4,431
(Loss) income before income tax expenses	(46,534)	(236,023)	(80,455)	(12,791)	(64,524)	32,342	5,092
Net (loss) income attributable to YY Inc.	(47,116)	(238,857)	(83,156)	(13,221)	(68,635)	20,816	3,277
Amortization of beneficial conversion feature	(237)	—	—	—	—	—	—
Accretion to convertible redeemable preferred shares redemption value	(283,179)	(1,808,853)	(223,663)	(35,559)	(157,859)	(126,621)	(19,931)
Deemed dividend to series A preferred shareholders	(19)	—	—	—	—	—	—
Deemed dividend to series B preferred shareholders	(176)	—	—	—	—	—	—
Net loss attributable to common shareholders	(330,727)	(2,047,710)	(306,819)	(48,780)	(226,494)	(105,805)	(16,654)
Weighted average number of common shares used in calculating:							
Basic	407,613,328	406,304,672	485,883,845	485,883,845	467,627,928	537,420,517	537,420,517
Diluted	407,613,328	406,304,672	485,883,845	485,883,845	467,627,928	537,420,517	537,420,517
Net loss per share:							
Basic	(0.81)	(5.04)	(0.63)	(0.10)	(0.48)	(0.20)	(0.03)
Diluted	(0.81)	(5.04)	(0.63)	(0.10)	(0.48)	(0.20)	(0.03)
Loss per ADS[(2)]:							
Basic							
Diluted							

(1) Share-based compensation was allocated in cost of revenues and operating expenses as follows:

	For the Year Ended December 31,				For the Six Months Ended June 30,		
	2009	2010	2011		2011	2012	
	RMB	RMB	RMB	US$	RMB	RMB (Unaudited)	US$
	(in thousands)						
Cost of revenues	5,269	31,709	15,449	2,456	9,240	4,386	690
Research and development expenses	2,475	21,627	31,672	5,035	13,887	19,731	3,106
Sales and marketing expenses	194	1,499	1,336	212	660	500	79
General and administrative expenses	28,544	182,101	86,544	13,759	48,181	29,643	4,666
Total	36,482	236,936	135,001	21,462	71,968	54,260	8,541

(2) Each ADS represents Class A common shares.

	As of December 31,				As of June 30,					
	2009	2010	2011		2012					
	RMB	RMB	RMB	US$	RMB	US$	RMB	US$	RMB	US$
	Actual	Actual	Actual	Actual	Actual	Actual	Pro forma[(1)] (Unaudited)	Pro forma[(1)] (Unaudited)	Pro forma as adjusted[(2)] (Unaudited)	Pro forma as adjusted[(2)] (Unaudited)
	(in thousands)									
Summary Consolidated Balance Sheet Data:										
Cash and cash equivalents	106,427	83,683	128,891	20,491	187,934	29,582	187,934	29,582		
Total assets	131,003	158,767	745,426	118,510	903,152	142,161	903,152	142,161		
Total current liabilities	52,757	253,001	125,737	19,990	205,689	32,376	205,689	32,376		
Total mezzanine equity	448,418	2,257,271	2,480,934	394,425	2,607,555	410,444	—	—		
Accumulated deficits	(370,045)	(2,350,448)	(2,433,604)	(386,900)	(2,412,788)	(379,787)	(2,412,788)	(379,787)		
Total shareholders' (deficits) equity	(370,172)	(2,351,505)	(1,861,693)	(295,976)	(1,911,347)	(300,857)	696,208	109,587		

(1) The unaudited consolidated balance sheet data as of June 30, 2012 on a pro forma basis reflect the automatic conversion of all of our outstanding series A, B, C-1 and C-2 preferred shares into 359,424,310 Class B common shares immediately upon the completion of this offering.

(2) The unaudited consolidated balance sheet data as of June 30, 2012 on a pro forma as adjusted basis reflect (a) the automatic conversion of all of our outstanding series A, B, C-1 and C-2 preferred shares into 359,424,310 Class B common shares immediately upon the completion of this offering; and (b) the 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$ 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.

Non-GAAP Financial Measure

Adjusted Net Loss or Income

To provide investors with additional information about our financial results, we disclose within this prospectus adjusted net loss or income, a non-GAAP financial measure. We have provided below a reconciliation between adjusted net loss or income and net loss or income, the most directly comparable GAAP financial measure.

We have included adjusted net loss or income in this prospectus because it is a key measure we use to evaluate our operating performance, generate future operating plans and make strategic decisions for the allocation of capital. Accordingly, we believe that adjusted net loss or income provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors. While we believe that this non-GAAP financial measure is useful in evaluating our business, this information should be considered as supplemental in nature and is not meant as a substitute for the related financial information prepared in accordance with GAAP.

The following table presents a reconciliation between adjusted net loss or income and net loss or income, the most directly comparable GAAP financial measure.

	For the Year Ended December 31,				For the Six Months Ended June 30,		
	2009	2010	2011		2011	2012	
	RMB	RMB	RMB	US$	RMB	RMB	US$
						(Unaudited)	
				(in thousands)			
Reconciliation of Net (Loss) Income to Adjusted Net (Loss) Income:							
Net (loss) income	(47,116)	(238,857)	(83,156)	(13,221)	(68,635)	20,816	3,277
Share-based compensation	(36,482)	(236,936)	(135,001)	(21,462)	(71,968)	(54,260)	(8,541)
Adjusted net (loss) income	(10,634)	(1,921)	51,845	8,241	3,333	75,076	11,818

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 Relating to Our Business

Our business is based on a relatively new business model that may not be successful, and we may not be able to effectively manage our growth or implement our future business strategies, in which case our business and results of operations would be materially and adversely affected.

Many of the elements of our business are unique, evolving and relatively unproven. The markets for our technology, especially our voice- and video-based technology, and products and services are relatively new and rapidly developing and are subject to significant challenges. Our business plan relies heavily upon increased revenues from IVAS and online advertising, and our ability to successfully monetize our user base and products and services, and we may not succeed in any of these respects.

Some of our current monetization methods are in a very preliminary stage; for example, we began selling virtual items on YY's music channels in March 2011. If we fail to properly manage the supply and timing of our in-game virtual items and the appropriate price points for these products and services, our users may be less likely to purchase in-game virtual items from us. For non-game virtual items, we consider industry standards and expected user demand in determining how to most effectively optimize virtual item merchandizing. Furthermore, as the online music industry in China is relatively young and untested, there are few proven methods of projecting user demand or available industry standards on which we can rely. We cannot assure you that our attempts to monetize our user base and products and services will be successful, profitable or widely accepted and therefore the future revenue and income potential of our business are difficult to evaluate.

We have experienced a period of significant rapid growth and expansion that has placed, and continues to place, significant strain on our management and resources. We cannot assure you that this level of significant growth will be sustainable or achieved at all in the future. We believe that our continued growth will depend on our ability to develop new sources of revenue, increase monetization, attract new users, retain and expand paying users, encourage additional purchases by our paying users, continue developing innovative technologies in response to user demand, increase brand awareness through marketing and promotional activities, react to changes in user access to and use of the internet, expand into new market segments, integrate new devices, platforms and operating systems, attract new advertisers and retain existing advertisers and take advantage of any growth in the relevant markets. We cannot assure you that we will achieve any of the above.

To manage our growth and attain and maintain profitability, we anticipate that we will need to implement a variety of new and upgraded operational and financial systems, procedures and controls, including the improvement of our accounting and other internal management systems. We will also need to further expand, train, manage and motivate our workforce and manage our relationships with users, third party game developers and advertisers. All of these endeavors involve risks and will require substantial management efforts and skills and significant additional expenditures. We cannot assure you that we will be able to effectively manage our growth or implement our future business strategies effectively, and failure to do so may materially and adversely affect our business and results of operations.

We have experienced net losses in the past, and you should consider our prospects in light of the risks and uncertainties which early-stage companies in evolving industries in China with limited operating histories may be exposed to or encounter, including possible volatility in the trading prices of ADSs.

We had a net loss of RMB47.1 million, RMB238.9 million and RMB83.2 million (US$13.2 million) in 2009, 2010 and 2011, respectively, and a net income of RMB20.8 million (US$3.3 million) in the six months ended June 30, 2012. Our net losses and income reflect the aggregate impact of non-cash items relating to share-based compensation, amortization of intangible assets and depreciation. In addition to the aggregate impact of these non-cash items, our results of operations for these periods were affected by costs and expenses required to build, operate and expand our platform, grow our user base, develop products and services, license third party products and services and make strategic investments. We expect that we will continue to incur costs and expenses such as research and development costs to launch new services and increasing bandwidth costs to support our video function, grow our user and advertiser base and generally expand our business operations. We have only recently become profitable, and may not generate sufficient revenues to offset such costs to achieve or sustain profitability in the future. In addition, we expect to invest heavily in our operations to support our anticipated future growth and to meet our expanded reporting and compliance obligations as a public company.

Our profitability is also affected by other factors beyond our control. For example, we cannot assure you that advertisers will increase or maintain their spending on game media websites or online social platforms, including our platform. The continued success of YY Client depends on our ability to identify which IVAS will appeal to our user base and to obtain them on commercially acceptable terms. Our ability to finance our planned expansion also depends in part on our ability to attract advertisers and successfully compete in a very competitive market.

We have a limited history operating our business. We only introduced YY Client in July 2008 and have experienced a high growth rate since then. As a result, our historical results of operations may not provide a meaningful basis for evaluating our business, financial performance and future prospects. We may not be able to achieve similar growth rates in future periods. Accordingly, you should not rely on our results of operations for any prior periods as an indication of our future performance. We may again incur net losses in the future and you should consider our prospects in light of the risks and uncertainties which early-stage companies in evolving industries in China with limited operating histories such as ours may be exposed to or encounter, including risks associated with being a public company with business operations located mainly in China. See “—Risks Relating to Our ADSs and This Offering—The trading prices of our ADSs are likely to be volatile, which could result in substantial losses to investors.”

We generate a significant portion of our revenues from a limited number of popular online games. If we cannot continue to offer these popular games for any reason, if we are unable to successfully source new online games, if the terms of the revenue-sharing arrangements become less favorable, or if the number of our paying users for online games declines or ceases to grow for any reason, our revenues from online games may decrease, and our financial condition and results of operations may be materially and adversely affected.

We generate a significant portion of our revenues from a limited number of popular online games on YY, all of which are web games, primarily through selling of game tokens to users for their purchase of in-game virtual items. For example, Dandan Tang, one of our most popular online games, contributed 62.8%, 46.5% and 18.0% of our online game revenues, 62.0%, 33.3% and 9.9% of our total IVAS revenues as well as 42.3%, 24.2% and 8.4% of our total revenues in 2010, 2011 and the six months ended June 30, 2012, respectively. A majority of our popular online web games are created by third party game developers under revenue-sharing arrangements that typically last one to two years, and which typically provide for automatic extension or renewal. If we fail to maintain or renew these contracts on acceptable terms or at all, we may be unable to continue offering these popular online games, and our operating results will be adversely affected. In addition, if our users decide to access these games through our competitors, or if they prefer other online games hosted by our competitors, our operating results could be materially and adversely affected.

Our revenues from online games accounted for 39.7%, 67.3%, 51.9% and 46.4% of our total revenues in 2009, 2010, 2011 and the six months ended June 30, 2012, respectively. We believe that most online games have a limited commercial lifespan. For instance, we believe that Dandan Tang, launched in March 2009, is in a relatively mature stage of its commercial lifespan, and that the revenues we derive from it may decrease in the future. As a result, we must continually source new online games that appeal to our game players. We had previously developed some of our online games internally but source our new online games primarily through revenue-sharing arrangements with third party game developers. We must maintain good relationships with our third party game developers to have access to new popular games with reasonable revenue-sharing terms. Under our current revenue-sharing arrangements, we retain a majority of the gross revenues generated from each particular game. In the future, we may not be able to achieve similarly attractive revenue-sharing terms, which may adversely affect our net revenues. Additionally, we depend upon these third party game developers to provide the technical support necessary to operate their online games on our platform and to develop updates and expansion packs to sustain player interest in a game. Most of our third party game developers have limited operating histories and financial resources, and the contracts we enter into with them do not clearly provide for remedies to us in the event they fail to deliver the games as scheduled.

If we are not successful in sourcing and providing popular new online games, our revenues from online games under revenue-sharing arrangements and in-game virtual items may decrease. If this were to happen, our financial condition and results of operations may be materially and adversely affected.

In addition, the number of our paying users of online games may decline or cease to grow for various reasons. For example, the number of our paying users of online games decreased from 354,000 in the three months ended December 31, 2011 to 327,000 in the three months ended March 31, 2012 and further to 274,000 in the three months ended June 30, 2012. The second quarter of 2012 represented our lowest number of paying users of online games since the second quarter of 2011. The decrease in the number of paying users of online games in the first and second quarters of 2012 was primarily due to certain special operational measures that we took in those quarters. In the normal course of business, we sell bundled packages of virtual items at different face values. In the first and second quarters of 2012, to streamline administration of bundled packages, we suspended the sales of bundled packages below a certain face value. As a result, the users who only wanted to purchase bundled packages at lower face values ceased to purchase bundled packages during this period, which contributed to the reduction in the number of paying users in the first and second quarters of 2012. We resumed the normal practice of selling bundled packages at lower face value in August 2012. Seasonality, to a lesser extent, also contributed to the decrease in the number of paying users of online games in the first quarter of 2012. The number of paying users of online games tends to be lower during public holidays such as the Chinese New Year holidays, which in 2012 fell in late January. In the second quarter of 2012, we deactivated some paying user accounts suspected of being improper user accounts that were registered and used in violation of our policies. These deactivations also contributed to the decrease in the number of paying users of online games in the quarter. Although the number of paying users of online games has increased to 283,000 in the third quarter of 2012 from 274,000 in the second quarter of 2012, it has still decreased compared to its peak in the fourth quarter of 2011. We cannot assure you that the number of paying users of online games will continue to increase or that it will not decrease in the future, whether due to seasonality or other factors.

We rely on online advertising for a significant proportion of our revenues. If we fail to attract more advertisers to our platform or if advertisers are less willing to advertise with us, our revenues, profitability and prospects may be materially and adversely affected. Our increasing dependence on IVAS revenues may also materially and adversely affect our results of operations if our IVAS revenues decline in the future.

In 2009, 2010, 2011 and the six months ended June 30, 2012, online advertising accounted for 57.7%, 31.7%, 27.3% and 15.5%, respectively, of our total revenues. Although we have become less dependent upon online advertising revenues due to a shift in the majority of our revenues from online advertising to IVAS, our profitability and prospects still partly depend on the continuous development of the online advertising industry in China and advertisers' allocation of budgets to internet advertising. In addition, companies that decide to advertise online may utilize more established methods or channels for online advertising, such as more established Chinese internet portals or search engines, over advertising on our platform. If the online advertising market size does not increase from current levels, or if we are unable to capture and retain a sufficient share of

that market, our ability to maintain or increase our current level of online advertising revenues and our profitability and prospects could be materially and adversely affected. These risks may increasingly affect our revenues because we intend to offer new and different forms of online advertising in addition to online game-related advertising on Duowan.com from which we have historically derived the majority of our revenues.

We offer advertising services substantially through contracts entered into with third party advertising agencies. We cannot assure you that we will be able to retain existing direct advertisers or advertising agencies or attract new direct advertisers and advertising agencies. In addition, if any direct advertisers or advertising agencies determine that their expenditures on YY do not generate expected returns, they may allocate a greater portion or all of their advertising budgets to others and reduce or discontinue business with us. Since our arrangements with third party advertising agencies typically involve one-year framework agreements, these advertising arrangements may be easily amended or terminated without incurring liabilities. Failure to retain existing advertisers and advertising agencies or attract new direct advertisers and direct advertising agencies may materially and adversely affect our business, financial condition and results of operations.

In addition, as the majority of our revenues shift to IVAS from online advertising due to an increase in the number of web game virtual items a user may purchase, the launch and increasing popularity of YY Music and our membership subscription program, and an increase in average prices of in-channel virtual items, we have and will become more dependent on revenues from IVAS, so that any decline in IVAS revenues may materially and adversely affect our results of operations. See "—The revenue model we adopt for online games may not remain effective, causing us to lose game players, which may materially and adversely affect our business, financial condition and results of operations" and "—The revenue model for each of YY Music and our membership program is relatively new and may not remain effective, which may cause us to lose users and materially and adversely affect our business, financial condition and results of operations."

We have granted employee stock options and other share-based awards in the past and will continue to do so in the future. We recognize share-based compensation expenses in our consolidated statements of income in accordance with the relevant rules under U.S. GAAP, which have had and may continue to have a material and adverse effect on our results of operations.

We have granted share-based compensation awards, including share options, restricted shares and restricted share units, to various employees, key personnel and other non-employees to incentivize performance and align their interests with ours. Under our 2009 employee equity incentive scheme, or the 2009 Scheme, we are authorized to grant options or restricted shares to purchase a maximum of 118,166,946 common shares. Under our 2011 share incentive plan, or the 2011 Plan, we are authorized to grant options, restricted shares or restricted share units to purchase a maximum of 43,000,000 common shares. As of September 30, 2012, options to purchase 17,870,425 common shares, 53,000,732 restricted shares and 24,103,621 restricted share units were outstanding under the 2009 Scheme and the 2011 Plan. As of September 30, 2012, 14,839,242 restricted shares were granted to management and were outstanding outside of the 2009 Scheme and the 2011 Plan. As a result of these grants and potential future grants, we had incurred in the past and expect to continue to incur in future periods significant share-based compensation expenses. The amount of these expenses is based on the fair value of the share-based awards. We account for compensation costs for certain share-based compensation awards granted in the past using a graded-vesting method and recognize expenses in our consolidated statements of operations in accordance with the relevant rules under U.S. GAAP. The expenses associated with share-based compensation have materially increased our net losses and may reduce our net income in the future, and any additional securities issued under share-based compensation schemes will dilute the ownership interests of our shareholders, including holders of our ADSs. However, if we limit the scope of the share-based compensation schemes, we may not be able to attract or retain key personnel who expect to be compensated by options, restricted shares or restricted share units.

The rate at which we gain registered user accounts may decline, the number of active users we have may fluctuate and we may fail to attract more paying users. As a result, our revenues may fail to grow and our results of operations and financial condition may suffer.

We had 36.5 million, 124.7 million and 266.2 million registered user accounts as of December 31, 2009, 2010 and 2011, respectively. The number of registered user accounts increased by 88.2 million, representing a 241.6% increase from December 31, 2009 to December 31, 2010 and further increased by 141.5 million, representing a 113.5% increase from December 31, 2010 to December 31, 2011. As of September 30, 2012, our registered user accounts reached 400.5 million, which increased by 168.7 million new registered user accounts or 72.8% from 231.8 million as of September 30, 2011. Although we experienced a larger increase of 168.7 million in registered user accounts for the 12 months ended September 30, 2012, as compared to the 141.5 million increase for the 12 months ended December 31, 2011 or to the 88.2 million increase for the 12 months ended December 31, 2010, the rate at which we gained registered user accounts declined from 241.6% for the 12 months ended December 31, 2010 to 113.5% for the 12 months ended December 31, 2011, and further decreased to 72.8% for the 12 months ended September 30, 2012. We believe that the growth rate declined as our total registered user account base continued to grow significantly.

The number of our monthly active users increased by 18.0 million from 35.4 million as of December 31, 2010 to 53.4 million as of December 31, 2011, representing a 50.8% growth. As of September 30, 2012, the number of our monthly active users increased to 66.1 million from 47.5 million as of September 30, 2011, representing a 39.2% growth. Although the growth rate declined from 50.8% for the year ended December 31, 2011 to 39.2% for the 12 months ended September 30, 2012, the increase in the absolute number of our monthly active users for the 12 months ended September 30, 2012 exceeded the increase for the year ended December 31, 2011. We believe that the growth rate declined due to the larger increase in the number of monthly active users, even though we continued to attract similar levels of new monthly active users during such periods.

However, we may fail to attract new registered user accounts at a similar rate in the future and the number of our monthly active users may substantially fluctuate from time to time. If we are unable to attract new registered users and retain them as active users and convert non-paying active users into paying users, our revenues may fail to grow and our results of operations and financial condition may suffer.

We may not be able to keep our users highly engaged, which may in turn reduce our monetization opportunities and as a result, our revenues, profitability and business prospects may be materially and adversely affected.

Our success depends on our ability to maintain and grow our user base and keep our users highly engaged. In order to attract and retain users and remain competitive, we must continue to innovate our products and services, implement new technologies and functionalities and improve the features of our platform in order to entice users to use our products and services more frequently and for longer durations.

The internet industry is characterized by constant changes, including rapid technological evolution, continual shifts in customer demands, frequent introductions of new products and services and constant emergence of new industry standards and practices. Thus our success will depend, in part, on our ability to respond to these changes on a cost-effective and timely basis; failure to do so may cause our user base to shrink and user engagement level to decline and our results of operations would be materially and adversely affected. For example, our plan to more fully extend online video-enabled services across our rich communication social platform and retain the ability to offer high quality delivery of voice and video data may cause us to incur significant additional costs and may not succeed.

Because of the viral nature of online social interactions, users may leave us for competitors’ platforms more quickly than in other online sectors. A decrease in the number of active YY users may reduce the diversity and

vibrancy of YY Client's online social ecosystem and affect our user-generated channels, which may in turn reduce our monetization opportunities and have a material and adverse effect on our business, financial condition and results of operations.

We cannot assure you that our platform will continue to be sufficiently popular with our users to offset the costs incurred to operate and expand it. User satisfaction is particularly difficult to predict as internet users in China may not be familiar with the concept of a rich communication social platform such as ours which provides real-time voice, text and video online. We have historically relied on word of mouth referrals to increase user awareness of our products and services and to expand our user base. If we decide to engage in more conventional advertising or marketing campaigns, our sales and marketing expenses will increase, which could have an adverse effect on our results of operations. Failure to maintain or grow our user base in a cost-effective manner, or at all, and keep our users highly engaged would materially and negatively affect our results of operations.

We face competition in several major aspects of our business. If we fail to compete effectively, we may lose users, and make us less attractive to advertisers which could materially and adversely affect our business, financial condition and results of operations.

We face competition in several major aspects of our business, particularly from companies that provide social networking, internet communication services and online games. Some of our competitors may have longer operating histories and significantly greater financial, technical and marketing resources than we do, and in turn may have an advantage in attracting and retaining users and advertisers. In addition, competitors in some areas of our business may have significantly larger user bases and more established brand names than we do and may be able to more effectively leverage their user bases and brand names to provide integrated social networking, internet communication, online games and other products and services, and thereby increase their respective market shares.

We may face potential competition from global online social networking service providers that seek to enter the China market, whether independently or through the formation of alliances with, or acquisition of, PRC domestic internet companies. In relation to voice-enabled technology, several internet voice communication service providers in China, including iSpeak, Tencent's QQtalk and Dudu, and leading international internet voice communication service providers such as Skype are also expanding into the China market, and some other leading Chinese internet companies have announced the launch of internet voice communication services. Competition in the online game media market in China and the overseas markets is also intense. Duowan.com's primary competitor is 17173.com. Our competitors also include other major platforms that host online games, such as QQ, Renren and Qihoo 360. In addition, we compete with other internet companies that provide voice and video services to Chinese internet users.

If we are not able to effectively compete in any of our lines of business, our overall user base and level of user engagement may decrease, which could reduce our paying users or make us less attractive to advertisers. We may be required to spend additional resources to further increase our brand recognition and promote our products and services, and such additional spending could adversely affect our profitability. Furthermore, if we are involved in disputes with any of our competitors that result in negative publicity to us, such disputes, regardless of their veracity or outcome, may harm our reputation or brand image and in turn lead to reduced number of users and advertisers. Any legal proceedings or measures we take in response to such disputes may be expensive, time-consuming and disruptive to our operations and divert our management's attention.

Our competitors may unilaterally decide to adopt a wide range of measures targeted at us, including possibly designing their products to negatively impact our operations, such as sending virus-like programs to attack elements of our platform. Some competitors may also make their applications incompatible with ours, effectively requiring users to either stop using our competitors' products or uninstall our products, leading to a reduction in our number of users. For example, in a widely publicized dispute between two of the largest companies providing user-end software in China, one of the companies announced that it would disable its own

software on computers that had installed its rival's products. As a result, a significant number of users stopped using products from either or both of these companies. Due to the large number of internet users that were affected, the Ministry of Industry and Information Technology of China, or the MIIT, ordered the parties to ensure the compatibility of the relevant products. Similar events may occur in the future between our competitors and us, which may reduce our market share, negatively affect our brand and reputation, and materially and adversely affect our business, financial condition and results of operations.

Spammers and malicious applications may affect user experience, which could reduce our ability to attract users and advertisers and materially and adversely affect our business, financial condition and results of operations.

Spammers may use YY to send targeted and untargeted spam messages to users, which may affect user experience. As a result, our users may use our products and services less or stop using them altogether. In spamming activities, spammers typically create multiple user accounts for the purpose of sending spam messages. Although we attempt to identify and delete accounts created for spamming purposes, we may not be able to effectively eliminate all spam messages from our platform in a timely fashion. Any spamming activities could have a material and adverse effect on our business, financial condition and results of operations.

The revenue model we adopt for online games may not remain effective, causing us to lose game players, which may materially and adversely affect our business, financial condition and results of operations.

We currently operate substantially all of our online games on YY, all of which are web games, using the virtual items-based revenue model, whereby players can play games for free, but have the option of purchasing in-game virtual items, such as items that improve the strength of game characters, and in-game accessories. We have generated, and expect to continue to generate, a substantial majority of our online game revenues using this revenue model. However, we may not be able to continue successfully implementing the virtual items-based revenue model as we may not be able to develop or obtain the rights to host online games that attract game players or cause such game players to increase the amount of time spent playing and the amount of money spent on purchasing in-game virtual items. The sale of virtual items requires us to closely track game players' tastes and preferences and in-game consumption patterns. If we fail to offer popular virtual items, we may not be able to effectively convert our game player base into paying users or encourage existing paying users to spend more on YY.

In addition, PRC regulators have been implementing regulations designed to reduce the amount of time that youths in China spend playing online games. See "PRC Regulation—Anti-fatigue Compliance System and Real-name Registration System." A revenue model that does not charge for playing time may be viewed by the PRC regulators as inconsistent with this goal. If we were to start charging for playing time, we may lose game players who may choose to play online games from other providers and on other platforms or choose to engage in other alternative forms of entertainment, including traditional offline PC or video games.

We cannot assure you that the revenue model that we have adopted for any of our online games will continue to be suitable for that game, or that we will not in the future need to change our revenue model or introduce a new revenue model for that game. We may change the revenue model for some of our online games if we believe the existing models are not generating adequate revenues. A change in revenue model could result in various adverse consequences, including disruptions of our online games operations, criticism from game players who have invested time and money in a game, decrease in the number of our game players and decrease in the revenues we generate from our online games. Therefore, such a change in revenue model may materially and adversely affect our business, financial condition and results of operations.

The revenue model for each of YY Music and our membership program is relatively new and may not remain effective, which may cause us to lose users and materially and adversely affect our business, financial condition and results of operations.

We operate YY Music using a virtual items-based revenue model whereby YY Music users can listen to music for free, but have the option of purchasing in-channel virtual items. We have generated, and expect to continue to generate, a substantial majority of our YY Music revenues using this revenue model. YY Music has begun to contribute an increasingly larger portion of our total revenues, reaching 28.6% of our total revenues in the six months ended June 30, 2012.

However, we may not be able to continue successfully implementing the virtual items-based revenue model for YY Music, as popular performers may leave YY Music and we may be unable to attract new talents that bring in YY Music users or cause such users to increase the amount of time spent engaging in various activities on our music channels as well as the amount of money spent on purchasing in-channel virtual items.

Furthermore, under our current arrangements with certain popular performers and channel owners, we share with them a portion of the revenues we derive from the sales of in-channel virtual item on YY Music. In the future, the amount we pay to these music channel performers and channel owners may increase or we may fail to reach mutually acceptable terms with respect to these arrangements, which may adversely affect our revenues or cause them to leave our platform. In addition, we are currently a pioneer in offering YY Music performers and YY users an online concert platform. However, if our users decide to access online concert sources or channels offered by our current or future competitors, our operating results could be materially and adversely affected.

Since the launch of YY Music in March 2011, we have conducted marketing campaigns and promotional activities coinciding with popular western or Chinese festivals celebrated by young Chinese people, many of which are in the fourth quarter and ending with the Chinese New Year holidays which typically fall in the first half of the first quarter. These promotions encourage users to purchase virtual items and give them as gifts to performers on YY Music channels as a means of celebration, resulting in a higher number of paying users for YY Music for the fourth quarter. After the Chinese New Year holidays, we launched fewer special events since there are fewer festivals in the rest of the first quarter and the second quarter. As a result, the number of paying users of YY Music increased at a slower pace in the first and second quarters of 2012, from approximately 225,000 in the fourth quarter of 2011 to approximately 230,000 in the first quarter of 2012 and 232,000 in the second quarter of 2012. In the future, our revenues from YY Music may continue to be affected by such seasonality.

In our membership program, users pay a flat monthly subscription fee in order to become members, and in exchange, we give them access to various privileges and enhanced features on our channels, including additional video usage, priority entrance to certain live performances, and exclusive rights to access VIP avatars, VIP ring-tones, VIP fonts and VIP emoticons. We generated membership subscription fees of RMB25.7 million (US$4.0 million) in the six months ended June 30, 2012. However, we may not be able to further build or maintain our membership base in the future for various reasons; for example, if we fail to continue to provide innovative products and services that are attractive to members. Furthermore, the average revenue per paying user for our membership program is lower than that for our online games and YY Music. In the three months ended June 30, 2012, the average revenue per paying user for our membership program was RMB47, as compared to RMB298 for our online games and RMB254 for YY Music.

We use third party services and technologies in connection with our business, and any disruption to the provision of these services and technologies to us could result in adverse publicity and a slowdown in the growth of our users, which could materially and adversely affect our business and results of operations.

Our business depends upon services provided by, and relationships with, third parties. Substantially all of our online advertising revenues are generated through agreements entered into with various third party advertising agencies that represent advertisers. We do not have long-term cooperation agreements or exclusive

arrangements with these agencies and they may elect to direct business opportunities to other advertising service providers. If we fail to retain and enhance our business relationships with these third party advertising agencies, we may suffer from a loss of advertisers and our business and results of operations may be materially and adversely affected.

A significant portion of our IVAS revenues are generated from online games, all of which are web games, and increasingly, from YY Music. If we are unable to obtain or retain rights to host popular online games or popular in-game virtual items, or if we are required to share a bigger portion of our revenues with third party game developers, we could be required to devote greater resources and time to obtain hosting rights for new games and applications from other parties, and our results of operations may be impacted. Furthermore, if we are unable to attract popular talents such as performers, channel managers and hosts for YY Music channels or if these talents cannot draw large numbers of fans or participants, our results of operations may be adversely affected. Also, if channel owners are unable to reach or maintain mutually satisfactory cooperation arrangements with the performers on their channels, we may lose popular performers and our business and operations may be adversely affected. In addition, some third party software we use in our operations are currently publicly available without charge. If the owner of any such software decides to charge users or no longer makes the software publicly available, we may need to incur significant cost to license the software, find replacement software or develop it on our own. If we are unable to find or develop replacement software at a reasonable cost, or at all, our business and operations may be adversely affected.

Some of the games offered on our platform run on a complex network of servers located in and maintained by third party data centers throughout China and our overall network relies on broadband connections provided by third party operators. We expect this dependence on third parties to continue. The networks maintained and services provided by such third parties are vulnerable to damage or interruption, which could impact our results of operations. See "—System failure, interruptions and downtime can result in adverse publicity for our products and result in net revenue losses, a slowdown in the growth of our registered user accounts and a decrease in the number of our active users. If any of these system disruptions occurs, our business, financial condition and results of operations may be materially and adversely affected."

In addition, we sell a significant portion of our products and services through third party online payment systems. If any of these third party online payment systems suffer from security breaches, users may lose confidence in such payment systems and refrain from purchasing our virtual items online, in which case our results of operations would be negatively impacted. See "—The security of operations of, and fees charged by, third party online payment platforms may have material and adverse effects on our business."

We exercise no control over the third parties with whom we have business arrangements. If such third parties increase their prices, fail to provide their services effectively, terminate their service or agreements or discontinue their relationships with us, we could suffer service interruptions, reduced revenues or increased costs, any of which may have a material and adverse effect on our business, financial condition and results of operations.

System failure, interruptions and downtime can result in adverse publicity for our products and result in net revenue losses, a slowdown in the growth of our registered user accounts and a decrease in the number of our active users. If any of these system disruptions occurs, our business, financial condition and results of operations may be materially and adversely affected.

Although we seek to reduce the possibility of disruptions or other outages, our services may be disrupted by problems with our own technology and system, such as malfunctions in our software or other facilities and network overload. Our systems may be vulnerable to damage or interruption from telecommunication failures, power loss, computer attacks or viruses, earthquakes, floods, fires, terrorist attacks and similar events. We have experienced system failures, including a partial system outage in 2009 caused by hackers hired by a competing business intending to maliciously overwhelm and clog our servers and our routing system. Those responsible

were subsequently found guilty and penalized by the PRC courts and we have subsequently updated our system to make it more difficult for similar attacks to succeed in the future, but we cannot assure you that there will be no similar failures in the future. Parts of our system are not fully redundant, and our disaster recovery planning is not sufficient for all eventualities. Despite any precaution we may take, the occurrence of a natural disaster or other unanticipated problems at our hosting facilities could result in lengthy interruptions in the availability of our products and services. Any interruption in the ability of our users to use our products and services could reduce our future revenues, harm our future profits, subject us to regulatory scrutiny and lead users to seek alternative forms of online social interactions.

Our servers that process user payments experience some downtime on a regular basis, which may negatively affect our brand and user perception of the reliability of our systems. Any scheduled or unscheduled interruption in the ability of users to use our payment systems could result in an immediate, and possibly substantial, loss of revenues.

Almost all internet access in China is maintained through state-owned telecommunication operators under the control and supervision of the MIIT, and we use a limited number of telecommunication service providers to provide us with data communications capacity through local telecommunications lines and internet data centers to host our servers. Internet data centers in China are generally owned by telecommunication service providers with their own broadband networks and are leased to various customers through third party agents. These third party agents negotiate the terms of the leases, enter into lease agreements with end customers, handle customer interactions and manage the data centers on behalf of the data center owners. In the past, we signed data center lease agreements with multiple third party agents. With the expansion of our business, we may be required to purchase more bandwidth and upgrade our technology and infrastructure to keep up with the increasing traffic on our websites and increasing user levels on our platform overall. We cannot assure you that the telecommunications providers whose networks we lease or the third party agents that operate our data centers would be able to accommodate all of our requests for more bandwidth or upgraded infrastructure or network, or that the internet infrastructure and the fixed telecommunications networks in China will be able to support the demands associated with the continued growth in our internet usage.

Our users may use our products or services for critical transactions and communications, especially business communications. As a result, any system failures could result in damage to such users' businesses. These users could seek significant compensation from us for their losses. Even if unsuccessful, this type of claim likely would be time consuming and costly for us to address.

We have limited control over the prices of the services provided by telecommunication service providers and may have limited access to alternative networks or services. If the prices we pay for telecommunications and internet services rise significantly, our results of operations may be materially and adversely affected. Furthermore, if internet access fees or other charges to internet users increase, our user traffic may decline and our business may be harmed.

The respective number of our registered user accounts, active users, paying users and unique visitors may overstate the number of unique individuals who register to use our products and services, log onto YY Client, purchase virtual items or other products and services on our platform or access Duowan.com, respectively, and may therefore lead to an inaccurate interpretation of our average revenue per paying user metric and of our business operations by our management and by investors, and may affect advertisers, decisions on the amount spent on advertising with us, which may materially and adversely affect our business and results of operations.

We do not operate our platform on a real-name basis and therefore we cannot and do not track the unique paying users. Instead, we track the number of registered user accounts, active users, paying users and unique visitors. We calculate certain operating metrics in the following ways: (a) the number of registered user accounts is the cumulative number of user accounts at the end of the relevant period that have logged onto YY Client at

least once after registration, (b) the number of active users is the cumulative number of user accounts at the end of the relevant period that have signed onto YY Client at least once during the relevant period, (c) the number of paying users is the cumulative number of registered user accounts that have purchased virtual items or other products and services on our platform at least once during the relevant period, and (d) the number of unique visitors is the number of visits to Duowan.com from specific IP addresses for the relevant period, with each IP address counting as a separate unique visitor. The actual number of unique individual users, however, is likely to be lower than that of registered user accounts, active users, paying users and unique visitors, potentially significantly, for three primary reasons. First, each individual user may register more than once and therefore have more than one account, and sign onto each of these accounts during a given period. For example, a user may (a) create separate accounts for community and personal use and log onto each account at different times for different activities or (b) if he or she lost his or her original YY Client username or password, he or she can simply register again and create an additional account. Second, we experience irregular registration activities such as the creation of a significant number of improper user accounts by a limited number of individuals, which may be in violation of our policies, including for the purpose of clogging our network or posting spam to our channels. We believe that some of these accounts may also be created for specific purposes such as to increase the number of votes for certain performers in various contests, but the number of registered user accounts, paying users and active users do not exclude user accounts created for such purposes. We have limited ability to validate or confirm the accuracy of information provided during the user registration process to ascertain whether a new user account created was actually created by an existing user who is registering duplicative accounts. Third, each individual user may access Duowan.com from more than one IP address; although subsequent visits from the same IP address do not add to our total unique visitors count, each new IP address used by an individual would be counted as a different unique visitor to Duowan.com. For example, a user would be counted as a unique visitor three times if he or she accessed Duowan.com from the user's home computer, office computer and mobile phone. Thus, the respective number of our registered user accounts, active users, paying users and unique visitors may overstate the number of unique individuals who register on our platform, sign onto YY Client, purchase virtual items or other products and services on our platform and access Duowan.com, respectively which may lead to an inaccurate interpretation of our average revenue per paying user metric. In addition, we may be unable to track whether we are successfully converting registered users or active users into paying users since we do not track the number of unique individuals or operate our platform on a real-name basis. If the growth in the number of our registered user accounts, active users, paying users or unique visitors is lower than the actual growth in the number of unique individual registered, active or paying users or unique visitors, our user engagement level, sales of IVAS and our business may not grow as quickly as we expect, and advertisers may reduce the amount spent on advertising with us, which may harm our business, financial condition and results of operations. In addition, such overstatement may cause inaccurate evaluation of our business operations by our management and by investors, which may also materially and adversely affect our business and results of operations.

If we are unable to successfully capture and retain the growing number of users that access internet services through mobile devices or successfully monetize Mobile YY, our business, financial condition and results of operations may be materially and adversely affected.

YY is now available to users from PCs, as well as mobile devices. An increasing number of users are accessing our platform through Mobile YY. For example, there were approximately 0.9 million and approximately 2.9 million activations of Mobile YY in January 2012 and September 2012, respectively. As Mobile YY does not require users to log in to their user accounts to use its general features, we cannot and do not track how many Mobile YY users also access the YY platform from PCs. An important element of our strategy is to continue to further develop enhanced features for Mobile YY to capture a greater share of the growing number of users that access internet services such as ours through mobile devices.

As new laptops, mobile devices and operating systems are continually being released, it is difficult to predict the problems we may encounter in developing versions of our products and services for use on these devices and operating systems, and we may need to devote significant resources to create, support and maintain

these services. Devices providing access to our products and services are not manufactured and sold by us, and we cannot assure you that the companies manufacturing or selling these devices would always ensure that their devices perform reliably and are maximally compatible with our systems. Any faulty connection between these devices and our products and services may result in consumer dissatisfaction with us, which could damage our brand and have a material and adverse effect on our financial results. In addition, the lower resolution, functionality and memory associated with some mobile devices make the use of our products and services through such devices more difficult and the versions of our products and services we develop for these devices may fail to attract users. Manufacturers or distributors may establish unique technical standards for their devices and, as a result, Mobile YY may not work or be viewable on these devices. Furthermore, new social platforms or services may emerge which are specifically created to function on mobile operating systems, as compared to our platform that was originally designed to be accessed from PCs, and such new entrants may operate more effectively on mobile devices than Mobile YY does.

Although we currently do not monetize Mobile YY in any way, if we are unable to attract and retain the increasing number of Mobile YY users, or if we are slower than our competitors in developing attractive services adaptable for mobile devices, we may fail to capture a significant share of an increasingly important portion of the market or may lose existing users. In addition, even if we are able to retain the increasing number of Mobile YY users, we may not be able to successfully monetize them in the future. For example, because of the inherent limitations of mobile devices, such as a smaller display screen space as compared to PCs, we may not be able to provide as many kinds of virtual items on Mobile YY as we can on YY Client, which may limit the monetization potential of Mobile YY. In addition, for the benefit of user experience, we do not currently intend to monetize Mobile YY by placing advertisements on Mobile YY. We believe that advertising on Mobile YY may clutter the user interface and distract users from their in-channel activities. This restriction on advertisements may also limit Mobile YY’s ability to generate revenues. Any of the above may have a material and adverse effect on our business, financial condition and results of operations.

Growth in the use of Mobile YY, where our ability to monetize is unproven, as a substitute for the use of YY platform on PCs may negatively affect our revenues and financial results.

Although we believe users are unlikely to migrate to Mobile YY and cease to use YY through PCs, and that most of our Mobile YY users also access our YY platform through PCs, we cannot assure you that the increasing usage of Mobile YY will not cause Mobile YY users to cease accessing the YY platform from PCs. Although we do not currently monetize Mobile YY, we have plans to monetize it by selling virtual items on Mobile YY, but we cannot ensure that such plans will be commercially successful when we launch them in the future. If we are unable to successfully monetize Mobile YY, and if a significant number of users migrate to Mobile YY as a substitute for accessing the YY platform through PCs, our business, results of operations and financial condition would be negatively affected.

Concerns about collection and use of personal data could damage our reputation and deter current and potential users from using our products and services, which could lead to lower advertising revenues or lower IVAS revenues.

Concerns about our practices with regard to the collection, use or disclosure of personal information or other privacy-related matters, even if unfounded, could damage our reputation and operating results. YY Client, launched in July 2008, had attracted 400.5 million registered user accounts as of September 30, 2012 and had approximately 12.7 million channels as of September 30, 2012. We apply strict management and protection for any information provided by users and, under our privacy policy, without our users’ prior consent, we will not provide any of our users’ personal information to any unrelated third party. While we strive to comply with our privacy guidelines as well as all applicable data protection laws and regulations, any failure or perceived failure to comply may result in proceedings or actions against us by government entities or others, and could damage our reputation. User and regulatory attitudes towards privacy are evolving, and future regulatory or user concerns about the extent to which personal information is used or shared with advertisers or others may adversely affect

our ability to share certain data with advertisers, which may limit certain methods of targeted advertising. Concerns about the security of personal data could also lead to a decline in general internet usage, which could lead to lower registered, active or paying user numbers on our platform. For example, if the PRC government authorities require real-name registration for YY Client users, the growth of our user numbers may slow and our business, financial condition and results of operations may be adversely affected. See "—Risks Related to Our Corporate Structure and Our Industry—We may be adversely affected by the complexity, uncertainties and changes in PRC regulations of internet business and companies." A significant reduction in registered, active or paying user numbers could lead to lower advertising revenues or lower IVAS revenues, which could have a material and adverse effect on our business, financial condition and results of operations.

The security of operations of, and fees charged by, third party online payment platforms may have material and adverse effects on our business.

Currently, we sell all of our IVAS to our users through third party online payment systems. In the six months ended June 30, 2012, 84.5% of our total net revenues were derived from IVAS. We expect that an increasing amount of our sales will be conducted over the internet as a result of the growing use of online payment systems. In all these online payment transactions, secured transmission of confidential information such as customers' credit card numbers and personal information over public networks is essential to maintain consumer confidence.

We do not have control over the security measures of our third party online payment vendors, and security breaches of the online payment systems that we use could expose us to litigation and possible liability for failing to secure confidential customer information and could, among other things, damage our reputation and the perceived security of all of the online payment systems that we use. If a well-publicized internet or mobile network security breach were to occur, users concerned about the security of their online financial transactions may become reluctant to purchase our virtual items even if the publicized breach did not involve payment systems or methods used by us. In addition, there may be billing software errors that would damage customer confidence in these online payment systems. If any of the above were to occur and damage our reputation or the perceived security of the online payment systems we use, we may lose paying users and users may be discouraged from purchasing our IVAS, which may have an adverse effect on our business.

In addition, there are currently only a limited number of third party online payment systems in China, such as Alipay and Tenpay. If any of these major payment systems decides to significantly increase the percentage they charge us for using their payment systems for our virtual items and other services, our results of operations may be materially and adversely affected.

Our core values of focusing on user experience and satisfaction first and acting for the long-term may conflict with the short-term operating results of our business, and also negatively impact our relationships with advertisers or other third parties.

One of our core values is to focus on user experience and satisfaction, which we believe is essential to our success and serves the best, long-term interests of our company and our shareholders. Therefore, we have made, and may make in the future, significant investments or changes in strategy that we think will benefit our users, even if our decision negatively impacts our operating results in the short-term. For example, in order to provide users of YY Client with uninterrupted entertainment options, we do not place significant advertising on YY Client. While this decision adversely affects our operating results in the short-term, we believe it enables us to provide higher quality user experience on YY Client, which will help us expand and maintain our current large user base and create better monetizing potential in the long-term. In addition, this philosophy of putting our users first may also negatively impact our relationships with advertisers or other third parties, and may not result in the long-term benefits that we expect, in which case the success of our business and operating results could be harmed.

Trademarks registered, internet search engine keywords purchased and domain names registered by third parties that are similar to our trademarks, brands or websites could cause confusion to our users, divert online customers away from our products and services or harm our reputation.

Competitors and other third parties may purchase (a) trademarks that are similar to our trademarks and (b) keywords that are confusingly similar to our brands or websites in internet search engine advertising programs and in the header and text of the resulting sponsored links or advertisements in order to divert potential customers from us to their websites. Preventing such unauthorized use is inherently difficult. If we are unable to prevent such unauthorized use, competitors and other third parties may continue to drive potential online customers away from our platform to competing, irrelevant or potentially offensive platforms, which could harm our reputation and cause us to lose revenue.

We may be held liable for information or content displayed on, retrieved from or linked to our platform, or distributed to our users, and PRC authorities may impose legal sanctions on us, including, in serious cases, suspending or revoking the licenses necessary to operate our platform.

Our rich communication social platform enables users to exchange information, generate content, advertise products and services, conduct business and engage in various other online activities. However, our platform does not require real-name registration by our users and because a majority of the communications on our platform is conducted in real time, we are unable to verify the sources of all information posted thereon or examine the content generated by users before they are posted. Therefore, it is possible that users may engage in illegal, obscene or incendiary conversations or activities, including the publishing of inappropriate or illegal content, that may be deemed unlawful under PRC laws and regulations on our platform. If any content on our platform is deemed illegal, obscene or incendiary, or if appropriate licenses and third party consents have not been obtained, claims may be brought against us for defamation, libel, negligence, copyright, patent or trademark infringement, other unlawful activities or other theories and claims based on the nature and content of the information delivered on or otherwise accessed through our platforms. For example, we have occasionally received fines for certain inappropriate materials placed by third parties on our platform, and may be subject to similar fines and penalties in the future. We also may face liability for copyright or trademark infringement, fraud, and other claims based on the nature and content of the materials that are delivered, shared or otherwise accessed through or published on our platform. Defending any such actions could be costly and involve significant time and attention of our management and other resources. In addition, if they find that we have not adequately managed the content on our platform, PRC authorities may impose legal sanctions on us, including, in serious cases, suspending or revoking the licenses necessary to operate our platform. See "PRC Regulation—Information Security and Censorship."

We may be subject to intellectual property infringement claims or other allegations, which could require us to pay substantial statutory penalties or other damages and fines, remove relevant content from our website or enter into license agreements which may not be available on commercially reasonable terms.

Some of our competitors may own technology patents, copyrights, trademarks, trade secrets and website content, which they may use to assert claims against us. In addition, content generated through YY, including real-time content, may also potentially cause disputes regarding content ownership or intellectual property. We have certain procedures designed to reduce the likelihood that we may use, develop or make available any content or applications without the proper licenses or necessary third party consents. However, these procedures may not be effective in completely preventing the unauthorized posting or use of copyrighted material or the infringement of other rights of third parties. See "—Risks Relating to Doing Business in China—Content posted or displayed on our platform may be found objectionable by PRC regulatory authorities and may subject us to penalties and other severe consequences."

The validity, enforceability and scope of protection of intellectual property rights in internet-related industries, particularly in China, are uncertain and still evolving. As we face increasing competition and as litigation becomes a more common way to resolve disputes in China, we face a higher risk of being the subject of intellectual property infringement claims. Pursuant to relevant laws and regulations, online service providers that

provide information storage space for users to upload works or link services may be held liable for damages if such providers have reasons to know that the works uploaded or linked infringe the copyrights of others. In cases involving the unauthorized posting of copyrighted content by users on websites in China, there have been court proceedings but no settled court practice that provides clear guidance as to under what circumstances hosting providers and administrators of a platform such as ours can be held liable for the unauthorized posting by users of copyrighted material. See "PRC Regulation—Intellectual Property Rights." Any such proceeding could result in significant costs to us and divert our management's time and attention from the operation of our business, as well as potentially adversely impact our reputation, even if we are ultimately absolved of all liability.

In addition, although we have not been subject to claims or lawsuits outside China, we cannot assure you that we will not become subject to intellectual property laws in other jurisdictions, such as the United States, by virtue of our ADSs being listed on the Nasdaq Global Market, the ability of users to access our videos in the United States and other jurisdictions, the ownership of our ADSs by investors in the United States and other jurisdictions, or the extraterritorial application of foreign law by foreign courts or otherwise. In addition, as a publicly listed company, we may be exposed to increased risk of litigation. If a claim of infringement brought against us in the United States or other jurisdictions is successful, we may be required to pay substantial statutory penalties or other damages and fines, remove relevant content from our website or enter into license agreements which may not be available on commercially reasonable terms or at all.

We may not be able to successfully halt the operations of platforms that aggregate our data as well as data from other companies, including social networks, or "copycat" platforms that have misappropriated our data in the past or may misappropriate our data in the future. Those platforms may also lure away some of our users or advertisers or reduce our market share, causing material and adverse effects on our business operations.

From time to time, third parties have misappropriated our data through scraping our platform, robots or other means and aggregated this data on their platforms with data from other companies. In addition, "copycat" platforms or client applications have misappropriated data on our platform, implanted Trojan viruses in user PCs to steal user data from YY Client and attempted to imitate our brand or the functionality of our platform. When we became aware of such platforms, we employed technological and legal measures in an attempt to halt their operations. However, we may not be able to detect all such platforms in a timely manner and, even if we could, technological and legal measures may be insufficient to stop their operations. In those cases, our available remedies may not be adequate to protect us against such platforms. Regardless of whether we can successfully enforce our rights against these platforms, any measures that we may take could require significant financial or other resources from us. Those platforms may also lure away some of our users or advertisers or reduce our market share, causing material and adverse effects to our business operations.

We may not be able to prevent others from unauthorized use of our intellectual property, which could harm our business and competitive position.

We regard our trademarks, service marks, patents, domain names, trade secrets, proprietary technologies and similar intellectual property as critical to our success, and we rely on trademark and patent law, trade secret protection and confidentiality and license agreements with our employees and others to protect our proprietary rights. As of October 8, 2012, we had registered 31 domain names, including YY.com, Duowan.com and Chinaduo.com, 44 software copyrights, three patents and 73 trademarks and service marks in China. In addition, we have filed 22 patent applications covering certain of our proprietary technologies and 77 trademark applications in China.

It is often difficult to create and enforce intellectual property rights in China. Patents, trademarks and service marks may also be invalidated, circumvented, or challenged. Trade secrets are difficult to protect, and our trade secrets may be leaked or otherwise become known or be independently discovered by others. Confidentiality agreements may be breached, and we may not have adequate remedies for any breach. Even

where adequate, relevant laws exist in China, it may not be possible to obtain swift and equitable enforcement of such laws, or to obtain enforcement of a court judgment or an arbitration award delivered in another jurisdiction, and accordingly, we may not be able to effectively protect our intellectual property rights or enforce agreements in China. Policing any unauthorized use of our intellectual property is difficult and costly and the steps we have taken may be inadequate to prevent the misappropriation of our technologies. Given the potential cost, effort, risks and downsides of obtaining patent protection, in some cases we have not and do not plan to apply for patents or other forms of formal intellectual property protection for certain key technologies. If some of these technologies are later proven to be important to our business and are used by third parties without our authorization, especially for commercial purposes, our business and competitive position may be harmed.

As our patents may expire and may not be extended, our patent applications may not be granted and our patent rights may be contested, circumvented, invalidated or limited in scope, our patent rights may not protect us effectively. In particular, we may not be able to prevent others from developing or exploiting competing technologies, which could have material and adverse effects on our business operations, financial condition and results of operations.

In China, the valid period of utility model patent right or design patent right is ten years and is not extendable. Currently, we have patent applications pending in China, but we cannot assure you that we will be granted patents pursuant to our pending applications. Even if our patent applications succeed and we are issued patents in accordance with them, it is still uncertain whether these patents will be contested, circumvented or invalidated in the future. The rights granted under any issued patents may not provide us with proprietary protection or competitive advantages. Further, the claims under any patents that issue from our patent applications may not be broad enough to prevent others from developing technologies that are similar or that achieve results similar to ours. It is also possible that the intellectual property rights of others will bar us from licensing and from exploiting any patents that issue from our pending applications. Numerous U.S. and foreign issued patents and pending patent applications owned by others exist in the fields in which we have developed and are developing our technology. These patents and patent applications might have priority over our patent applications and could subject our patent applications to invalidation. Finally, in addition to those who may claim priority, any of our existing or pending patents may also be challenged by others on the basis that they are otherwise invalid or unenforceable.

If we fail to maintain and enhance our brands, or if we incur excessive expenses in this effort, our business, results of operations and prospects may be materially and adversely affected.

We believe that maintaining and enhancing our brands is of significant importance to the success of our business. Well-recognized brands are important to increasing the number of users and the level of engagement of our users and enhancing our attractiveness to advertisers. Since we operate in a highly competitive market, brand maintenance and enhancement directly affect our ability to maintain our market position.

Although we have developed YY mostly through word of mouth referrals, as we expand, we may conduct various marketing and brand promotion activities using various methods to continue promoting our brands. We cannot assure you, however, that these activities will be successful or that we will be able to achieve the brand promotion effect we expect. In addition, any negative publicity in relation to our products or services, regardless of its veracity, could harm our brands and reputation.

We have sometimes received, and expect to continue to receive, complaints from users regarding the quality of the products and services we offer. If our users' complaints are not addressed to their satisfaction, our reputation and our market position could be significantly harmed, which may materially and adversely affect our business and prospects.

Our business depends substantially on the continuing efforts of our executive officers and key employees, and our business operations may be severely disrupted if we lose their services.

Our future success depends substantially on the continued efforts of our executive officers and key employees. If one or more of our executive officers or key employees were unable or unwilling to continue their services with us, we might not be able to replace them easily, in a timely manner, or at all. In addition, our executive officers and key employees hold the equity interests in Beijing Tuda and Guangzhou Huaduo, our PRC consolidated affiliated entities. In particular, Mr. David Xueling Li, our co-founder, chief executive officer and director, Mr. Tony Bin Zhao, our director and chief technology officer, and Mr. Jin Cao, the general manager of our website department, own 97.7%, 1.5% and 0.8% of Beijing Tuda's equity interests, respectively. Messrs. Li, Zhao and Cao and Beijing Tuda also own approximately 1.7%, 0.1%, 0.1% and 96.6% of Guangzhou Huaduo's equity interests, respectively, with the remaining 1.5% owned by Mr. Jun Lei, our co-founder and chairman. If any of these executive officers and key employees terminate their services with us, we have the contractual right to appoint designees to hold the PRC consolidated affiliated entities' equity interests. However, our business may be severely disrupted, our financial condition and results of operations may be materially and adversely affected and we may incur additional expenses to recruit, train and retain personnel. If any of our executive officers or key employees joins a competitor or forms a competing company, we may lose customers, know-how and key professionals and staff members. Each of our executive officers and key employees has entered into an employment agreement and a non-compete agreement with us. However, as advised by our PRC counsel, Zhong Lun Law Firm, certain provisions under the non-compete agreement may not be deemed valid or enforceable under PRC laws, if any dispute arises between our executive officers and key employees and us, we cannot assure you that we would be able to enforce these non-compete agreements in China, where these executive officers reside, in light of uncertainties with China's legal system. See "—Risks Relating to Doing Business in China—Uncertainties in the interpretation and enforcement of Chinese laws and regulations could limit the legal protections available to you and us."

If we are unable to attract, train and retain qualified personnel, our business may be materially and adversely affected.

Our future success depends, to a significant extent, on our ability to attract, train and retain qualified personnel, particularly management, technical and marketing personnel with expertise in the internet industry; inability to do so may materially and adversely affect our business. Since the internet industry is characterized by high demand and intense competition for talent, we cannot assure you that we will be able to attract or retain qualified staff or other highly skilled employees. As our company is relatively young, our ability to train and integrate new employees into our operations may not meet the growing demands of our business which may materially and adversely affect our ability to grow our business and hence our results of operations.

Our results of operations are subject to substantial quarterly and annual fluctuations due to a number of factors that could adversely affect our business and the trading price of our ADSs.

We experience seasonality in our business, reflecting seasonal fluctuations in internet usage. As a result, comparing our operating results on a period-to-period basis may not be meaningful. For example, online user numbers tend to be lower during school holidays and certain parts of the school year, and advertising revenues tend to be lower during the Chinese New Year season, which negatively affects our cash flow for those periods. We may also experience a reduction in active users in the third quarter of each year because a significant portion of our users are students, and as the new school year begins, student access to computers and the internet are affected. Internet usage and the rate of internet growth may also be expected to decline during the summer school holidays as some students lose regular internet access. Furthermore, the number of paying users of YY Music correlates with the marketing campaigns and promotional activities we conduct which coincide with popular western or Chinese festivals celebrated by young Chinese people, many of which are in the fourth quarter and ending with the Chinese New Year holidays which typically fall in the first half of the first quarter.

Due to the foregoing factors, our operating results in one or more future quarters or years may fall below the expectations of securities analysts and investors. In such event, the trading price of our ADSs would likely be materially and adversely affected. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Seasonality" for additional details regarding the effects of seasonality on our cash flow, operating performance and financial results.

Our business, financial condition and results of operations, as well as our ability to obtain financing, 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 such disruptions has persisted. 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. We derived approximately 97.4%, 99.0%, 79.2% and 61.9% of our net revenues in 2009, 2010, 2011 and the six months ended June 30, 2012 from the online gaming and online advertising industries. In addition, we derived approximately 16.5% and 28.6% of our net revenues in 2011 and the six months ended June 30, 2012 from YY Music. The online gaming and online advertising industries, along with YY Music, may be affected by economic downturns. Thus, our business and prospects may be affected by the macroeconomic environment in China. A prolonged slowdown in China's economy may lead to a reduced amount of online advertising, which could materially and adversely affect our business, financial condition and results of operations. In addition, our products and services may be viewed as discretionary by our users, who may choose to discontinue or reduce spending on such products and services during an economic downturn. In such an event, our ability to retain existing users and increase new users will be adversely affected, which would in turn negatively impact our business and results of operations.

Moreover, a slowdown or disruption in the global or China's economy may have a material and adverse impact on financings available to us. The weakness in the economy could erode investors' confidence, which constitutes the basis of the credit market. The recent financial turmoil affecting the financial markets and banking system may significantly restrict our ability to obtain financing in the capital markets or from financial institutions on commercially reasonable terms, or at all. Although we are uncertain about the extent to which the recent global financial and economic crisis and slowdown of China's economy may impact our business in the short-term and long-term, there is a risk that our business, results of operations and prospects would be materially and adversely affected by any global economic downturn or disruption or slowdown of China's economy.

Future strategic alliances or acquisitions may have a material and adverse effect on our business, reputation and results of operations.

We may enter into strategic alliances, including joint ventures or minority equity investments, with various third parties to further our business purpose from time to time. These alliances could subject us to a number of risks, including risks associated with sharing proprietary information, non-performance by the third party and increased expenses in establishing new strategic alliances, any of which may materially and adversely affect our business. We may have limited ability to monitor or control the actions of these third parties and, to the extent any of these strategic third parties suffers negative publicity or harm to their reputation from events relating to their business, we may also suffer negative publicity or harm to our reputation by virtue of our association with any such third party.

In addition, although we have no current acquisition plans, if appropriate opportunities arise, we may acquire additional assets, products, technologies or businesses that are complementary to our existing business. Future acquisitions and the subsequent integration of new assets and businesses into our own would require significant attention from our management and could result in a diversion of resources from our existing business, which in turn could have an adverse effect on our business operations. Acquired assets or businesses may not generate the financial results we expect. Acquisitions could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities, the occurrence of significant goodwill impairment charges, amortization expenses for other intangible assets and exposure to potential unknown liabilities of the

acquired business. Moreover, the costs of identifying and consummating acquisitions may be significant. In addition to possible shareholders' approval, we may also have to obtain approvals and licenses from relevant government authorities for the acquisitions and to comply with any applicable PRC laws and regulations, which could result in increased delay and costs.

If we fail to implement and maintain an effective system of internal controls, we may be unable to accurately report our results of operations or prevent fraud or fail to meet our reporting obligations, and investor confidence and the market price of our ADSs may be materially and adversely affected.

Prior to this offering, we were a private company with limited accounting personnel and other resources with which to address our internal controls and procedures. Our independent registered public accounting firm has not conducted an audit of our internal control over financial reporting. However, in connection with the audit of our consolidated financial statements as of and for the three years ended December 31, 2011 and the review of our consolidated financial statements as of and for the three months ended March 31, 2012, we and our independent registered public accounting firm identified two material weaknesses in our internal control over financial reporting, as defined in the standards established by the Public Company Accounting Oversight Board of the United States. We have implemented and are continuing to implement a number of measures to address the material weaknesses identified. As a result of such efforts, subsequently, in connection with the review of our consolidated financial statements as of and for the three months ended June 30, 2012, we and our independent registered public accounting firm identified only one significant deficiency. For details, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Internal Control Over Financial Reporting." However, although we have remediated one material weakness and reduced the other material weakness to a significant deficiency through our efforts, we cannot assure you that we will be able to continue implementing these measures in the future, or that we will not identify additional material weaknesses or significant deficiencies in the future.

Furthermore, it is possible that, had our independent registered public accounting firm conducted an audit of our internal control over financial reporting, such firm might have identified additional material weaknesses and deficiencies. Upon the completion of this offering, we will become a public company in the United States subject to the Sarbanes-Oxley Act of 2002. Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, will require that we include a report of management on 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, 2013. In addition, once we cease to be an "emerging growth company" as such term is defined in the JOBS Act, our independent registered public accounting firm must attest to and report on the effectiveness of our internal control over financial reporting. Our management may conclude that our internal control over financial reporting is not effective. Moreover, even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm, after conducting its own independent testing, may issue a report that is qualified if it is not satisfied with our internal controls or the level at which our controls are documented, designed, operated or reviewed, or if it interprets the relevant requirements differently from us. In addition, after we become a public company, our reporting obligations may place a significant strain on our management, operational and financial resources and systems for the foreseeable future. We may be unable to timely complete our evaluation testing and any required remediation.

During the course of documenting and testing our internal control procedures, in order to satisfy the requirements of Section 404, we may identify other weaknesses and deficiencies in our internal control over financial reporting. In addition, if we fail to maintain the adequacy of our internal control over financial reporting, as these standards are modified, supplemented or amended from time to time, we may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404. If we fail to achieve and maintain an effective internal control environment, we could suffer material misstatements in our financial statements and fail to meet our reporting obligations, which would likely cause investors to lose confidence in our reported financial information. This could in turn limit our access to capital markets, harm our results of operations, and lead to a decline in the trading price of our ADSs.

Additionally, ineffective internal control over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to potential delisting from the stock exchange on which we list, regulatory investigations and civil or criminal sanctions. We may also be required to restate our financial statements from prior periods.

Some of our users may make sales or purchases through unauthorized third party platforms of virtual items we offer for free on our platform, which may affect our revenue-generating opportunities and exert downward pressure on the prices we charge for our virtual items.

We, from time to time, offer virtual items free of charge to attract users or encourage user participation in channels. Some of our users may sell or purchase such free virtual items through unauthorized third party sellers in exchange for real currency. For example, fans of a performer may pay other users to send flowers or gifts the latter have accumulated on YY Client to the performer, in order to show support and raise the popularity ranking of the performer of their choice. These unauthorized transactions are usually arranged on third party platforms which we do not and are unable to track or monitor. Accordingly, these unauthorized purchases and sales from third party sellers may affect our revenue-generating opportunities and may impede our revenue and profit growth by, among other things, reducing the revenues we could have generated and exerting downward pressure on the prices we charge for our virtual items.

We have limited business insurance coverage, so that any uninsured occurrence of business disruption may result in substantial costs to us and the diversion of our resources, which could have an adverse effect on our results of operations and financial condition.

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 may disrupt our business operations, require us to incur substantial costs and divert our resources, which could have an adverse effect on our results of operations and financial condition.

Risks Relating to Our Corporate Structure and Our Industry

If the PRC government finds that the structure we have adopted for our business operations does not comply with PRC laws and regulations, or if these laws or regulations or interpretations of existing laws or regulations change in the future, we could be subject to severe penalties, including the shutting down of our platform and our business operations.

Foreign ownership of internet-based businesses is subject to significant restrictions under current PRC laws and regulations. The PRC government regulates internet access, the distribution of online information and the conduct of online commerce through strict business licensing requirements and other government regulations. These laws and regulations also limit foreign ownership in PRC companies that provide internet information distribution services. Specifically, foreign ownership in an internet information provider or other value-added telecommunication service providers may not exceed 50%. In addition, according to the Several Opinions on the Introduction of Foreign Investment in the Cultural Industry promulgated by the Ministry of Culture, or the MOC, the State Administration of Radio, Film and Television, or the SARFT, the General Administration of Press and Publication, or the GAPP, the National Development and Reform Commission and the Ministry of Commerce, or the MOFCOM, in June 2005, foreign investors are prohibited from investing in or operating, among others, any internet cultural operating entities and from engaging in the business of transmitting audio-visual programs through information networks.

We are a Cayman Islands company and our PRC subsidiaries, Guangzhou Huanju Shidai Information Technology Company Limited, or Guangzhou Huanju Shidai, and Huanju Shidai Technology (Beijing) Co. Ltd.,

or Beijing Huanju Shidai, are each considered a wholly foreign owned enterprise. We conduct our operations in China through a series of contractual arrangements entered into among our PRC subsidiary, Beijing Huanju Shidai, our PRC consolidated affiliated entities, Guangzhou Huaduo Network Technology Limited, or Guangzhou Huaduo, and Beijing Tuda Science and Technology Company Limited, or Beijing Tuda, and Guangzhou Huaduo and Beijing Tuda's shareholders. As a result of these contractual arrangements, we exert control over our PRC consolidated affiliated entities and consolidate each of their operating results in our financial statements under U.S. GAAP. For a detailed description of these contractual arrangements, see "Corporate History and Structure."

On September 28, 2009, the GAPP, the National Copyright Administration and the National Office of Combating Pornography and Illegal Publications, jointly issued a Notice on Further Strengthening the Administration of Pre-examination and Approval of Online Games and the Examination and Approval of Imported Online Games, or Circular 13. Circular 13 restates that foreign investors are not permitted to invest in online game-operating businesses in China via wholly owned, equity joint venture or cooperative joint venture investments and expressly prohibits foreign investors from gaining control over or participating in domestic online game operators through indirect ways such as establishing other joint venture companies or entering into contractual or technical arrangements such as the variable interest entity structural arrangements we adopted. We are not aware of any companies that have adopted a corporate structure that is the same as or similar to ours having been penalized or terminated under Circular 13 since the effective date of the circular. Furthermore, we are advised by our PRC counsel, Zhong Lun Law Firm, that the enforcement of Circular 13 is still subject to substantial uncertainty, including possible subsequent joint actions by relevant authorities in charge, such as the MOC. The Regulation on Three Provisions stipulates that the MOC is authorized to regulate the online game industry, while the GAPP is authorized to approve the publication of online games before their launch on the internet. The Interpretation on Three Provisions further provides that once an online game is launched on the internet, it will be completely under the regulation of the MOC, and that if an online game is launched on the internet without obtaining prior approval from the GAPP, the MOC, instead of the GAPP, is directly responsible for investigating the game. In the event that we, our PRC subsidiaries or PRC consolidated affiliated entities are found to be in violation of the prohibition under Circular 13, the GAPP, in conjunction with the relevant regulatory authorities in charge, may impose applicable penalties, which in the most serious cases may include suspension or revocation of relevant licenses and registrations. In addition, various media sources have recently reported that the CSRC prepared a report proposing pre-approval by a competent central government authority of offshore listings by China-based companies with variable interest entity structures, such as ours, that operate in industry sectors subject to foreign investment restrictions. However, it is unclear whether the CSRC officially issued or submitted such a report to a higher level government authority or what any such report provides, or whether any new PRC laws or regulations relating to variable interest entity structures will be adopted or what they would provide.

Based on understanding of current PRC laws, rules and regulations of our PRC legal counsel, Zhong Lun Law Firm, our current ownership structure for our business operations, the ownership structure of our PRC subsidiaries and our PRC consolidated affiliated entities, the contractual arrangements among our PRC subsidiaries, our PRC consolidated affiliated entities and their shareholders, as described in this prospectus, are in compliance with existing PRC laws, rules and regulations. However, we were further advised by Zhong Lun Law Firm that there is substantial uncertainty regarding the interpretation and application of current or future PRC laws and regulations and these laws or regulations or interpretations of these laws or regulations may change in the future. Furthermore, the relevant government authorities have broad discretion in interpreting these laws and regulations. Accordingly, we cannot assure you that PRC government authorities will not ultimately take a view contrary to the opinion of our PRC legal counsel.

If our ownership structure, contractual arrangements and businesses of our company, our PRC subsidiaries or our PRC consolidated affiliated entities are found to be in violation of any existing or future PRC laws or regulations, the relevant governmental authorities would have broad discretion in dealing with such violation, including levying fines, confiscating our income or the income of our PRC subsidiaries or PRC consolidated affiliated entities, revoking or suspending the business licenses or operating licenses of our PRC subsidiaries or

PRC consolidated affiliated entities, shutting down our servers or blocking our platform, discontinuing or placing restrictions or onerous conditions on our operations, requiring us to discontinue our operations, requiring us to undergo a costly and disruptive restructuring, restricting or prohibiting our use of proceeds from this offering to finance our business and operations in China, and taking other regulatory or enforcement actions that could be harmful to our business. Any of these actions could cause significant disruption to our business operations and severely damage our reputation, which would in turn materially and adversely affect our business, financial condition and results of operations. In addition, if the imposition of any of these penalties causes us to lose the rights to direct the activities of our PRC consolidated affiliated entities or our right to receive their economic benefits, we would no longer be able to consolidate such entities. Our PRC consolidated affiliated entities contributed substantially all of our consolidated net revenues in the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012.

We rely on contractual arrangements with our PRC consolidated affiliated entities and their shareholders for the operation of our business, which may not be as effective as direct ownership. If our PRC consolidated affiliated entities and their shareholders fail to perform their obligations under these contractual arrangements, we may have to resort to litigation to enforce our rights, which may be time-consuming, unpredictable, expensive and damaging to our operations and reputation.

Because of PRC restrictions on foreign ownership of internet-based businesses in China, we depend on contractual arrangements with our PRC consolidated affiliated entities in which we have no ownership interest to conduct our business. These contractual arrangements are intended to provide us with effective control over these entities and allow us to obtain economic benefits from them. Our PRC consolidated affiliated entities are owned directly by our directors, key executive officers and employees, namely Messrs. David Xueling Li, Jun Lei, Tony Bin Zhao and Jin Cao. For additional details on these ownership interests, see "—Risks Relating to Our Business—Our business depends substantially on the continuing efforts of our executive officers and key employees, and our business operations may be severely disrupted if we lose their services" and "Corporate History and Structure." However, these contractual arrangements may not be as effective in providing control as direct ownership. For example, each of our PRC consolidated affiliated entities and their shareholders could breach their contractual arrangements with us by, among other things, failing to operate our business in an acceptable manner or taking other actions that are detrimental to our interests. If we were the controlling shareholder of these PRC consolidated affiliated entities with direct ownership, we would be able to exercise our rights as shareholders to effect changes to their board of directors, which in turn could implement changes at the management and operational level. However, under the current contractual arrangements, as a legal matter, if our PRC consolidated affiliated entities or their shareholders fail to perform their obligations under these contractual arrangements, we may have to incur substantial costs to enforce such arrangements, and rely on legal remedies under PRC law, including contract remedies, which may not be sufficient or effective. If we are unable to enforce these contractual arrangements, or if we suffer significant delay or other obstacles in the process of enforcing these contractual arrangements, our business and operations could be severely disrupted, which could materially and adversely affect our results of operations and damage our reputation. See "—Risks Relating to Doing Business in China—Uncertainties in the interpretation and enforcement of Chinese laws and regulations could limit the legal protections available to you and us."

Our existing shareholders have substantial influence over our company and their interests may not be aligned with the interests of our other shareholders, which may discourage, delay or prevent a change in control of our company, which could deprive our shareholders of an opportunity to receive a premium for their securities.

Currently, our management group, including Mr. David Xueling Li, our co-founder, chief executive officer and director, Mr. Tony Bin Zhao, our director and chief technology officer, and Mr. Jin Cao, the general manager of our website department and others beneficially own an aggregate of % of our outstanding shares. Upon the completion of this offering, they will beneficially own an aggregate of % of our outstanding shares and % of the then total voting power, assuming the underwriters do not exercise their over-allotment

option to purchase additional ADSs. Messrs. Li, Zhao and Cao together hold 100% of the equity interest in each of our PRC consolidated affiliated entities, Guangzhou Huaduo and Beijing Tuda. Our management group has substantial influence over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of directors and other significant corporate actions. This concentration of ownership may discourage, delay or prevent a change in control of our company, which could deprive our shareholders of an opportunity to receive a premium for their shares as part of any contemplated sale of our company and may reduce the price of our ADSs. In addition, Messrs. Li, Zhao, Dong and Cao could violate the terms of their non-compete or employment agreements with us or their legal duties by diverting business opportunities from us, resulting in our loss of corporate opportunities. These actions may take place even if they are opposed by our other shareholders, including those who purchase ADSs in this offering. Additionally, Mr. Jun Lei, our co-founder, chairman and shareholder who will own % of our outstanding shares after the completion of this offering, is in the business of making investments in internet companies in China. Mr. Lei currently holds direct and indirect interests in our direct competitor, iSpeak, and other entities which may have businesses that compete with us. iSpeak is owned by Mr. Lei in part through Kingsoft Corporation Limited, or Kingsoft, which is engaged in the research, development operation and distribution of online games, mobile games, casual game services and internet software. He may, in the future, acquire additional interests in businesses that directly or indirectly compete with some of our lines of business or that are our suppliers or customers. Furthermore, Mr. Lei, whether through Kingsoft or otherwise, may pursue acquisitions or make further investments in our industries which may conflict with our interests. Although after the completion of this offering, we will adopt a code of business conduct and ethics to help restrict conflicts of interest involving directors and officers, any violation of this code by our existing officers or directors such as Mr. Lei may materially and adversely affect our business operations. For more information regarding the beneficial ownership of our company by our principal shareholders, see “Principal and Selling Shareholders.”

We may lose the ability to use and enjoy assets held by our PRC consolidated affiliated entities that are important to the operation of our business if such entities go bankrupt or become subject to a dissolution or liquidation proceeding.

As part of our contractual arrangements with our PRC consolidated affiliated entities, Guangzhou Huaduo and Beijing Tuda, such entities hold certain assets, such as patents for the proprietary technology that are essential to the operations of our platform and important to the operation of our business. If either Guangzhou Huaduo or Beijing Tuda goes bankrupt and all or part of its assets become subject to liens or rights of third party creditors, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations. If Guangzhou Huaduo or Beijing Tuda undergoes a voluntary or involuntary liquidation proceeding, the unrelated third party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could materially and adversely affect our business, financial condition and results of operations.

Our contractual arrangements with our PRC consolidated affiliated entities may result in adverse tax consequences to us.

As a result of our corporate structure and the contractual arrangements among our PRC subsidiaries, our PRC consolidated affiliated entities and their shareholders, we are effectively subject to the 5% PRC business tax and related surcharges on revenues generated by our subsidiaries from our contractual arrangements with our PRC consolidated affiliated entities. The PRC enterprise income tax law requires every enterprise in China to submit its annual enterprise income tax return together with a report on transactions with its affiliates or related parties to the relevant tax authorities. These transactions may be subject to audit or challenge by the PRC tax authorities within ten years after the taxable year during which the transactions are conducted. We may be subject to adverse tax consequences if the PRC tax authorities were to determine that the contracts between us and our PRC consolidated affiliated entities were not on an arm’s length basis and therefore constitute a favorable transfer pricing arrangements. If this occurs, the PRC tax authorities could request that either of our PRC consolidated affiliated entities adjust its taxable income upward for PRC tax purposes. Such a pricing

adjustment could adversely affect us by reducing expense deductions recorded by either PRC consolidated affiliated entities and thereby increasing these entities' tax liabilities, which could subject these entities to late payment fees and other penalties for the underpayment of taxes. Our consolidated net income may be materially and adversely affected if our PRC consolidated affiliated entities' tax liabilities increase or if it becomes subject to late payment fees or other penalties.

If our PRC consolidated affiliated entities fail to obtain and maintain the requisite licenses and approvals required under the complex regulatory environment for internet-based businesses in China, our business, financial condition and results of operations may be materially and adversely affected.

The internet industry in China is highly regulated. See "PRC Regulation." Guangzhou Huaduo, as our PRC consolidated affiliated entity, is required to obtain and maintain applicable licenses or approvals from different regulatory authorities in order to provide its current services. For example, an internet information service provider shall obtain an operating license, or the ICP License, from MIIT or its local counterparts before engaging in any commercial internet information services. An online game operator must also obtain an Internet Culture Operation License from the MOC and an Internet Publishing License from the GAPP to distribute online games, in addition to filing its online games with the GAPP and the MOC. Prior to July 2010, specific approvals on online bulletin board services were also required for the provision of BBS services. Guangzhou Huaduo has obtained a valid ICP License for provision of internet and mobile network information services, an Internet Culture Operation License for online games and music products, and an Internet Publishing License for publication of online games and mobile phone games. In addition, Guangzhou Huaduo holds a valid License for Online Transmission of Audio-Visual Programs under the business classification of converging and play-on-demand service for certain kinds of internet audio-visual programs—literary, artistic and entertaining—as prescribed in the newly issued provisional categories. On October 8, 2011, Guangzhou Huaduo was granted a License for Production and Operation of Radio and TV Programs, covering the production, reproduction and publication of broadcasting plays, TV dramas, cartoons (excluding production), special subjects, special columns (excluding current political news category) and entertainment programs. These licenses are essential to the operation of our business and are generally subject to annual government review. However, we cannot assure you that we can successfully renew these licenses annually or that these licenses are sufficient to conduct all of our present or future business. For example, Guangzhou Huaduo's Internet Culture Operation License does not include license to conduct comic-related business; as a result, we were fined approximately RMB30,000 when comics were posted onto and accessible through our platform.

As we further develop and expand our video capabilities and functions, we will need to obtain additional qualifications, permits, approvals or licenses. In addition, with respect to specific services offered online, we or the service or content providers may be subject to additional separate qualifications, permits, approvals or licenses. For example, while launching a variety of online education services on our platform, we are working closely with relevant local authorities in charge, for completion of statutorily required procedures such as approvals, if any. For financial-related content offered on our channels, we are tightening our internal review of the relevant qualifications of the content providers as instructed by the competent authorities, while complying with other statutory requirements. We cannot assure you that we or the service or content providers will be granted such qualifications, permits, approvals or licenses in a timely manner or at all. Prior to the receipt of such qualifications, permits, approvals or licenses, we may be deemed as being in violation of relevant laws or regulations and be subject to penalties.

As the internet industry in China is still at an early stage of development, new laws and regulations may be adopted from time to time to address new issues that come to the authorities' attention. In the interpretation and implementation of existing and future laws and regulations governing our business activities, considerable uncertainties still exist. We cannot assure you that we will not be found in violation of any future laws and regulations or any of the laws and regulations currently in effect due to changes in the relevant authorities' interpretation of these laws and regulations. In addition, we may be required to obtain additional license or approvals, and we cannot assure you that we will be able to timely obtain or maintain all the required licenses or

approvals or make all the necessary filings in the future. If we fail to obtain or maintain any of the required licenses or approvals or make the necessary filings, we may be subject to various penalties, such as confiscation of the net revenues that were generated through the unlicensed internet activities, the imposition of fines and the discontinuation or restriction of our operations. Any such penalties may disrupt our business operations and materially and adversely affect our business, financial condition and results of operations.

Implementation of the new labor laws and regulations in China may adversely affect our business and results of operations.

Pursuant to a new labor contract law that became effective in January 2008 and its implementation rules that became effective in September 2008, employers are subject to stricter requirements in terms of signing labor contracts, minimum wages, paying remuneration, determining the term of employees' probation and unilaterally terminating labor contracts. Due to the limited period since its effectiveness, and lack of detailed interpretation rules and uniform implementation practice and possible penalties, it is uncertain as to how they it would affect our current employment policies and practices. Our employment policies and practices may violate the labor contract law or its implementation rules, and we may thus be subject to related penalties, fines or legal fees. Compliance with the labor contract law and its implementation rules may increase our operating expenses, in particular our personnel expenses. In the event that we decide to terminate some of our employees or otherwise change our employment or labor practices, the labor contract law and its implementation rules may also limit our ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations. On October 28, 2010, the Standing Committee of the National People's Congress promulgated the PRC Social Insurance Law, or the Social Insurance Law, which became effective on July 1, 2011. According to the Social Insurance Law, employees must participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance and the employers must, together with their employees or separately, pay the social insurance premiums for such employees.

We expect our labor costs to increase due to the implementation of these new laws and regulations. As the interpretation and implementation of these new laws and regulations are still evolving, we cannot assure you that our employment practice will at all times be deemed in full compliance with labor-related laws and regulations in China, which may subject us to labor disputes or government investigations. If we are deemed to have violated relevant labor laws and regulations, we could be required to provide additional compensation to our employees and our business, financial condition and results of operations could be materially and adversely affected.

Further, labor disputes, work stoppages or slowdowns at our laboratories, patient service centers or any of our clients or suppliers could significantly disrupt our daily operation or our expansion plans and have material adverse effects on our business.

Currently there is no law or regulation specifically governing virtual asset property rights and therefore it is not clear what liabilities, if any, online game operators may have for virtual assets.

While playing online games or participating on YY Client activities, players acquire and accumulate some virtual assets, such as special equipment and other accessories. Such virtual assets can be important to online game players and have monetary value and, in some cases, are sold for actual money. In practice, virtual assets can be lost for various reasons, often through unauthorized use of the game account of one user by other users and occasionally through data loss caused by a delay of network service, a network crash or hacking activities. Currently, there is no PRC law or regulation specifically governing virtual asset property rights. As a result, there is uncertainty as to who the legal owner of virtual assets is, whether and how the ownership of virtual assets is protected by law, and whether an operator of online games such as us would have any liability to game players or other interested parties (whether in contract, tort or otherwise) for loss of such virtual assets. Based on recent PRC court judgments, the courts have typically held online game operators liable for losses of virtual assets by game players, and ordered online game operators to return the lost virtual items to game players or pay damages and losses. In case of a loss of virtual assets, we may be sued by our game players or users and held liable for damages, which may negatively affect our reputation and business, financial condition and results of operations.

Compliance with the laws or regulations governing virtual currency may result in us having to obtain additional approvals or licenses or change our current business model.

The issuance and use of “virtual currency” in the PRC has been regulated since 2007 in response to the growth of the online games industry in China. In January 2007, the Ministry of Public Security, the MOC, the MIIT and the GAPP jointly issued a circular regarding online gambling which has implications for the use of virtual currency. To curtail online games that involve online gambling, as well as address concerns that virtual currency could be used for money laundering or illicit trade, the circular (a) prohibits online game operators from charging commissions in the form of virtual currency in relation to winning or losing of games; (b) requires online game operators to impose limits on use of virtual currency in guessing and betting games; (c) bans the conversion of virtual currency into real currency or property; and (d) prohibits services that enable game players to transfer virtual currency to other players. On June 4, 2009, the MOC and the MOFCOM jointly issued a notice regarding strengthening the administration of online game virtual currency, or the Virtual Currency Notice. The MOC issued the Provisional Administrative Measures of Online Games, or the Online Game Measures, in June 2010, which provides, among other things, that virtual currency issued by online game operators may be only used to exchange its own online game products and services and may not be used to pay for the products and services of other entities.

We issue virtual currency and prepaid game tokens to game players on YY Client for them to purchase various items to be used in online games and channels, including music channels. We are in the process of adjusting the content of our platform but we cannot assure you that our adjustments will be sufficient to comply with the Virtual Currency Notice. Moreover, although we believe we do not offer online game virtual currency transaction services, we cannot assure you that the PRC regulatory authorities will not take a view contrary to ours. For example, certain virtual items we issue to users based on in-game milestones they achieve or time spent playing games are transferable and exchangeable for our virtual currency or the other virtual items we issue to users. If the PRC regulatory authorities deem such transfer or exchange to be a virtual currency transaction, then in addition to being deemed to be engaging in the issuance of virtual currency, we may also be deemed to be providing transaction platform services that enable the trading of such virtual currency. Simultaneously engaging in both of these activities is prohibited under the Virtual Currency Notice. In that event, we may be required to cease either our virtual currency issuance activities or such deemed “transaction service” activities and may be subject to certain penalties, including mandatory corrective measures and fines. The occurrence of any of the foregoing could have a material adverse effect on our business and results of operations.

In addition, the Virtual Currency Notice prohibits online game operators from setting game features that involve the direct payment of cash or virtual currency by players for the chance to win virtual items or virtual currency based on random selection through a lucky draw, wager or lottery. The notice also prohibits game operators from issuing currency to game players through means other than purchases with legal currency. It is unclear whether these restrictions would apply to certain aspects of our online games. Although we believe that we have rectified and ceased such prohibited activities and have taken adequate measures to prevent any of the above-mentioned prohibited activities, we cannot assure you that the PRC regulatory authorities will not take a view contrary to ours and deem such feature as prohibited by the Virtual Currency Notice, thereby subjecting us to penalties, including mandatory corrective measures and fines. For example, we were previously fined approximately RMB20,000 when a local authority in Guangzhou found that one of our games contained a lucky draw. The occurrence of any of the foregoing could materially and adversely affect our business and results of operations.

Non-compliance on the part of third parties with which we conduct business could restrict our ability to maintain or increase our number of users or the level of traffic to our YY platform.

Our third party game developers or other business partners may be subject to regulatory penalties or punishments because of their regulatory compliance failures, which may disrupt our business. Although we conduct a rigid review of legal formalities and certifications before entering into contractual relationship with

other businesses such as third party game developers and landlords, we cannot be certain whether such third party has or will infringe any third parties' legal rights or violate any regulatory requirements. We regularly identify irregularities or noncompliance in the business practices of any parties with whom we pursue existing or future cooperation and we cannot assure you that any of these irregularities will be corrected in a prompt and proper manner. The legal liabilities and regulatory actions on our commercial partners may affect our business activities and reputation and in turn, our results of operations. For example, according to PRC regulations, all lease agreements are required to be registered with the local housing authorities. We presently lease properties at 10 different locations in China, and the landlords of some of these properties are still completing the registration of their ownership rights or the registration of our leases with the relevant authorities. Failure to complete these required registrations may expose our landlords, lessors and us to potential monetary fines. Some of our lessors have not provided us with appropriate title certificates, which may adversely affect the validity of the leases if the lessors do not have proper title. We cannot assure you that such certificates or registration will be obtained in a timely manner or at all, and in case of failures, we may be subject to monetary fines, have to relocate our offices and suffer economic losses.

We are now allowing providers of some online services such as online education and financial services, to establish channels on YY Client. We plan to encourage more service providers, such as recruiting agents, to establish YY channels in the future. In addition, we plan to establish a search, classification and ranking system and post advertisements relating to such service providers in the near future and derive related revenues under the relevant arrangements. These areas are all highly regulated, and the online service providers and the producers of content on YY Client are required to meet specific qualifying standards, evidenced by approvals, permits or certificates, and to comply with various requirements when conducting business. For example, financial service providers must be securities consulting institutions approved by the China Securities Regulatory Commission, or CSRC. We cannot predict if any noncompliance on the part of such commercial partners may cause potential liabilities to us and in turn disrupt our operations.

Intensified government regulation of the internet industry in China could restrict our ability to maintain or increase our user level or the level of user traffic to our YY platform.

The PRC government has, in recent years, intensified regulation on various aspects of the internet industry in China. For example, the PRC government recently adopted more stringent policies to monitor the online games industry due to adverse public reaction to perceived addiction to online games, particularly in children and minors. On April 15, 2007, eight PRC government authorities, including the GAPP, the Ministry of Education, the Ministry of Public Security and the MIIT issued a notice requiring all Chinese online game operators to adopt an "anti-fatigue system" in an effort to curb addiction to online games by minors. To help game operators identify which game players are minors, online game players in China are now required to register their names and identity card numbers before playing an online game, which information was to be submitted to and verified by the National Citizen Identity Information Center, a subordinate public institution of the Ministry of Public Security, as of October 1, 2011. These restrictions could limit our ability to increase our online game business among minors. See "PRC Regulation—Anti-fatigue Compliance System and Real-name Registration System." In order to comply with these anti-fatigue rules, we set up our system so that after three hours of playing our online games, minors only receive half of the virtual items or other in-game benefits they would otherwise earn, and after playing for more than five hours, receive no in-game benefits. Failure to implement these restrictions, if detected by the relevant government agencies, may result in fines and other penalties for us, including the shutting down of our online games operations and license revocation. Furthermore, if these restrictions were expanded to apply to adult game players in the future, our online games business could be materially and adversely affected.

In addition, in February 2007, 14 PRC regulatory authorities jointly promulgated a circular to further strengthen the oversight of internet cafes, one of the primary venues from which our platform is accessed. In recent years, a large number of unlicensed internet cafes have been closed, and the PRC government has imposed higher capital and facility requirements for the establishment of internet cafes. Governmental authorities may

from time to time impose stricter requirements on internet cafes, such as customer age limits and regulated hours of operation. Since a substantial portion of our users access our platform from internet cafes, any reduction in the number, or slowdown in the growth, of internet cafes in China, or any new regulatory restrictions on their operations, could limit our ability to maintain or increase our revenues.

More stringent governmental regulations such as the ones outlined above may discourage game players from playing our games and have a material effect on our business operations.

Risks Relating to Doing Business in China

Uncertainties in the interpretation and enforcement of Chinese laws and regulations could limit the legal protections available to you and us.

The PRC legal system is based on written statutes and prior court decisions have limited value as precedents. Each of our PRC subsidiaries, Beijing Huanju Shidai and Guangzhou Huanju Shidai, is a foreign-invested enterprise and is subject to laws and regulations applicable to foreign-invested enterprises as well as various Chinese laws and regulations generally applicable to companies incorporated in China. However, since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. However, since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. Furthermore, the PRC legal system is based in part on government policies and internal rules (some of which are not published in a timely manner or at all) that may have retroactive effect. As a result, we may not be aware of our violation of these policies and rules until some time after the violation. Such uncertainties, including uncertainty over the scope and effect of our contractual, property (including intellectual property) and procedural rights, could materially and adversely affect our business and impede our ability to continue our operations.

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 almost all of our customers 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 since the late 1970s 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 Chinese 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 the Chinese economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, and providing preferential treatment to particular industries or companies.

While the Chinese economy has 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 benefit the overall Chinese economy, but may also have a negative effect on us. 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 could in turn reduce the demand for our products and services and adversely affect our results of operations and financial condition.

We may be adversely affected by the complexity, uncertainties and changes in PRC regulation of internet 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 platform. Guangzhou Huaduo, our PRC consolidated affiliated entity, owns our platform due to the restriction of foreign investment in businesses providing value-added telecommunication services in China, including internet content provision services. If Guangzhou Huaduo breaches its contractual arrangements with us and no longer remains under our control, 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 and the requirement for real-name registrations. Permits, licenses or operations at some of our subsidiaries and PRC consolidated affiliated entities levels 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. See "—Risks Relating to Our Corporate Structure and Our Industry—If our PRC consolidated affiliated entities fail to obtain and maintain the requisite licenses and approvals required under the complex regulatory environment for internet-based businesses in China, our business, financial condition and results of operations may be materially and adversely affected" and "PRC Regulation." In addition, although we currently have a real-name registration system in place for our online games in strict compliance with the relevant PRC regulations, we are currently not required by PRC law to ask users for their real name and personal information when they register for a YY user account. We cannot assure you that PRC regulators would not require us to implement compulsory real-name registration on our platform in the future. In late 2011, for example, the Beijing municipal government required microbloggers in China to implement real-name registration for all of their registered users. If we were required to implement real-name registration on YY, we may lose large numbers of registered user accounts for various reasons, because users may no longer maintain multiple accounts and users who dislike giving out their private information may cease to use our products and services altogether.
- The evolving PRC regulatory system for the internet industry may lead to the establishment of new regulatory agencies. For example, in May 2011, the State Council announced the establishment of a new department, the State Internet Information Office (with the involvement of the State Council Information Office, or the SCIO, the MIIT and the Ministry of Public Security). The primary role of this new agency is to facilitate the policy-making and legislative development in this field to direct and coordinate with the relevant departments in connection with online content administration and to deal with cross-ministry regulatory matters in relation to the internet industry. We are unable to determine what policies this new agency or any new agencies to be established in the future may have or how they may interpret existing laws, regulations and policies and how they may affect us. Further, new laws, regulations or policies may be promulgated or announced that will regulate internet activities, including online video and online advertising businesses. If these new laws, regulations or policies 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.

In July 2006, the MIIT issued the Notice of the Ministry of Information Industry on Intensifying the Administration of Foreign Investment in Value-added Telecommunications Services. This notice prohibits domestic telecommunication service providers from leasing, transferring or selling telecommunication business operating licenses to any foreign investor in any form, or providing any resources, sites or facilities to any foreign investor for their illegal operation of a telecommunication business in China. According to this notice, either the holder of a value-added telecommunication business operating license or its shareholders must directly own the domain names and trademarks used by such license holders in their provision of value-added telecommunication services. The notice also requires each license holder to have the necessary facilities, including servers, for its approved business operations and to maintain such facilities in the regions covered by its license. Currently, all contracts with telecommunication carriers and other service providers to host the servers used in our business were entered into by Guangzhou Huaduo, our PRC consolidated affiliated entity, and such arrangements are in compliance with this notice. Guangzhou Huaduo also owns the related domain names and trademarks, and holds the ICP License necessary to conduct our operations in China.

In June 2010, the MOC promulgated the Provisional Administration Measures of Online Games, or the Online Game Measures, which became effective on August 1, 2010. The Online Game Measures provide that any entity engaging in online game operation activities shall obtain the Internet Culture Operation License and must meet certain requirements such as minimum registered capital. Online game developers are generally involved in the purchase of servers and bandwidth, the control and management of game data, the maintenance of game systems and certain other maintenance tasks in our operation of online games. The Guangzhou branch of the MOC has confirmed that such outsourcing and cooperation activities are not considered conducting online game operation activities, and that online game developers do not have to obtain the Internet Culture Operation License in accordance with the Online Game Measures. However, because of the limited time in which these measures have been in effect, there are still uncertainties on the MOC's interpretation and implementation of these measures. If the MOC determines in the future that such qualifications or requirements apply to the online game developers for their involvement in the online game operations, we may have to terminate our revenue-sharing arrangements with certain unqualified online game developers and may even be subject to various penalties, which may negatively impact our results of operations and financial condition.

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. 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.

Content posted or displayed on our platform may be found objectionable by PRC regulatory authorities and may subject us to penalties and other severe consequences.

The PRC government has adopted regulations governing internet access and the distribution of information over the internet. Under these regulations, internet content providers and internet publishers are prohibited from posting or displaying over the internet content that, among other things, violates PRC laws and regulations, impairs the national dignity of China or the public interest, or is obscene, superstitious, fraudulent or defamatory. Furthermore, internet content providers are also prohibited from displaying content that may be deemed by relevant government authorities as "socially destabilizing" or leaking "state secrets" of the PRC. Failure to comply with these requirements may result in the revocation of licenses to provide internet content and other licenses, the closure of the concerned platforms and reputational harm. The operator may also be held liable for such censored information displayed on or linked to their platform. For a detailed discussion, see "PRC Regulation."

We allow visitors to our portal websites to upload written materials, images, pictures, and other content on the forums on our websites, and also allow users to share, link to and otherwise access audio, video, games and other content from third parties through our platform. For a description of how content can be accessed on or through our rich communication social platform, and what measures we take to lessen the likelihood that we will be held liable for the nature of such content, see “Business—Our Technology,” “Business—Intellectual Property,” and “—Risks Relating to Our Business—We may be subject to intellectual property infringement claims or other allegations, which could require us to pay substantial statutory penalties or other damages and fines, remove relevant content from our website or enter into license agreements which may not be available on commercially reasonable terms.”

Since our inception, we have worked closely with relevant government authorities to monitor the content on our platform and to make the utmost effort in complying with relevant laws and regulations. However, it may not be possible to determine in all cases the types of content that could result in our liability as an internet operator, and if any of our internet content is deemed by the PRC government to violate any content restrictions, we would not be able to continue to display such content and could become subject to penalties, including confiscation of income, fines, suspension of business and revocation of required licenses, which could materially and adversely affect our business, financial condition and results of operations. We may also be subject to potential liability for any unlawful actions of our users or third party service providers on our platform or for content we distribute that is deemed inappropriate. For example, we have recently been subject to a few warnings or fines each of RMB90,000 or less for having inappropriate content on our platform. Although we corrected these non-compliances and undertook measures to prevent the recurrence of such instances, it may be difficult to determine the type of content or actions that may result in liability to us, and if we are found to be liable, we may be prevented from operating our business in China. Moreover, the costs of compliance with these regulations may continue to increase as a result of more content being uploaded or made available by an increasing number of users and third party partners and developers, which may adversely affect our results of operations. Although we have adopted internal procedures to monitor content uploaded to our website and to remove offending content once we become aware of any potential or alleged violation, we may not be able to identify all the content that may violate relevant laws and regulations or third party intellectual property rights and even if we manage to identify and remove offending content, we may still be held liable for such third-party content. For example, in 2012, several claims of approximately RMB20,000 each were filed against us in the PRC by one plaintiff. These claims alleged that certain third-party games that users uploaded onto our website in 2010 contained unauthorized use of copyrighted cartoon characters. We are currently in the process of resolving those claims. However, users may upload more content containing copyright violations and other illegal content in the future and we may be subject to similar claims or become involved in litigation proceedings. As a result, our reputation, business and results of operations may be materially and adversely affected.

Advertisements shown on our platform may subject us to penalties and other administrative actions.

Under PRC advertising laws and regulations, we are obligated to monitor the advertising content shown on our platform to ensure that such content is true and accurate and in full compliance with applicable laws and regulations. In addition, where a special government review is required for specific types of advertisements prior to internet posting, such as advertisements relating to pharmaceuticals, medical instruments, agrochemicals and veterinary pharmaceuticals, we are obligated to confirm that such review has been performed and approval has been obtained. Violation of these laws and regulations may subject us to penalties, including fines, confiscation of our advertising income, orders to cease dissemination of the advertisements and orders to publish an announcement correcting the misleading information. In circumstances involving serious violations by us, PRC governmental authorities may force us to terminate our advertising operations or revoke our licenses.

While we have made significant efforts to ensure that the advertisements shown on our platform are in full compliance with applicable PRC laws and regulations, we cannot assure you that all the content contained in such advertisements or offers is true and accurate as required by the advertising laws and regulations, especially given the uncertainty in the interpretation of these PRC laws and regulations. If we are found to be in violation of applicable PRC advertising laws and regulations, 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, results of operations and prospects.

Under the PRC enterprise income tax law, we may be classified as a PRC "resident enterprise," which could result in unfavorable tax consequences to us and our shareholders and have a material adverse effect on our results of operations and the value of your investment.

Under the PRC enterprise income tax law that became effective on January 1, 2008, an enterprise established outside the PRC with "de facto management bodies" within the PRC is considered a "resident enterprise" for PRC enterprise income tax purposes and is generally subject to a uniform 25% enterprise income tax rate on its worldwide income. On April 22, 2009, the State Administration of Taxation, or the SAT, issued the Notice Regarding the Determination of Chinese-Controlled Overseas Incorporated Enterprises as PRC Tax Resident Enterprise on the Basis of De Facto Management Bodies, 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. Further to SAT Circular 82, on August 3, 2011, the SAT recently issued the Administrative Measures of Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial), or SAT Bulletin 45, to provide more guidance on the implementation of SAT Circular 82; the bulletin became effective on September 1, 2011. SAT Bulletin 45 clarified certain issues in the areas of resident status determination, post-determination administration and competent tax authorities.

According to SAT Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be considered as a PRC tax resident enterprise 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 are met: (a) the senior management and core management departments in charge of its daily operations function have their presence mainly in the PRC; (b) its financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (c) its major assets, accounting books, company seals, and minutes and files of its board and shareholders' meetings are located or kept in the PRC; and (d) more than half of the enterprise's directors or senior management with voting rights habitually reside in the PRC. SAT Bulletin 45 further clarifies the resident status determination, post-determination administration, as well as competent tax authorities. It also specifies that when provided with a copy of Chinese tax resident determination certificate from a resident Chinese controlled offshore incorporated enterprise, the payer should not withhold 10% income tax when paying the Chinese-sourced dividends, interest, royalties, etc. to the Chinese controlled offshore incorporated enterprise.

Although SAT Circular 82 and SAT Bulletin 45 only apply to offshore incorporated enterprises controlled by PRC enterprises or PRC enterprise group instead of those controlled by PRC individuals or foreigners, the determination criteria set forth therein may reflect SAT's general position on how the term "de facto management body" could be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises, individuals or foreigners.

We do not meet all of the conditions above; therefore, we believe that we should not be treated as a "resident enterprise" for PRC tax purposes even if the standards for "de facto management body" prescribed in the SAT Circular 82 are applicable to us. For example, our minutes and files of the resolutions of our board of directors and the resolutions of our shareholders are maintained outside the PRC. In addition, we are not aware of any offshore holding companies with a corporate structure similar to ours ever having been deemed to be a PRC "resident enterprise" by the PRC tax authorities.

However, it is possible that the PRC tax authorities may take a different view. If the PRC tax authorities determine that our Cayman Islands holding company is a PRC resident enterprise for PRC enterprise income tax purposes, then our world-wide income could be subject to PRC tax at a rate of 25%, which could materially reduce our net income. In addition, we will also be subject to PRC enterprise income tax reporting obligations.

Although dividends paid by one PRC tax resident to another PRC tax resident should qualify as "tax-exempt income" under the enterprise income tax law, we cannot assure you that dividends by our PRC subsidiaries to our Cayman Islands holding company will not be subject to a 10% withholding tax, as the PRC foreign exchange control authorities, which enforce the withholding tax on dividends, and the PRC tax authorities have not yet

issued guidance with respect to the processing of outbound remittances to entities that are treated as resident enterprises for PRC enterprise income tax purposes.

Foreign ADS holders may also be subject to PRC withholding tax on dividends payable by us and gains realized on the sale or other disposition of ADSs or common shares, if such income is sourced from within the PRC. Although our holding company is incorporated in the Cayman Islands, it remains unclear whether dividends received and gains realized by our foreign ADS holders will be regarded as income from sources within the PRC if we are classified as a PRC resident enterprise. Any such tax will reduce the returns on your investment in our ADSs.

Finally, we face uncertainties on the reporting and consequences on private equity financing transactions and share exchange involving the transfer of shares in our company by non-resident investors. According to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises issued by the PRC State Administration of Taxation on December 10, 2009, with retroactive effect from January 1, 2008, or SAT Circular 698, where a non-resident enterprise transfers the equity interests in a PRC resident enterprise indirectly through a disposition of equity interests in an overseas holding company, or an Indirect Transfer, and such overseas holding company is located in a tax jurisdiction that: (a) has an effective tax rate less than 12.5% or (b) does not tax foreign income of its residents, the a non-resident enterprise, as the seller, shall report such Indirect Transfer to the competent tax authority of the PRC resident enterprise within 30 days of execution of the equity transfer agreement for such Indirect Transfer. The PRC tax authority will examine the true nature of the Indirect Transfer, and if the tax authority considers that the foreign investor has adopted an abusive arrangement without reasonable commercial purposes and for the purpose of avoiding or reducing PRC tax, they will disregard the existence of the overseas holding company that is used for tax planning purposes and re-characterize the Indirect Transfer. As a result, gains derived from such Indirect Transfer may be subject to PRC withholding tax at the rate of up to 10%. SAT Circular 698 also points out that when a non-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 competent tax authorities have the power to make a reasonable adjustment on the taxable income of the transaction.

If our preferential tax treatments are revoked, become unavailable or if the calculation of our tax liability is successfully challenged by the PRC tax authorities, we may be required to pay tax, interest and penalties in excess of our tax provisions, and our results of operations could be materially and adversely affected.

The Chinese government has provided various tax incentives to our subsidiaries in China. These incentives include reduced enterprise income tax rates. For example, under the PRC Enterprise Income Tax Law, or the New EIT Law, which became effective on January 1, 2008, the statutory enterprise income tax rate is 25%. However, Guangzhou Huaduo, our PRC consolidated affiliated entity in the PRC, was recognized as a high and new technology enterprise as of September 26, 2010 and, subject to the approval of and annual review by competent tax authorities in Guangdong, would be entitled to enjoy a preferential enterprise income tax rate of 15% for two years, from 2011 through 2012. Guangzhou Huaduo recorded losses in 2010 and has not benefited from such preferential tax rate. Guangzhou Huaduo has applied for and obtained the preferential tax treatment with Guangzhou State Tax Bureau, but the high and new technology enterprise qualification is only effective until September 26, 2012, and there is no guarantee that it can be successfully renewed. If Guangzhou Huaduo fails to maintain its status as a high and new technology enterprise or is not granted the renewal of its preferential tax treatment, Guangzhou Huaduo will be subject to a higher enterprise income tax rate of 25%. Any increase in the enterprise income tax rate applicable to our PRC subsidiaries or PRC consolidated affiliated entities in China, or any discontinuation or retroactive or future reduction of any of the preferential tax treatments currently enjoyed by our PRC subsidiaries or PRC consolidated affiliated entities in China, could adversely affect our business, operating results and financial condition. In addition, in the ordinary course of our business, we are subject to complex income tax and other tax regulations and significant judgment is required in the determination of a provision for income taxes. Although we believe our tax provisions are reasonable, if the PRC tax authorities successfully challenge our position and we are required to pay tax, interest and penalties in excess of our tax provisions, our results of operations and financial condition would be materially and adversely affected.

China's M&A Rules establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

Six PRC regulatory agencies promulgated regulations effective on September 8, 2006, subsequently amended, that are commonly referred to as the M&A Rules. See "PRC Regulation—New M&A Regulations and Overseas Listings." The M&A Rules establish procedures and requirements that could make some acquisitions of Chinese companies by foreign investors more time-consuming and complex, including requirements in some instances that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a Chinese domestic enterprise. We may expand our business in part by acquiring complementary businesses. Complying with the requirements of the M&A Rules to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the MOFCOM, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

PRC regulations relating to offshore investment activities by PRC residents may limit our PRC subsidiaries' ability to increase their registered capital or distribute profits to us or otherwise expose us to liability and penalties under PRC law.

The PRC State Administration of Foreign Exchange, or SAFE, promulgated regulations in October 2005 that require PRC citizens or residents to register with SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas equity financing involving a roundtrip investment whereby the offshore entity acquires or controls onshore assets or equity interests held by the PRC citizens or residents. In addition, such PRC citizens or residents must update their SAFE registrations when the offshore special purpose vehicle undergoes material events relating to increases or decreases in investment amount, transfers or exchanges of shares, mergers or divisions, long-term equity or debt investments, external guarantees, or other material events that do not involve roundtrip investments. Subsequent regulations further clarified that PRC subsidiaries of an offshore company governed by the SAFE regulations are required to coordinate and supervise the filing of SAFE registrations in a timely manner by the offshore holding company's shareholders who are PRC citizens or residents. If these shareholders fail to comply, the PRC subsidiaries are required to report to the local SAFE branches. If our shareholders who are PRC citizens or residents do not complete their registration with the local SAFE branches, our PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to us, and we may be restricted in our ability to contribute additional capital to our PRC subsidiaries. Moreover, failure to comply with the SAFE registration and amendment requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

Our PRC resident shareholders, Messrs. David Xueling Li, Tony Bin Zhao, Jin Cao and Jun Lei, had registered with the local SAFE branch in relation to our existing private placement financings by the end of 2011 as required by the SAFE regulations. However, because of uncertainty over how the SAFE regulations will be interpreted and implemented and applied to us, we cannot predict how it will affect our business operations. For example, our present and prospective PRC subsidiaries' ability to conduct foreign exchange activities, such as the remittance of dividends and foreign currency-denominated borrowings, may be subject to compliance with the SAFE regulations by our PRC resident shareholders. In addition, in some cases, we may have little control over either our present or prospective direct or indirect PRC resident shareholders or the outcome of such registration procedures. A failure by our current or future PRC resident shareholders to comply with the SAFE regulations could subject us to fines or other legal sanctions, restrict our cross-border investment activities, limit our subsidiary's ability to make distributions or pay dividends or affect our ownership structure, which could adversely affect our business and prospects.

On February 15, 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies, or the Stock Option Rules, which replaced the Application Procedures of Foreign Exchange

Administration for Domestic Individuals Participating in Employee Stock Ownership Plans or Stock Option Plans of Overseas Publicly-Listed Companies issued by SAFE on March 28, 2007. Under the Stock Option Rules and other relevant rules and regulations, PRC residents who participate in stock incentive plan in an overseas publicly-listed company are required to register with SAFE or its local branches and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of such overseas publicly listed company or another qualified institution selected by such PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. We and our PRC employees who have been granted stock options, restricted shares and restricted share units will be subject to these regulations upon the completion of this offering. Failure of our PRC stock option holders, restricted shareholders or restricted share units holders to complete their SAFE registrations may subject these PRC residents to fines and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiaries, limited our PRC subsidiaries' ability to distribute dividends to us, or otherwise materially adversely affect our business.

PRC regulation of direct investment and loans by offshore holding companies to PRC entities may delay or limit us from using the proceeds of this offering to make additional capital contributions or loans to our PRC subsidiaries.

Any capital contributions or loans that we, as an offshore entity, make to our PRC subsidiaries, including from the proceeds of this offering, are subject to PRC regulations. For example, none of our loans to a PRC subsidiary can exceed the difference between its total amount of investment and its registered capital approved under relevant PRC laws, and the loans must be registered with the local branch of SAFE. Our capital contributions to our PRC subsidiaries must be approved by the MOFCOM or its local counterpart. We cannot assure you that we will be able to complete the necessary registration or obtain the necessary approval on a timely basis, or at all. If we fail to complete the necessary registration or obtain the necessary approval, our ability to make loans or equity contributions to our PRC subsidiaries may be negatively affected, which could adversely affect our PRC subsidiaries' liquidity and their ability to fund their working capital and expansion projects and meet their obligations and commitments.

Our PRC subsidiaries and PRC consolidated affiliated entities are subject to restrictions on paying dividends or making other payments to us, which may restrict our ability to satisfy our liquidity requirements.

We are a holding company incorporated in the Cayman Islands. We rely on dividends from our PRC subsidiaries as well as consulting and other fees paid to us by our PRC consolidated affiliated entities for our cash and financing requirements, such as the funds necessary to pay dividends and other cash distributions to our shareholders, including holders of our ADSs, and service any debt we may incur. Current PRC regulations permit our PRC subsidiaries to pay dividends to us only out of their accumulated profits, if any, determined in accordance with Chinese accounting standards and regulations. In addition, each of our PRC subsidiaries is required to set aside at least 10% of its accumulated profits each year, if any, to fund certain reserve funds until the total amount set aside reaches 50% of its registered capital. These reserves are not distributable as cash dividends. Since we have not achieved profitability, we are not yet required to allocate funds for such reserve funds. Furthermore, if our PRC subsidiaries and PRC consolidated affiliated entities incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments to us, which may restrict our ability to satisfy our liquidity requirements.

In addition, the New EIT Law, and its implementation rules provide that withholding tax rate of 10% will be applicable to dividends payable by Chinese companies to non-PRC-resident enterprises unless otherwise

exempted or reduced according to treaties or arrangements between the PRC central government and governments of other countries or regions where the non-PRC-resident enterprises are incorporated.

Fluctuations in exchange rates could have a material adverse effect on our results of operations and the value of your investment.

The value of the Renminbi against the U.S. dollar and other currencies is affected by, among other things, changes in China's political and economic conditions and China's foreign exchange policies. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar, and the Renminbi appreciated more than 20% against the U.S. dollar over the following three years. However, the People's Bank of China regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rates and achieve policy goals. During the period between July 2008 and June 2010, the exchange rate between the RMB and the U.S. dollar had been stable and traded within a narrow band. However, the Renminbi fluctuated significantly during that period against other freely traded currencies, in tandem with the U.S. dollar. Since June 2010, the Renminbi has started to slowly appreciate against the U.S. dollar, though there have been periods recently when the U.S. dollar has appreciated against the Renminbi. It is difficult to predict how long the current situation may last and when and how this relationship between the Renminbi and the U.S. dollar may change again.

There remains significant international pressure on the Chinese government to adopt a flexible currency policy to allow the Renminbi to appreciate against the U.S. dollar. Significant revaluation of the Renminbi may have a material adverse effect on your investment. Substantially all of our revenues and costs are denominated in Renminbi. Any significant revaluation of Renminbi may materially and adversely affect our revenues, earnings and financial position, and the value of, and any dividends payable on, our ADSs in U.S. dollars. For example, to the extent that we need to convert U.S. dollars we receive from this initial public offering into Renminbi to pay our operating expenses, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we would receive from the conversion. Conversely, a significant depreciation of the Renminbi against the U.S. dollar may significantly reduce the U.S. dollar equivalent of our earnings, which in turn could adversely affect the price of our ADSs.

Very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency 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 adequately hedge our exposure or 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. As a result, fluctuations in exchange rates may have a material adverse effect on your investment.

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 control 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 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. Therefore, our PRC subsidiaries are able to pay dividends in foreign currencies to us without prior approval from SAFE. However, approval from or registration with appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access 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.

Recently enacted regulations in the PRC may make it more difficult for us to pursue growth through acquisitions, adversely affecting our plans to expand our business or maintain our market share.

Among other things, the M&A Rules 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 MOFCOM 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, are 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 MOFCOM, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

If the custodians or authorized users of controlling non-tangible assets of our company, including our corporate chops and seals, fail to fulfill their responsibilities, or misappropriate or misuse these assets, our business and operations could be materially and adversely affected.

Under PRC law, legal documents for corporate transactions, including contracts such as revenue-sharing contracts with online game developers which are important to our business, are executed using the chops or seal of the signing entity or with the signature of a legal representative whose designation is registered and filed with the relevant branch of the Administration of Industry and Commerce.

Although we usually utilize chops to enter into contracts, the designated legal representatives of each of our PRC subsidiaries and consolidated affiliated entities have the apparent authority to enter into contracts on behalf of such entities without chops and bind such entities. All designated legal representatives of our PRC subsidiaries and consolidated affiliated entities are members of our senior management team who have signed employment agreements with us or our PRC subsidiaries and consolidated affiliated entities under which they agree to abide by various duties they owe to us. In order to maintain the physical security of our chops and chops of our PRC entities, we generally store these items in secured locations accessible only by the authorized personnel in the legal or finance department of each of our subsidiaries and consolidated affiliated entities. Although we monitor such authorized personnel, there is no assurance such procedures will prevent all instances of abuse or negligence. Accordingly, if any of our authorized personnel misuse or misappropriate our corporate chops or seals, we could encounter difficulties in maintaining control over the relevant entities and experience significant disruption to our operations. If a designated legal representative obtains control of the chops in an effort to obtain control over any of our PRC subsidiaries or consolidated affiliated entities, we or our PRC subsidiary and consolidated affiliated entity would need to pass a new shareholder or board resolution to designate a new legal representative and we would need to take legal action to seek the return of the chops, apply for new chops with the relevant authorities, or otherwise seek legal redress for the violation of the representative's fiduciary duties to us, which could involve significant time and resources and divert management attention away from our regular business. In addition, the affected entity may not be able to recover corporate assets that are sold or transferred out of our control in the event of such a misappropriation if a transferee relies on the apparent authority of the representative and acts in good faith.

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

Our independent registered public accounting firm that issues the audit reports included in this prospectus filed with the SEC, as an auditor of companies that are traded publicly in the United States and a firm registered

with the Public Company Accounting Oversight Board (United States), or PCAOB, is required by the laws of the United States to undergo regular inspections by PCAOB to assess its compliance with the laws of the United States and professional standards. Because our auditor is located in China, a jurisdiction where PCAOB is currently unable to conduct inspections without the approval of the PRC authorities, our auditor, like other independent registered public accounting firms operating in China, is currently not inspected by PCAOB.

Inspections of other firms that PCAOB has conducted outside of China have identified deficiencies in those firms' audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. The inability of PCAOB to conduct inspections of independent registered public accounting firms operating in China makes it more difficult to evaluate the effectiveness of our auditor's audit procedures or quality control procedures. As a result, investors may be deprived of the benefits of PCAOB inspections.

Risks Relating to Our ADSs and This Offering

An active trading market for our shares or our ADSs may not develop and the trading price for our ADSs may fluctuate significantly.

We have applied to list our ADSs on the Nasdaq Global Market. Prior to the completion of this offering, there has been no public market for our ADSs or our Class A common shares underlying the ADSs, and we cannot assure you that a liquid public market for our ADSs will develop. If an active public market for our ADSs does not develop following the completion of this offering, the market price and liquidity of our ADSs may be materially and adversely affected. Even if an active public market for our common shares or ADSs develops, we cannot assure you that it will continue. The initial public offering price for our ADSs will be determined by negotiation between us and the underwriters based upon several factors, and we can provide no assurance that the trading price of our ADSs after this offering will not decline below the initial public offering price. As a result, investors in our securities may experience a significant decrease in the value of their ADSs.

The trading prices of our ADSs are likely to be volatile, which could result in substantial losses to investors.

The trading prices of our ADSs are likely to be volatile and could fluctuate widely due to factors beyond our control. This may happen because of broad market and industry factors, like the performance and fluctuation in the market prices or the underperformance or deteriorating financial results of other similarly situated companies in China that have listed their securities in the United States in recent years. The securities of some of these companies have experienced significant volatility since their initial public offerings, including, in some cases, substantial price declines in the trading prices of their securities. The trading performances of these Chinese companies' securities after their offerings, including companies in internet and social networking businesses, may affect the attitudes of investors toward Chinese companies listed in the United States, which consequently may impact the trading performance of our ADSs, regardless of our actual operating performance. In addition, any negative news or perceptions about inadequate corporate governance practices or fraudulent accounting or other practices at other Chinese companies may also negatively affect the attitudes of investors towards Chinese companies in general, including us, regardless of whether we have engaged in such practices. In addition, securities markets may from time to time experience significant price and volume fluctuations that are not related to our operating performance, such as the large decline in share prices in the United States, China and other jurisdictions in late 2008, early 2009, the third quarter of 2011 and the second quarter of 2012, which may have a material adverse effect on the market price of our ADSs.

In addition to market and industry factors, the price and trading volume for our ADSs may be highly volatile for factors specific to our own operations, including the following:

- variations in our net revenues, earnings and cash flow;
- announcements of new investments, acquisitions, strategic partnerships, or joint ventures;

- announcements of new services and expansions by us or our competitors;
- changes in financial estimates by securities analysts;
- changes in the number of our registered or active users;
- fluctuations in the number of paying users or other operating metrics;
- failure on our part to realize monetization opportunities as expected;
- additions or departures of key personnel;
- release of lock-up or other transfer restrictions on our outstanding equity securities or sales of additional equity securities; and
- potential litigation or regulatory investigations.

Any of these factors may result in large and sudden changes in the volume and price at which our ADSs will trade.

The approval of the China Securities Regulatory Commission may be required in connection with this offering 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 CSRC, promulgated the M&A Rules, 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 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, Zhong Lun Law Firm, 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
- 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 Market, considering that (a) our PRC subsidiaries, Beijing Huanju Shidai and Guangzhou Huanju Shidai, are foreign-invested enterprises established by foreign enterprises, (b) we did not acquire any equity interest or assets of a PRC domestic company owned by PRC companies or individuals as defined under the M&A Rules and (c) there is no provision that clearly classifies the contractual arrangements among our PRC subsidiary, Beijing Huanju Shidai, our PRC consolidated affiliated entities and their respective shareholders as a transaction regulated by the M&A Rules.

However, our PRC legal counsel, Zhong Lun Law Firm, further advised us that because there has been no official interpretation or clarification of this regulation, 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 subsidiaries, or other actions that may have a material adverse effect on our business and 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.

We are an emerging growth company within the meaning of the Securities Act and may take advantage of certain reduced reporting requirements.

We are an "emerging growth company," as defined in the JOBS Act, and we may take advantage of certain exemptions from various requirements applicable to other public companies that are not emerging growth companies including, most significantly, not being required to comply with the auditor attestation requirements of Section 404 for so long as we are an emerging growth company. As a result, if we elect not to comply with such auditor attestation requirements, our investors may not have access to certain information they may deem important.

The JOBS Act also provides that an emerging growth company does not need to comply with any new or revised financial accounting standards until such date that a private company is otherwise required to comply with such new or revised accounting standards. However, we have elected to "opt out" of this provision and, as a result, we will comply with new or revised accounting standards as required when they are adopted for public companies. This decision to opt out of the extended transition period under the JOBS Act is irrevocable.

If securities or industry analysts do not publish research or reports about our business, or if they adversely change their recommendations regarding our ADSs, the market price for our ADSs and trading volume could decline.

The trading market for our ADSs will be influenced by research or reports that industry or securities analysts publish about our business. If one or more analysts who cover us downgrade our ADSs, the market price for our ADSs would likely decline. If one or more of these analysts cease to cover us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which, in turn, could cause the market price or trading volume for our ADSs to decline.

The sale or availability for sale, or perceived sale or availability for sale, of substantial amounts of our ADSs could adversely affect their market price.

Sales of substantial amounts of our ADSs in the public market after the completion of this offering, or the perception that these sales could occur, could adversely affect the market price of our ADSs and could materially impair our ability to raise capital through equity offerings in the future. There will be ADSs (equivalent to Class A common shares) outstanding immediately after this offering, or ADSs (equivalent to Class A common shares) if the underwriters exercise their options to purchase additional ADSs in full. The ADSs sold in this offering will be freely tradable without restriction or further registration under the Securities Act of 1933, as amended, or the Securities Act, and shares held by our existing shareholders may also be sold in the public market in the future subject to the restrictions in Rule 144 and Rule 701 under the Securities Act and the applicable lock-up agreements. In connection with this offering, we and our officers, directors and certain of our shareholders have agreed not to sell any shares or ADSs for 180 days after the date of this prospectus without the prior written consent of the underwriters. However, the underwriters may release the securities subject to lock-up agreements from the lock-up restrictions at any time, subject to applicable regulations of the Financial Industry Regulatory Authority, Inc. In addition, common shares subject to our outstanding options as of the closing of this offering will become eligible for sale in the public market to the extent permitted by the provisions of various vesting agreements, the lock-up agreements and Rules 144 and 701 under the Securities Act. We may also issue additional options in the future which may be exercised for additional common shares. We cannot predict what effect, if any, market sales of securities held by our significant shareholders or any other shareholder or the availability of these securities for future sale will have on the market price of our ADSs. See "Underwriting" and "Shares Eligible for Future Sale" for a more detailed description of the restrictions on selling our securities after this offering.

Because the initial public offering price is substantially higher than the pro forma 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 each ADS than the corresponding amount paid by existing shareholders for their common shares. As a result, you will experience immediate and substantial dilution of approximately US$ per ADS (assuming that no outstanding options to acquire common shares are exercised). This number represents the difference between our pro forma net tangible book value per ADS of US$ as of June 30, 2012, after giving effect to this offering and the assumed initial public offering price of US$ per ADS, the midpoint of the estimated initial public offering price range set forth on the front cover of this prospectus. See "Dilution" for a more complete description of how the value of your investment in our ADSs will be diluted upon the completion of this offering.

We may be classified as a passive foreign investment company, or PFIC, for United States federal income tax purposes, which could subject United States investors in our ADSs or common shares to significant adverse United States income tax consequences.

We will be classified as a "passive foreign investment company," or "PFIC" if, in the case of any particular taxable year, either (a) 75% or more of our gross income for such year consists of certain types of "passive" income or (b) 50% or more of the average quarterly value of our assets (as determined on the basis of fair market value) during such year produce or are held for the production of passive income (the "asset test"). Although the law in this regard is unclear, we treat Guangzhou Huaduo and Beijing Tuda as being owned by us for United States federal income tax purposes, not only because we exercise effective control over the operation of such entities but also because we are entitled to substantially all of their economic benefits, and, as a result, we consolidate their operating results in our consolidated financial statements. Assuming that we are the owner of Guangzhou Huaduo and Beijing Tuda for United States federal income tax purposes, and based upon our current income and assets (taking into account the proceeds from this offering) and projections as to the value of our ADSs and common shares following the offering, we do not presently expect to be classified as a PFIC for the current taxable year or the foreseeable future.

While we do not expect to become a PFIC, because the value of our assets for purposes of the asset test will generally be determined by reference to the market price of our ADSs or common shares, fluctuations in the market price of our ADSs or common shares may cause us to become a PFIC for the current or subsequent taxable years. The determination of whether we will be or become a PFIC will also depend, in part, on the composition of our income and assets, which will be affected by how, and how quickly, we use our liquid assets and the cash raised in this offering. Under circumstances where we determine not to deploy significant amounts of cash for active purposes or not to treat Guangzhou Huaduo or Beijing Tuda as owned by us for United States federal income tax purposes, our risk of being classified as a PFIC may substantially increase. Because there are uncertainties in the application of the relevant rules and PFIC status is a factual determination made annually after the close of each taxable year, there can be no assurance that we will not be a PFIC for the current taxable year or any future taxable year.

If we are classified as a PFIC in any taxable year, a U.S. holder (as defined in "Taxation—Material United States Federal Income Tax Considerations") may incur significantly increased United States income tax on gain recognized on the sale or other disposition of the ADSs or common shares and on the receipt of distributions on the ADSs or common shares to the extent such gain or distribution is treated as an "excess distribution" under the United States federal income tax rules and such holders may be subject to burdensome reporting requirements. Further, if we are classified as a PFIC for any year during which a U.S. holder holds our ADSs or common shares, we generally will continue to be treated as a PFIC for all succeeding years during which such U.S. holder holds our ADSs or common shares. For more information see "Taxation—Material United States Federal Income Tax Considerations—Passive Foreign Investment Company Rules."

Our dual class common share structure with different voting rights will limit your ability to influence corporate matters and could discourage others from pursuing any change of control transactions that holders of our Class A common shares and ADSs may view as beneficial.

Upon the completion of this offering, our common shares will be divided into Class A common shares and Class B common shares. 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, voting together as one class on all matters requiring a shareholders' vote. We will issue Class A common shares represented by our ADSs in this offering. All of our outstanding common shares prior to this offering will be redesignated as Class B common shares and all of our outstanding preferred shares will be automatically converted into Class B common shares on a one-for-one basis immediately upon the completion of this offering. Due to the disparate voting powers attached to these two classes of common shares, we anticipate that our existing shareholders will collectively hold approximately % of our outstanding common shares immediately after this offering, representing % of our total voting power, assuming the underwriters do not exercise their over-allotment option to purchase additional ADSs, and will have considerable influence over all matters requiring a shareholders' vote, including election of directors and significant corporate transactions, such as a merger or sale of our company or our assets. In particular, our founders, Messrs. David Xueling Li, Jun Lei, Tony Bin Zhao and Jin Cao and their affiliates will beneficially own approximately % of our outstanding common shares immediately after this offering, representing % of our total voting power, assuming the underwriters do not exercise their over-allotment option to purchase additional ADSs. This concentrated control will limit your ability to influence corporate matters and could discourage others from pursuing any potential merger, takeover or other change of control transactions that holders of Class A common shares and ADSs may view as beneficial.

Our articles of association contain anti-takeover provisions that could have a material adverse effect on the rights of holders of our common shares and ADSs.

We will adopt our second amended and restated articles of association that will become effective immediately upon completion of this offering. Our new articles of association contain provisions to limit the ability of others to acquire control of our company or cause us to engage in change-of-control transactions. These provisions could have the effect of depriving our shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transaction. For example, our board of directors has the authority, without further action by our shareholders, to issue preferred shares in one or more series and to fix their designations, powers, preferences, privileges, and relative participating, optional or special rights and the qualifications, limitations or restrictions, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights associated with our common shares, in the form of ADS or otherwise. Preferred shares could be issued quickly with terms calculated to delay or prevent a change in control of our company or make removal of management more difficult. If our board of directors decides to issue preferred shares, the price of our ADSs may fall and the voting and other rights of the holders of our common shares and ADSs may be materially and adversely affected.

You may face difficulties in protecting your interests, and your ability to protect your rights through U.S. courts may be limited, because we are incorporated under Cayman Islands law.

We are a company limited by shares incorporated under the laws of the Cayman Islands. Our corporate affairs are governed by our memorandum and articles of association, the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and the common law of the Cayman Islands. The rights of shareholders to take action against the directors, actions by minority shareholders and the fiduciary responsibilities of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from the common law of England, the decisions of whose courts are of persuasive authority, but are not binding, on a court in the Cayman Islands. The rights of our

shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities laws than the United States. Some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action in a federal court of the United States.

Unlike many jurisdictions in the United States, Cayman Islands law does not generally provide for shareholder appraisal rights on an approved arrangement and reconstruction of a company. For a discussion of significant differences between the provisions of the Corporate Law of the Cayman Islands and the law applicable to companies incorporated in the United States and their shareholders, see "Description of Share Capital—Differences in Corporate Law." This may make it more difficult for you to assess the value of any consideration you may receive in a merger or consolidation or to require that the offeror give you additional consideration if you believe the consideration offered is insufficient. Moreover, holders of our ADSs are not entitled to appraisal rights under Cayman Islands law. ADS holders that wish to exercise their appraisal rights must convert their ADSs into our Class A common shares by surrendering their ADSs to the depositary and paying the ADS depositary fee. See "Description of Share Capital—Differences in Corporate Law—Mergers and Similar Arrangements" for additional details.

Shareholders of Cayman Islands exempted companies like us have no general rights under Cayman Islands law to inspect corporate records or to obtain copies of lists of shareholders of these companies. Our directors have discretion under our existing articles of association to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

As a result of all of the above, public shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of the board of directors or controlling shareholders than they would as public shareholders of a company incorporated in the United States. For a discussion of significant differences between the provisions of the Companies Law of the Cayman Islands and the laws applicable to companies incorporated in the United States and their shareholders, see "Description of Share Capital—Differences in Corporate Law."

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

We are a Cayman Islands company and all of our assets are located outside of the United States. Substantially all of our current operations are conducted in China. In addition, a significant majority of our current directors and officers are nationals and residents of countries other than the United States and a substantial portion of their assets are located outside the United States. Substantially all of the assets of these persons are located outside the United States. As a result, it may be difficult or impossible for you to bring an action against us or against these individuals in the United States in the event that you believe that your rights have been infringed under the United States federal securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against our assets or the assets of our directors and officers.

There are uncertainties as to whether Cayman Islands courts would:

- recognize or enforce against us judgments of courts of the United States based on certain civil liability provisions of U.S. securities laws; and
- impose liabilities against us, in original actions brought in the Cayman Islands, based on certain civil liability provisions of U.S. securities laws that are penal in nature.

There is no statutory recognition in the Cayman Islands of judgments obtained in the United States, although the courts of the Cayman Islands will in certain circumstances recognize and enforce a non-penal judgment of a foreign court of competent jurisdiction without retrial on the merits. For more information regarding the relevant laws of the Cayman Islands and China, see "Enforceability of Civil Liabilities."

We have not determined a specific use for a portion of the net proceeds from this offering, and we may use these proceeds in ways with which you may not agree and such use may not produce income on increase our ADS price.

We have not determined a specific use for a portion of the net proceeds of this offering, and our management will have considerable discretion in deciding how to apply these proceeds. You will not have the opportunity to assess whether the proceeds are being used appropriately before you make your investment decision. You must rely on the judgment of our management regarding the application of the net proceeds of this offering. We cannot assure you that the net proceeds will be used in a manner that would improve our results of operations or increase our ADS price, or that these net proceeds will be placed only in investments that generate income or appreciate in value.

The voting rights of holders of ADSs are limited by the terms of the deposit agreement, and you may not be able to exercise your right to vote your Class A common shares.

As a holder of our ADSs, you will only be able to exercise the voting rights with respect to the underlying Class A common shares in accordance with the provisions of the deposit agreement. Under the deposit agreement, you must vote by giving voting instructions to the depositary. Upon receipt of your voting instructions, the depositary will vote the underlying Class A common shares in accordance with these instructions. You will not be able to directly exercise your right to vote with respect to the underlying shares unless you withdraw the shares. Under our second amended and restated memorandum and articles of association, the minimum notice period required for convening a general meeting is five days. When a general meeting is convened, you may not receive sufficient advance notice to withdraw the shares underlying your ADSs to allow you to vote with respect to any specific matter. If we ask for your instructions, the depositary will notify you of the upcoming vote and will arrange to deliver our voting materials to you. We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote your shares. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for their manner of carrying out your voting instructions. This means that you may not be able to exercise your right to vote and you may have no legal remedy if the shares underlying your ADSs are not voted as you requested.

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

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

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

The effect of this discretionary proxy is that if you do not vote at shareholders' meetings, you cannot prevent our Class A common shares underlying your ADSs from being voted, except under the circumstances

described above. This may make it more difficult for shareholders to influence the management of our company. Holders of our common shares are not subject to this discretionary proxy.

Because we do not expect to pay dividends in the foreseeable future after this offering, you must rely on price appreciation of our ADSs for return on your investment.

We currently intend to retain most, if not all, of our available funds and any future earnings after this offering to fund the development and growth of our business. As a result, we do not expect to pay any cash dividends in the foreseeable future. Therefore, you should not rely on an investment in our ADSs as a source for any future dividend income.

Our board of directors has complete discretion as to whether to distribute dividends. Even if our board of directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiary, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, the return on your investment in our ADSs will likely depend entirely upon any future price appreciation of our ADSs. There is no guarantee that our ADSs will appreciate in value after this offering or even maintain the price at which you purchased the ADSs. You may not realize a return on your investment in our ADSs and you may even lose your entire investment in our ADSs.

You may not receive dividends or other distributions on our common shares and you may not receive any value for them, if it is illegal or impractical to make them available to you.

The depositary of our ADSs has agreed to pay to you the cash dividends or other distributions it or the custodian receives on Class A common shares or other deposited securities underlying our ADSs, after deducting its fees and expenses. You will receive these distributions in proportion to the number of Class A common shares your ADSs represent. However, the depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any holders of ADSs. For example, it would be unlawful to make a distribution to a holder of ADSs if it consists of securities that require registration under the Securities Act but that are not properly registered or distributed under an applicable exemption from registration. The depositary may also determine that it is not feasible to distribute certain property through the mail. Additionally, the value of certain distributions may be less than the cost of mailing them. In these cases, the depositary may determine not to distribute such property. We have no obligation to register under U.S. securities laws any ADSs, common shares, rights or other securities received through such distributions. We also have no obligation to take any other action to permit the distribution of ADSs, common shares, rights or anything else to holders of ADSs. This means that you may not receive distributions we make on our common shares or any value for them if it is illegal or impractical for us to make them available to you. These restrictions may cause a material decline in the value of our ADSs.

You may not be able to participate in rights offerings and may experience dilution of your holdings.

We may, from time to time, distribute rights to our shareholders, including rights to acquire securities. Under the deposit agreement, the depositary will not distribute rights to holders of ADSs unless the distribution and sale of rights and the securities to which these rights relate are either exempt from registration under the Securities Act with respect to all holders of ADSs, or are registered under the provisions of the Securities Act. The depositary may, but is not required to, attempt to sell these undistributed rights to third parties, and may allow the rights to lapse. We may be unable to establish an exemption from registration under the Securities Act, and we are under no obligation to file a registration statement with respect to these rights or underlying securities or to endeavor to have a registration statement declared effective. Accordingly, holders of ADSs may be unable to participate in our rights offerings and may experience dilution of their holdings as a result.

You may be subject to limitations on transfer of your ADSs.

Your ADSs are transferable on the books of the depositary. However, the depositary may close its books at any time or from time to time when it deems expedient in connection with the performance of its duties. The depositary may close its books from time to time for a number of reasons, including in connection with corporate events such as a rights offering, during which time the depositary needs to maintain an exact number of ADS holders on its books for a specified period. The depositary may also close its books in emergencies, and on weekends and public holidays. The depositary may refuse to deliver, transfer or register transfers of our ADSs generally when our share register or the books of the depositary are closed, or at any time if we or the depositary thinks that it is advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason in accordance with the terms of the deposit agreement. As a result, you may be unable to transfer your ADSs when you wish to.

We will incur increased costs as a result of being a public company, particularly after we cease to qualify as an "emerging growth company".

Upon completion of this offering, we will become a public company and expect to incur significant legal, accounting and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the Securities and Exchange Commission, or the SEC, and the Nasdaq Global Market, impose various requirements on the corporate governance practices of public companies. As a company with less than US$1.0 billion in revenues for our last fiscal year, we qualify as an "emerging growth company" pursuant to the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include exemption from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, in the assessment of the emerging growth company's internal control over financial reporting and permission to delay adopting new or revised accounting standards until such time as those standards apply to private companies. However, we have elected to "opt out" of this provision and, as a result, we will comply with new or revised accounting standards as required when they are adopted for public companies. This decision to opt out of the extended transition period under the JOBS Act is irrevocable.

We expect these rules and regulations to increase our legal and financial compliance costs and to make some corporate activities more time-consuming and costly. After we are no longer an "emerging growth company," we expect to incur significant expenses and devote substantial management effort toward ensuring compliance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 and the other rules and regulations of the SEC. For example, as a result of becoming a public company, we will need to increase the number of independent directors and adopt policies regarding internal controls and disclosure controls and procedures. We also expect that operating as a public company will make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. In addition, we will incur additional costs associated with our public company reporting requirements. It may also be more difficult for us to find qualified persons to serve on our board of directors or as executive officers. We are currently evaluating and monitoring developments with respect to these rules and regulations, and we cannot predict or estimate with any degree of certainty the amount of additional costs we may incur or the timing of such costs.

In the past, shareholders of a public company often brought securities class action suits against the company following periods of instability in the market price of that company's securities. If we were involved in a class action suit, it could divert a significant amount of our management's attention and other resources from our business and operations, which could harm our results of operations and require us to incur significant expenses to defend the suit. Any such class action suit, whether or not successful, could harm our reputation and restrict our ability to raise capital in the future. In addition, if a claim is successfully made against us, we may be required to pay significant damages, which could have a material adverse effect on our financial condition and results of operations.

CONVENTIONS WHICH APPLY TO THIS PROSPECTUS

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

- "we," "us," "our company" and "our" refer to YY Inc., a Cayman Islands company, its offshore subsidiaries, Duowan Entertainment Corp., NeoTasks Inc. and NeoTasks Limited, and its PRC direct and indirect subsidiaries, Huanju Shidai Technology (Beijing) Company Limited, Guangzhou Huanju Shidai Information Technology Company Limited and Zhuhai Duowan Information Technology Company Limited, and, in the context of describing our operations and consolidated financial information, also include YY Inc.'s PRC consolidated affiliated entities, Beijing Tuda Science and Technology Company Limited and Guangzhou Huaduo Network Technology Company Limited;
- "active user" for any period means a registered user account that has logged onto YY Client at least once during such relevant period. Active users do not include users of YY.com, Duowan.com and Mobile YY because we cannot track the numbers of active users of YY.com, Duowan.com, and Mobile YY, which, unlike on YY Client, do not require users to log in;
- "concurrent users" for any point in time means the total number of YY users that are simultaneously logged onto YY Client at such point in time;
- "paying user" for any period means a registered user account that has purchased virtual items or other products and services on our platform at least once during the relevant period. A paying user is not necessarily a unique user, however, as a unique user may set up multiple paying user accounts on our platform; thus, the number of paying users referred to in this prospectus may be higher than the number of unique users who are purchasing virtual items or other products and services. Please see "Risk Factors—Risks Relating to Our Business—The respective number of our registered user accounts, active users, paying users and unique visitors may overstate the number of unique individuals who register to use our products and services, log onto YY Client, purchase virtual items or other products and services on our platform or access Duowan.com, respectively, and may therefore lead to an inaccurate interpretation of our average revenue per paying user metric and of our business operations by our management and by investors, and may affect advertisers' decision on the amount spent on advertising with us, which may materially and adversely affect our business and results of operations;"
- "registered user account" means a user account that has downloaded, registered and logged onto YY Client at least once since registration. We calculate registered user accounts as the cumulative number of user accounts at the end of the relevant period that have logged onto YY Client at least once after registration. Each individual user may have more than one registered user account, and consequently, the number of registered user accounts we present in this prospectus may overstate the number of unique individuals who are our registered users. Please see "Risk Factors—Risks Relating to Our Business—The respective number of our registered user accounts, active users, paying users and unique visitors may overstate the numbers of unique individuals who register to use our products and services, log onto YY Client, purchase virtual items or other products and services on our platform or access Duowan.com, respectively, and may therefore lead to an inaccurate interpretation of our average revenue per paying user metric and of our business operations by our management and by investors, and may affect advertisers' decision on the amount spent on advertising with us, which may materially and adversely affect our business and results of operations;"
- "unique visitor" to Duowan.com means a visitor to Duowan.com from a specific IP address. We limit the definition to Duowan.com visitors because the unique visitor metric is meaningful only for those seeking to advertise on Duowan.com by allowing them to evaluate the costs and benefits of advertising on Duowan.com. No subsequent visits from the same IP address during a relevant period are added to our total unique visitors count for that period. An individual who accesses Duowan.com from more

than one IP address is counted as a unique visitor for each IP address he or she uses. Please see "Risk Factors—Risks Relating to Our Business—The respective number of our registered user accounts, active users, paying users and unique visitors may overstate the number of unique individuals who register to use our products and services, log onto YY Client, purchase virtual items or other products and services on our platform or access Duowan.com, respectively, and may therefore lead to an inaccurate interpretation of our average revenue per paying user metric and of our business operations by our management and by investors, and may affect advertisers' decision on the amount spent on advertising with us, which may materially and adversely affect our business and results of operations;" and

- "voice minute" means a minute in which a user is using our voice- or video-enabled services, such as listening to or talking on YY channels.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND INDUSTRY DATA

This prospectus contains forward-looking statements that involve risks and uncertainties. All statements other than statements of historical facts are forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements.

You can identify these forward-looking statements by words or phrases such as "may," "will," "expect," "anticipate," "aim," "estimate," "intend," "plan," "believe," "likely to" or other similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, but are not limited to, statements about:

- our growth strategies;
- our ability to retain and increase our user base and expand our product and service offerings;
- our ability to monetize our platform;
- our future business development, results of operations and financial condition;
- competition from companies in a number of industries including internet companies that provide online voice and video communications services and social networking companies;
- expected changes in our revenues and certain cost or expense items;
- our expectation regarding the use of proceeds from this offering;
- general economic and business condition in China; and
- assumptions underlying or related to any of the foregoing.

You should read thoroughly this prospectus and the documents that we refer to in this prospectus with the understanding that our actual future results may be materially different from and worse than what we expect. Other sections of this prospectus include additional factors which could adversely impact our business and financial performance. Moreover, we operate in an evolving environment. New risk factors and uncertainties emerge from time to time and it is not possible for our management to predict all risk factors and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We qualify all of our forward-looking statements by these cautionary statements.

You should not rely upon forward-looking statements as predictions of future events. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

This prospectus also contains statistical data and estimates that we obtained from industry publications and reports generated by third party providers of market intelligence, including the iResearch Report that we commissioned for the purposes of this offering. These industry publications and reports generally indicate that the information contained therein was obtained from sources believed to be reliable, but do not guarantee the accuracy and completeness of such information. Although we believe that the publications and reports are reliable, we make no representation as to the accuracy of such data.

USE OF PROCEEDS

We estimate that we will receive net proceeds from this offering of approximately US$ million, or approximately US$ million if the underwriters exercise their option to purchase additional ADSs in full, after deducting underwriting discounts and commissions and the estimated offering expenses payable by us. These estimates are based upon an assumed initial offering price of US$ per ADS, the mid-point of the range shown on the front cover page of this prospectus. A US$1.00 change in the assumed initial public offering price of US$ per ADS would, in the case of an increase, increase and, in the case of a decrease, decrease the net proceeds of this offering by US$ million, or approximately US$ million if the underwriters exercise their option to purchase additional ADSs in full, after deducting underwriting discounts and commissions and the estimated offering expenses payable by us.

The primary purposes of this offering are to create a public market for our shares for the benefit of all shareholders, retain talented employees by providing them with equity incentives and obtain additional capital. We intend to use the net proceeds received by us from this offering for the following purposes:

- approximately US$ million to invest in our voice and video technology and infrastructure, including purchasing servers and leasing more bandwidth to support our expanding user base and further enhancing user experience;
- approximately US$ million to expand our product development and services offerings, including through the hiring of additional research and development personnel and the further development of Mobile YY;
- approximately US$ million to expand our sales and marketing activities, including the hiring of additional sales and marketing personnel; and
- the balance for other general corporate purposes, including working capital needs, potential acquisitions, partnerships, alliances and licensing opportunities.

We will not receive any of the proceeds from the sale of ADSs by the selling shareholders.

The amounts and timing of any expenditures will vary depending on the amount of cash generated by our operations, and the rate of growth, if any, of our business. Accordingly, our management will have significant flexibility in applying the net proceeds of the offering. If an unforeseen event occurs or business conditions change, we may use the proceeds of this offering differently than as described in this prospectus.

In utilizing the proceeds from this offering, we are permitted under PRC laws and regulations to provide funding to our PRC subsidiaries only through loans or capital contributions, and only if we satisfy the applicable government registration and approval requirements. We cannot assure you that we will be able to meet these requirements on a timely basis, if at all. See "Risk Factors—Risks Relating to Doing Business in China—PRC regulation of direct investment and loans by offshore holding companies to PRC entities may delay or limit us from using the proceeds of this offering to make additional capital contributions or loans to our PRC subsidiaries."

Pending use of the net proceeds, we intend to hold our net proceeds in demand deposits or invest them in interest-bearing government securities.

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DIVIDEND POLICY

We have not previously declared or paid cash dividends and we have no plan to declare or pay any dividends in the near future on our shares or ADSs. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

We are a holding company incorporated in the Cayman Islands. We rely principally on dividends from our PRC subsidiaries for our cash requirements, including any payment of dividends to our shareholders. PRC regulations may restrict the ability of our PRC subsidiaries to pay dividends to us. See "Risk Factors—Risks Relating to Our Corporate Structure and Our Industry—Our PRC subsidiaries and PRC consolidated affiliated entities are subject to restrictions on paying dividends or making other payments to us, which may restrict our ability to satisfy our liquidity requirements." and "PRC Regulation—Regulation of Foreign Currency Exchange and Dividend Distribution."

Our board of directors has discretion as to whether to distribute dividends, subject to the approval of our shareholders and applicable laws. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant. If we pay any dividends, we will pay our ADS holders to the same extent as holders of our Class A common shares, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. See "Description of American Depositary Shares." Cash dividends on our Class A common shares, if any, will be paid in U.S. dollars.

CAPITALIZATION

The following table sets forth our capitalization as of June 30, 2012:

- on an actual basis;
- on a pro forma basis to reflect the automatic conversion of all of our outstanding series A, B, C-1 and C-2 preferred shares into 359,424,310 Class B common shares immediately prior to the completion of this offering; and
- on a pro forma as adjusted basis to reflect (a) the automatic conversion of all of our outstanding series A, B, C-1 and C-2 preferred shares into 359,424,310 Class B common shares immediately upon the completion of this offering and (b) the 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$ 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 (assuming the over-allotment option is not exercised).

You should read this table together with our consolidated financial statements and the related notes included elsewhere in this prospectus and the information under "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	As of June 30, 2012					
	Actual		Pro forma (Unaudited)		Pro forma as adjusted[1] (Unaudited)	
	RMB	US$	RMB	US$	RMB	US$
			(in thousands)			
Mezzanine equity:						
Series A preferred shares (US$0.00001 par value; 136,100,930 shares authorized, issued and outstanding on an actual basis; and none outstanding on a pro forma or pro forma as adjusted basis as of June 30, 2012)	983,057	154,739	—	—		
Series B preferred shares (US$0.00001 par value; 102,073,860 shares authorized, issued and outstanding on an actual basis; and none outstanding on a pro forma or pro forma as adjusted basis as of June 30, 2012)	739,903	116,465	—	—		
Series C-1 preferred shares (US$0.00001 par value; 16,249,870 shares authorized, issued and outstanding on an actual basis; and none outstanding on a pro forma or pro forma as adjusted basis as of June 30, 2012)	118,276	18,617	—	—		
Series C-2 preferred shares (US$0.00001 par value; 104,999,650 shares authorized, issued and outstanding on an actual basis; and none outstanding on a pro forma or pro forma as adjusted basis as of June 30, 2012)	766,319	120,623	—	—		
Shareholders' (deficits) equity:						
Common shares (US$0.00001 par value; 1,022,785,225 shares authorized, 543,340,914 shares issued and outstanding on an actual basis; Class A common shares and 902,765,224 Class B common shares issued and outstanding on a pro forma basis and Class A common shares and Class B common shares issued and outstanding on a pro forma as adjusted basis)	37	6	61	9		
Additional paid-in capital[2]	511,732	80,550	3,119,263	490,991		
Accumulated deficits	(2,412,788)	(379,787)	(2,412,788)	(379,787)		
Accumulated other comprehensive losses	(10,328)	(1,626)	(10,328)	(1,626)		
Total shareholders' (deficits) equity[2]	(1,911,347)	(300,857)	696,208	109,587		
Total capitalization[2]						

(1) The pro forma as adjusted information discussed above is illustrative only. Our additional paid-in capital, total shareholders' deficit and total capitalization following the completion of this offering are subject to adjustment based on the actual initial public offering price and other terms of this offering determined at pricing.

(2) Assuming the number of ADSs offered by us as set forth on the cover page of this prospectus remains the same, and after deduction of underwriting discounts and commissions and the estimated offering expenses payable by us, a US$1.00 change in the assumed initial public offering price of US$ per ADS would, in the case of an increase, increase and, in the case of a decrease, decrease each of additional paid-in capital, total shareholders' deficit and total capitalization by US$ million.

DILUTION

If you invest in our ADSs, your interest will be diluted to the extent of the difference between the initial public offering price per ADS and our net tangible book value per ADS after this offering. Dilution results from the fact that the initial public offering price per Class A common share is substantially in excess of the book value per common share attributable to the existing shareholders for our presently outstanding common shares and holders of our outstanding series A, B, C-1 and C-2 preferred shares which will automatically convert into our Class B common shares upon the completion of this offering.

Our net tangible book value as of June 30, 2012 was approximately US$ per common share and US$ per ADS. Net tangible book value per common share represents the amount of total tangible assets, minus the amount of total liabilities, divided by the total number of common shares outstanding. Dilution is determined by subtracting net tangible book value per common share from the assumed public offering price per Class A common share, after giving effect to the conversion of all outstanding preferred shares into Class B common shares immediately upon the completion of this offering and the net proceeds we will receive from this offering, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

Without taking into account any other changes in such net tangible book value after June 30, 2012, other than to give effect to (1) the conversion of all of our series A, B, C-1 and C-2 preferred shares into Class B common shares, which will occur automatically upon the completion of this offering, and (3) our issuance and sale of ADSs in this offering, at an assumed initial public offering price of US$ per ADS, the mid-point of the estimated public offering price range, and after deduction of underwriting discounts and commissions and estimated offering expenses payable by us (assuming the over-allotment option is not exercised), our pro forma net tangible book value at June 30, 2012 would have been US$ per outstanding common share, including Class A common shares underlying our outstanding ADSs, or US$ per ADS. This represents an immediate increase in net tangible book value of US$ per common share, or US$ per ADS, to existing shareholders and an immediate dilution in net tangible book value of US$ per common share, or US$ per ADS, to purchasers of ADSs in this offering.

The following table illustrates the dilution on a per common share basis assuming that the initial public offering price per Class A common share is US$ and all ADSs are exchanged for Class A common shares:

Assumed initial public offering price per Class A common share	US$
Net tangible book value per common share as of June 30, 2012	US$
Pro forma net tangible book value per common share after giving effect to the automatic conversion of all of our outstanding preferred shares as of June 30, 2012	US$
Pro forma net tangible book value per common share as adjusted to give effect to the automatic conversion of all of our outstanding preferred shares and this offering as of June 30, 2012	US$
Amount of dilution in net tangible book value per common share to new investors in the offering	US$
Amount of dilution in net tangible book value per ADS to new investors in the offering	US$

A US$1.00 change in the assumed public offering price of US$ per ADS would, in the case of an increase, increase and, in the case of a decrease, decrease our pro forma net tangible book value after giving effect to the offering by US$ million, the pro forma net tangible book value per Class A common share and per ADS after giving effect to this offering by US$ per Class A common share and per ADS and the dilution in pro forma net tangible book value per common share and per ADS to new investors in this offering by US$ per Class A common share and per ADS, assuming no change to the number of ADSs offered by us

as set forth on the cover page of this prospectus, and after deducting underwriting discounts and commissions and estimated offering expenses. The pro forma information discussed above is illustrative only. Our net tangible book value following the completion of this offering is subject to adjustment based on the actual initial public offering price of our ADSs and other terms of this offering determined at pricing.

The following table summarizes, on a pro forma basis as of June 30, 2012, the differences between the shareholders as of June 30, 2012, including holders of our preferred shares that will be automatically converted into Class B common shares upon the completion of this offering, and the new investors with respect to the number of Class A common shares purchased from us, the total consideration paid and the average price per Class A common share paid at an assumed initial public offering price of US$ per ADS before deducting estimated underwriting discounts and commissions and estimated offering expenses. The total number of common shares does not include Class A common shares underlying the ADSs issuable upon the exercise of the option to purchase additional ADSs granted to the underwriters.

	Common Shares Purchased		Total Consideration		Average Price Per Common Share	Average Price Per ADS
	Number	Percent	Amount	Percent		
Existing shareholders						
New investors						
Total		100%		100%		

If the underwriters were to fully exercise the over-allotment option to purchase additional Class A common shares from us, the percentage of our common shares held by existing shareholders who are directors, officers or affiliated persons would be %, and the percentage of our common shares held by new investors would be %.

A US$1.00 change in the assumed public offering price of US$ per ADS would, in the case of an increase, increase and, in the case of a decrease, decrease total consideration paid by new investors, total consideration paid by all shareholders, average price per Class A common share and average price per ADS paid by all shareholders by US$, US$, US$ and US$, respectively, assuming the sale of ADSs at US$, the mid-point of the range set forth on the cover page of this prospectus, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

The discussion and tables above also assume no exercise of any outstanding stock options outstanding as of the date of this prospectus. As of the date of this prospectus, there were Class A common shares issuable upon exercise of outstanding stock options at a weighted average exercise price of US$ per Class A common share, and there were common shares available for future issuance upon the exercise of future option grants. To the extent that any of these options are exercised, there will be further dilution to new investors. As of the date of this prospectus, there were issued but unvested common shares. To the extent that any of these options are exercised and the unvested common shares become vested, there will be further dilution to new investors.

EXCHANGE RATE INFORMATION

Our reporting currency is the Renminbi because our business is primarily conducted in China and substantially all of our revenues are denominated in Renminbi. This prospectus contains translations of Renminbi amounts into U.S. dollars at specific rates solely for the convenience of the reader. The conversion of Renminbi into U.S. dollars in this prospectus is based on the rate certified for customs purposes by the Federal Reserve Bank of New York. Translation of financial data as of or for the year ended December 31, 2011 were made at a rate of RMB6.2939 to US$1.00, the exchange rate in effect as of December 30, 2011. Unless otherwise noted, all other translations from Renminbi to U.S. dollars and from U.S. dollars to Renminbi in this prospectus were made at a rate of RMB6.3530 to US$1.00, the rate in effect as of June 29, 2012. We make no representation that any Renminbi or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or Renminbi, as the case may be, at any particular rate, the rates stated below, or at all. The PRC government imposes control over its foreign currency reserves in part through direct regulation of the conversion of Renminbi into foreign exchange and through restrictions on foreign trade. On October 5, 2012, the rate was RMB6.2840 to US$1.00.

The following table sets forth information concerning exchange rates between the Renminbi and the U.S. dollar for the periods indicated. These rates are provided solely for your convenience and are not necessarily the exchange rates that we used in this prospectus or will use in the preparation of our periodic reports or any other information to be provided to you.

Period	Certified Exchange Rate			
	Period End	Average[(1)]	Low	High
	(RMB per US$1.00)			
2007	7.2946	7.5806	7.8127	7.2946
2008	6.8225	6.9193	7.2946	6.7800
2009	6.8259	6.8295	6.8470	6.8176
2010	6.6000	6.7603	6.8102	6.6000
2011	6.2939	6.4475	6.6364	6.2939
2012				
April	6.2790	6.3043	6.3150	6.2790
May	6.3684	6.3242	6.3684	6.3052
June	6.3530	6.3633	6.3703	6.3530
July	6.3610	6.3717	6.3879	6.3487
August	6.3484	6.3593	6.3738	6.3484
September	6.2848	6.3200	6.3489	6.2848
October (through October 5)	6.2840	6.2840	6.2840	6.2840

Source: Federal Reserve Statistical Release

(1) Annual averages were calculated by using the average of the exchange rates on the last day of each month during the relevant year. Monthly averages are calculated by using the average of the daily rates during the relevant month.

ENFORCEABILITY OF CIVIL LIABILITIES

We were incorporated in the Cayman Islands in order to enjoy the following benefits:

- political and economic stability;
- a favorable tax system;
- the absence of exchange control or currency restrictions; and
- the availability of professional and support services.

However, certain disadvantages accompany incorporation in the Cayman Islands. These disadvantages include, but are not limited to, the following:

- the Cayman Islands has a less developed body of securities laws as compared to the United States and these securities laws provide significantly less protection to investors; and
- Cayman Islands companies may not have standing to sue before the federal courts of the United States.

Our constituent documents do not contain provisions requiring that disputes, including those arising under the securities laws of the United States, between us, our officers, directors and shareholders, be arbitrated. Under the deposit agreement with our depositary, Deutsche Bank Trust Company Americas, the federal or state courts in the City of New York shall have non-exclusive jurisdiction over any suit, action, proceeding or dispute that may arise out of or in connection with the deposit agreement, and with regard to any claim or dispute arising from the relationship created by the deposit agreement, the depositary, in its sole discretion, is entitled to refer such dispute or difference for final settlement by arbitration, with the seat and place of the arbitration being New York, New York State. Moreover, under the contractual arrangements that we entered into with Beijing Tuda and Guangzhou Huaduo, any disputes arising from those contracts that cannot be resolved through friendly negotiations will be resolved through arbitration conducted through the China International Economic and Trade Arbitration Commission in Beijing or Shanghai.

Our PRC legal counsel, Zhong Lun Law Firm, has advised us that in the event that a shareholder originates an action against a company in China for disputes related to contracts or other property interests, the PRC court may accept a course of action based on the laws or the parties' express mutual agreement in contracts choosing PRC courts for dispute resolution if (a) the contract is signed and/or performed within the PRC, (b) the subject of the action is located within the PRC, (c) the company (as defendant) has seizable properties within the PRC, (d) the company has a representative organization within the PRC, or (e) other circumstances prescribed under the PRC law. The action may be initiated by a shareholder through filing a complaint with the PRC court. The PRC court will determine whether to accept the complaint in accordance with the PRC Civil Procedures Law. The shareholder may participate in the action by itself or entrust any other person or PRC legal counsel to participate on its behalf. Foreign citizens and companies will have the same rights as PRC citizens and companies in an action unless the home jurisdiction of such foreign citizens or companies restricts the rights of PRC citizens and companies.

Conyers Dill & Pearman, our legal counsel as to Cayman Islands law, has also advised us that a shareholder may commence an action against persons who have allegedly wronged the company, where the company itself has failed to enforce such claim against such persons directly. Such action is brought on the basis of a primary right of the corporation, but is asserted by a shareholder on behalf of the company commonly known as a "derivative action." Generally, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's articles of association. Civil proceedings are generally commenced by originating process (by writ or originating summons). A shareholder may commence proceedings in the Cayman Islands and may instruct an attorney to act on the shareholder's behalf. Service of proceedings on the company is effected through the delivery of the originating process at the registered office of the company. There are no particular formalities that a non-resident shareholder must comply with to initiate and commence proceedings in the Cayman Islands.

All of our operations are conducted outside the United States, and substantially all of our assets are located outside the United States. A significant majority of our directors and officers are nationals or residents of

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jurisdictions other than the United States and a substantial portion of their assets are located outside the United States. As a result, it may be difficult for a shareholder to effect service of process within the United States upon these persons, or to enforce against us or them judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States. It may also be difficult for you to enforce in Cayman Islands courts judgments obtained in United States courts based on the civil liability provisions of the United States federal securities laws against us and our officers and directors.

We have appointed Law Debenture Corporate Services Inc. as our agent upon whom process may be served in any action brought against us under the securities laws of the United States.

Conyers Dill & Pearman, our legal counsel as to Cayman Islands law, and Zhong Lun Law Firm, our legal counsel as to PRC law, have advised us, respectively, that there is uncertainty as to whether the courts of the Cayman Islands and China, respectively, would:

- recognize or enforce judgments of United States courts obtained against us or our directors or officers predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States; or
- entertain original actions brought in each respective jurisdiction against us or our directors or officers predicated upon the securities laws of the United States or any state in the United States.

There is uncertainty with regard to Cayman Islands law relates to whether a judgment obtained from the United States courts under civil liability provisions of the securities laws will be determined by the courts of the Cayman Islands as penal or punitive in nature. If such a determination is made, the courts of the Cayman Islands will not recognize or enforce the judgment against a Cayman company. Because the courts of the Cayman Islands have yet to rule on whether such judgments are penal or punitive in nature, it is uncertain whether they would be enforceable in the Cayman Islands. Conyers Dill & Pearman has advised us that the courts of the Cayman Islands would recognize as a valid judgment, a final and conclusive judgment *in personam* obtained in the federal or state courts of the United States against us under which a sum of money is payable (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty) or, in certain circumstances, an *in personam* judgment for non-monetary relief, and would give a judgment based thereon provided that (a) such courts had proper jurisdiction over the parties subject to such judgment; (b) such courts did not contravene the rules of natural justice of the Cayman Islands; (c) such judgment was not obtained by fraud; (d) the enforcement of the judgment would not be contrary to the public policy of the Cayman Islands; (e) no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of the Cayman Islands; and (f) there is due compliance with the correct procedures under the laws of the Cayman Islands.

Zhong Lun Law Firm has further advised us that the recognition and enforcement of foreign judgments are provided for under PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of PRC Civil Procedures Law based either on treaties between China and the country where the judgment is rendered or on reciprocity between the jurisdictions. China does not have any treaties or other form of reciprocity with the United States or the Cayman Islands that provide for the reciprocal recognition and enforcement of foreign judgments. In addition, according to the PRC Civil Procedures Law, courts in the PRC will not enforce a foreign judgment against us or our directors and officers if they decide that the judgment violates the basic principles of PRC law or national sovereignty, security or public interest. A judgment that does not violate the basic principles of PRC law or national sovereignty, security or public interest may be recognized and enforced by a PRC court base on treaties between China and the country where the judgment is made or on principles of reciprocity between jurisdictions. However, as of the date of this prospectus, no treaty or other form of reciprocity exists between China and the United States or the Cayman Islands governing the recognition and enforcement of judgments. As a result, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered by a court in the United States or the Cayman Islands.

CORPORATE HISTORY AND STRUCTURE

We commenced operations in April 2005 with the establishment of Guangzhou Huaduo Network Technology Company Limited, or Guangzhou Huaduo, in China. Guangzhou Huaduo later became one of our PRC consolidated affiliated entities through the contractual arrangements described below.

We established Dokhi Investments Limited in the British Virgin Islands, or BVI, in July 2006 and changed its name to Duowan Limited in September 2006. In August 2006, we established Double Top Limited, which is wholly owned by Dokhi Investments Limited, in Hong Kong and changed its name to Duowan (Hong Kong) Limited in September 2006. In April 2007, we established Guangzhou Duowan Information Technology Company Limited, or Guangzhou Duowan, which was wholly owned by Duowan (Hong Kong) Limited. Guangzhou Duowan entered into a series of contractual arrangements with Guangzhou Huaduo and its shareholders, which were subsequently amended solely to reflect updated shareholder equity interests in Guangzhou Huaduo, through which Guangzhou Duowan exercised effective control over the operations of Guangzhou Huaduo.

In November 2007, we established Duowan Entertainment Corp., or Duowan BVI, in the BVI. In March 2008, we established Huanju Shidai Technology (Beijing) Company Limited, formerly known as Duowan Entertainment Information Technology (Beijing) Company Limited, or Beijing Huanju Shidai, which is wholly owned by Duowan BVI. Beijing Huanju Shidai purchased all the equity interests in Guangzhou Duowan from Duowan (Hong Kong) Limited in August 2008, and entered into a series of contractual arrangements with Guangzhou Huaduo and its shareholders through which Beijing Huanju Shidai exercises effective control over the operations of Guangzhou Huaduo. Duowan (Hong Kong) Limited was deregistered as a company and ceased to operate in May 2010.

In December 2008, Duowan BVI entered into an agreement with Morningside Technology Investments Limited and two individuals, through which Duowan BVI purchased all the equity interests in NeoTasks Inc. from Morningside Technology Investments Limited.

In March 2009, Beijing Huanju Shidai entered into an agreement with NeoTasks New Age International Media Technology (Beijing) Company Limited, or NeoTasks Beijing, through which NeoTasks Beijing was merged into Beijing Huanju Shidai. After the merger and additional capital contribution, Beijing Huanju Shidai became 96.5% held by Duowan BVI, and 3.5% held by NeoTasks Limited (formerly known as Enlight Online Entertainment Limited), a Hong Kong company, which in turn was the shareholder of NeoTasks Beijing before the merger. NeoTasks Limited is 100% owned by NeoTasks Inc., a Cayman Islands Company. In August 2009, Guangzhou Duowan was renamed Zhuhai Duowan Information Technology Company Limited.

In December 2009, Beijing Huanju Shidai entered into a series of contractual agreements with Beijing Tuda and its shareholders, which were subsequently amended solely to reflect updated shareholder equity interests in Beijing Tuda, through which agreements Beijing Huanju Shidai exercises effective control over the operations of Beijing Tuda.

In December 2010, we established Guangzhou Huanju Shidai Information Technology Company Limited, formerly known as Zhuhai Duowan Technology Company Limited, or Guangzhou Huanju Shidai, which is 100% directly owned by Duowan BVI.

Guangzhou Huaduo currently owns the domain names of YY.com and Duowan.com. Our YY platform, including YY.com, is jointly operated by personnel from Guangzhou Huaduo and Zhuhai Duowan.

Our current holding company, YY Inc., was incorporated in July 2011 as a limited liability company in the Cayman Islands. Through a share exchange on September 6, 2011, the shareholders of Duowan BVI exchanged all of their outstanding common and preferred shares in Duowan BVI for common and preferred shares of YY Inc. on a pro rata basis. No additional consideration was paid in connection with the share exchange. As a result, Duowan BVI became a wholly owned subsidiary of YY Inc.

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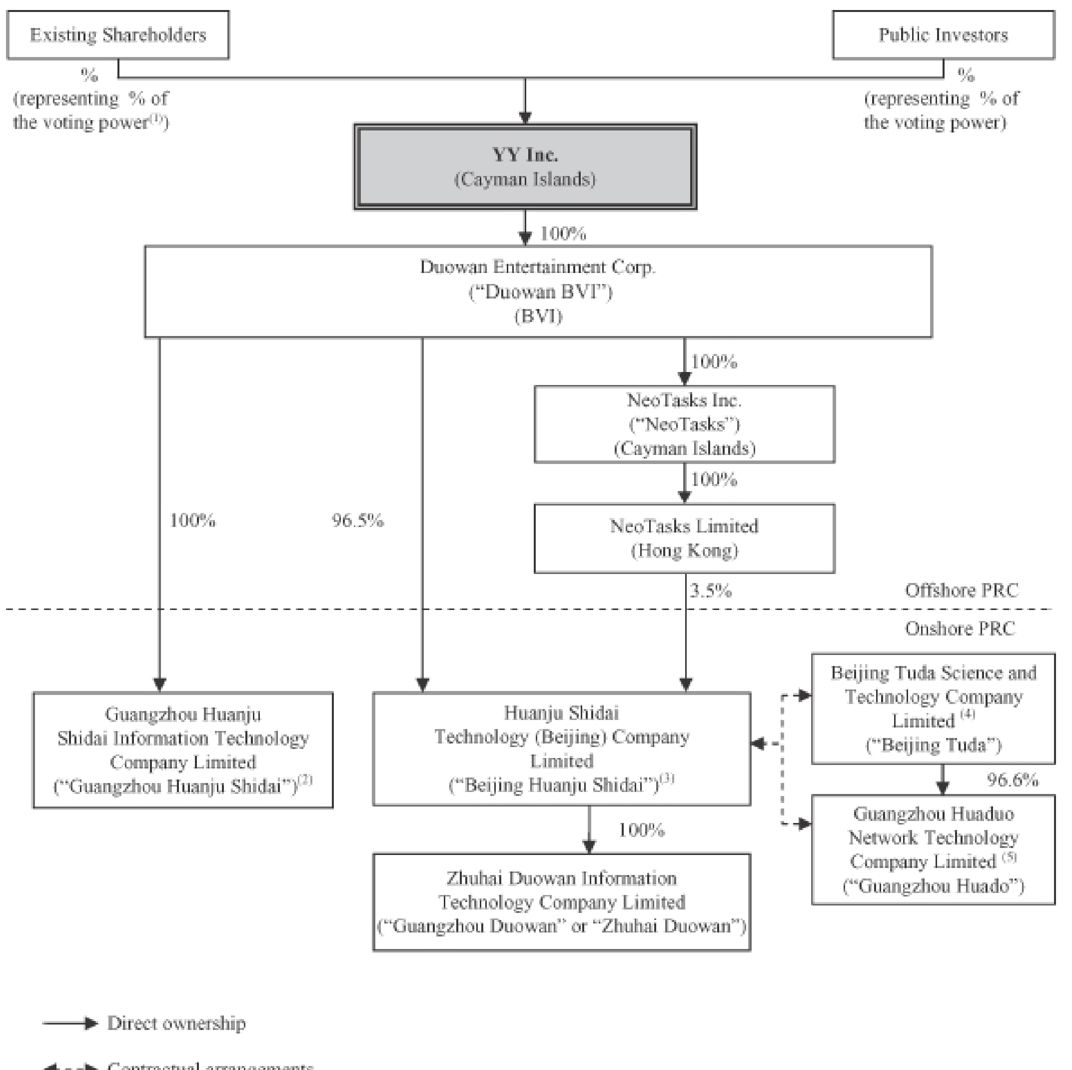
The following diagram illustrates our corporate structure upon the completion of this offering, assuming that the underwriters do not exercise their option to purchase additional shares:



(1) Upon the completion of this offering, our senior management and other existing shareholders will own an aggregate of % of the total voting power of our outstanding shares.
(2) Formerly known as Zhuhai Duowan Technology Company Limited.
(3) Formerly known as Duowan Entertainment Information Technology (Beijing) Company Limited.
(4) Beijing Tuda is our PRC consolidated affiliated entity. Mr. David Xueling Li, our co-founder, chief executive officer and director, Mr. Tony Bin Zhao, our chief technology officer, and Mr. Jin Cao, the general manager of our website department, own 97.7%, 1.5% and 0.8% of Beijing Tuda's equity interests, respectively.
(5) Guangzhou Huaduo is our PRC consolidated affiliated entity. Mr. David Xueling Li, Mr. Jun Lei, our co-founder and chairman, Mr. Tony Bin Zhao, Mr. Jin Cao and Beijing Tuda own approximately 1.7%, 1.5%, 0.1%, 0.1% and 96.6% of Guangzhou Huaduo's equity interests, respectively.

Contractual Arrangements with Beijing Tuda

The following is a summary of the currently effective contracts among our subsidiary, Beijing Huanju Shidai, our PRC consolidated affiliated entity, Beijing Tuda, and the shareholders of Beijing Tuda.

Agreements that transfer economic benefits to us

Exclusive Business Cooperation Agreement

Under the exclusive business cooperation agreement between Beijing Huanju Shidai and Beijing Tuda, as amended, Beijing Huanju Shidai has the exclusive right to provide to Beijing Tuda technology support, business support and consulting services related to Beijing Tuda's business, the scope of which is to be determined by Beijing Huanju Shidai from time to time. Beijing Huanju Shidai owns the exclusive intellectual property rights created as a result of the performance of this agreement. The service fee payable by Beijing Tuda to Beijing Huanju Shidai is up to 100% of the net profit of Beijing Tuda, and the timing and amount of the fee payments shall be determined at the sole discretion of Beijing Huanju Shidai. The term of this agreement will expire in 2039 and may be extended with Beijing Huanju Shidai's written confirmation prior to the expiration date. Beijing Huanju Shidai has sole discretion to terminate the agreement at any time by providing 30 days' prior written notice to Beijing Tuda, while neither Beijing Tuda nor its shareholders are entitled to terminate the agreement.

Exclusive Technology Support and Technology Services Agreement

Under the exclusive technology support and technology services agreement between Beijing Huanju Shidai and Beijing Tuda, as amended, Beijing Huanju Shidai has the exclusive right to provide to Beijing Tuda technology support and technology services related to all technologies needed for its business. Beijing Huanju Shidai owns the exclusive intellectual property rights created as a result of the performance of this agreement. The service fee payable by Beijing Tuda to Beijing Huanju Shidai is 10% of Beijing Tuda's gross revenues. The term of this agreement will expire in 2029 and may be extended with Beijing Huanju Shidai's written confirmation prior to the expiration date. Beijing Huanju Shidai has sole discretion to terminate the agreement at any time by providing 30 days' prior written notice to Beijing Tuda, while neither Beijing Tuda nor its shareholders are entitled to terminate the agreement.

Agreements that provide us effective control over Beijing Tuda

Powers of Attorney

Under the irrevocable powers of attorney executed by each shareholder of Beijing Tuda, each such shareholder appointed Beijing Huanju Shidai as its attorney-in-fact to exercise such shareholders' rights in Beijing Tuda, including, without limitation, the power to vote on its behalf on all matters of Beijing Tuda requiring shareholder approval under PRC laws and regulations and the articles of association of Beijing Tuda. Each power of attorney will remain in force until the shareholder ceases to hold any equity interest in Beijing Tuda.

Exclusive Option Agreement

Under the exclusive option agreement between Beijing Huanju Shidai, each of the shareholders of Beijing Tuda and Beijing Tuda, each of the shareholders irrevocably granted Beijing Huanju Shidai or its designated representative(s) an exclusive option to purchase, to the extent permitted under PRC law, all or part of his or its equity interests in Beijing Tuda. Beijing Huanju Shidai or its designated representative(s) have sole discretion as to when to exercise such options, either in part or in full. Without Beijing Huanju Shidai's prior written consent, Beijing Tuda's shareholders shall not sell, transfer, mortgage or otherwise dispose their equity interests in Beijing Tuda. The term of this agreement is ten years and may be extended at Beijing Huanju Shidai's sole discretion.

Equity Interest Pledge Agreement

Under the equity interest pledge agreement between Beijing Huanju Shidai and the shareholders of Beijing Tuda, the shareholders of Beijing Tuda have pledged all of their equity interests in Beijing Tuda to Beijing Huanju Shidai to guarantee the performance by Beijing Tuda and its shareholders' performance of their respective obligations under the exclusive business cooperation agreement, exclusive option agreement, exclusive technology support and technology services agreement and powers of attorney. If Beijing Tuda or its shareholders breach their contractual obligations under those agreements, Beijing Huanju Shidai, as the pledgee, will be entitled to certain rights, including the right to sell the pledged equity interests. This pledge became effective on the date the pledged equity interests were registered with the competent administration for industry and commerce and will remain effective until the pledgors are no longer the shareholders of Beijing Tuda.

Contractual Arrangements with Guangzhou Huaduo

The following is a summary of the currently effective contracts among Beijing Huanju Shidai, Guangzhou Huaduo and the shareholders of Guangzhou Huaduo.

Agreements that transfer economic benefits to us

Exclusive Business Cooperation Agreement

Under the exclusive business cooperation agreement between Beijing Huanju Shidai and Guangzhou Huaduo, as amended, Beijing Huanju Shidai has the exclusive right to provide to Guangzhou Huaduo technology support, business support and consulting services related to Guangzhou Huaduo's business, the scope of which is to be determined by Beijing Huanju Shidai from time to time. Beijing Huanju Shidai owns the exclusive intellectual property rights created as a result of the performance of this agreement. The service fee payable by Guangzhou Huaduo to Beijing Huanju Shidai is up to 100% of the net profit of Guangzhou Huaduo, and the timing and amount of the fee payments will be determined at the sole discretion of Beijing Huanju Shidai. The term of this agreement will expire in 2038 and may be extended with Beijing Huanju Shidai's written confirmation prior to the expiration date. Beijing Huanju Shidai has sole discretion to terminate the agreement at any time by providing 30 days' prior written notice to Guangzhou Huaduo, while neither Guangzhou Huaduo nor its shareholders are entitled to terminate the agreement.

Exclusive Technology Support and Technology Services Agreement

Under the exclusive technology support and technology services agreement between Beijing Huanju Shidai and Guangzhou Huaduo, as amended, Beijing Huanju Shidai has the exclusive right to provide to Guangzhou Beijing Huaduo technology support and technology services related to all technologies needed for its business. Huanju Shidai owns the exclusive intellectual property rights created as a result of the performance of this agreement. The service fee payable by Guangzhou Huaduo to Beijing Huanju Shidai is 10% of Guangzhou Huaduo's gross revenues. The term of this agreement will expire in 2028 and may be extended with Beijing Huanju Shidai's written confirmation prior to the expiration date. Beijing Huanju Shidai has sole discretion to terminate the agreement at any time by providing 30 days' prior written notice to Guangzhou Huaduo, while neither Guangzhou Huaduo nor its shareholders are entitled to terminate the agreement.

Agreements that provide us effective control over Guangzhou Huaduo

Powers of Attorney

Under the irrevocable powers of attorney executed by each shareholder of Guangzhou Huaduo, each such shareholder appointed Beijing Huanju Shidai as its attorney-in-fact to exercise such shareholders' rights in Guangzhou Huaduo, including, without limitation, the power to vote on its behalf on all matters of Guangzhou Huaduo requiring shareholder approval under PRC laws and regulations and the articles of association of Guangzhou Huaduo. Each power of attorney will remain in force until the shareholder ceases to hold any equity interest in Guangzhou Huaduo.

Exclusive Option Agreement

Under the exclusive option agreement between Beijing Huanju Shidai, each of the shareholders of Guangzhou Huaduo and Guangzhou Huaduo, each of the shareholders irrevocably granted Beijing Huanju Shidai or its designated representative(s) an exclusive option to purchase, to the extent permitted under PRC law, all or part of his or its equity interests in Guangzhou Huaduo. Beijing Huanju Shidai or its designated representative(s) have sole discretion as to when to exercise such options, either in part or in full. Without Beijing Huanju Shidai's prior written consent, Guangzhou Huaduo's shareholders shall not sell, transfer, mortgage or otherwise dispose their equity interests in Guangzhou Huaduo. The term of this agreement is ten years and may be extended at Beijing Huanju Shidai's sole discretion.

Equity Interest Pledge Agreement

Under the equity interest pledge agreement between Beijing Huanju Shidai and the shareholders of Guangzhou Huaduo, the shareholders of Guangzhou Huaduo have pledged all of their equity interests in Guangzhou Huaduo to Beijing Huanju Shidai to guarantee the performance by Guangzhou Huaduo and its shareholders' performance of their respective obligations under the exclusive business cooperation agreement, exclusive option agreement, exclusive technology support and technology services agreement and powers of attorney. If Guangzhou Huaduo and/or its shareholders breach their contractual obligations under those agreements, Beijing Huanju Shidai, as the pledgee, will be entitled to certain rights, including the right to sell the pledged equity interests. The pledge became effective on the date the pledged equity interests were registered with the competent administration for industry and commerce and will remain effective until the pledgors are no longer the shareholders of Guangzhou Huaduo.

In the opinion of our PRC legal counsel:

- the ownership structures of our PRC consolidated affiliated entities and our PRC subsidiaries in China, both currently and after giving effect to this offering, comply with all existing PRC laws and regulations; and
- the contractual arrangements among Beijing Huanju Shidai, Guangzhou Huaduo and its shareholders and the contractual arrangements among Beijing Huanju Shidai, Beijing Tuda and its shareholders governed by PRC law are valid, binding and enforceable, and will not result in any violation of PRC laws or regulations currently in effect.
- each of our PRC subsidiaries and each of our PRC consolidated affiliated entities has all necessary corporate power and authority to conduct its business as described in its business scope under its business license. The business licenses of each of our PRC subsidiaries and each of our PRC consolidated affiliated entities are in full force and effect. Each of our PRC subsidiaries and each of our PRC consolidated affiliated entities is capable of suing and being sued and may be the subject of any legal proceedings in PRC courts. To the best of our PRC legal counsel's knowledge after due inquiries, none of our PRC subsidiaries, PRC consolidated affiliated entities or their respective assets is entitled to any immunity, on the grounds of sovereignty, from any action, suit or other legal proceedings; or from enforcement, execution or attachment.

We have been advised by our PRC legal counsel, however, that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules. Accordingly, the PRC regulatory authorities may take a view that is contrary to the above opinion of our PRC legal counsel. We have been further advised by our PRC legal counsel that if the PRC government finds that the agreements that establish the structure for operating our internet-based business do not comply with PRC government restrictions on foreign investment in the aforesaid business we engage in, we could be subject to severe penalties including being prohibited from continuing operations. See "Risk Factors—Risks Relating to Our Corporate Structure and Our Industry—If the PRC government finds that the structure we have adopted for our business operations does not comply with PRC laws and regulations, or if these laws or regulations or interpretations of existing laws or
regulations change in the future, we could be subject to severe penalties, including the shutting down of our platform and our business operations."

SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated statements of operations data for the years ended December 31, 2009, 2010 and 2011 and the selected balance sheet data as of December 31, 2010 and 2011 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. Our consolidated financial statements are prepared and presented in accordance with U.S. GAAP. The selected consolidated statements of operations data for the six months ended June 30, 2011 and 2012 and the selected consolidated balance sheet data as of June 30, 2012 have been derived from our unaudited consolidated financial statements included elsewhere in this prospectus. The unaudited consolidated financial statements have been prepared 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 historical results for any period are not necessarily indicative of results to be expected for any future period. You should read the following selected 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.

	For the Year Ended December 31,				For the Six Months Ended June 30,		
	2009	2010	2011		2011	2012	
	RMB	RMB	RMB	US$	RMB	RMB (Unaudited)	US$
	(in thousands, except for share, per share and per ADS data)						
Selected Consolidated Statements of Operations Data:							
Internet value-added service							
—Online game	12,976	86,316	165,933	26,380	71,679	150,398	23,674
—YY Music	—	—	52,854	8,403	9,645	92,721	14,595
—Others	853	1,282	13,589	2,161	1,969	30,961	4,873
Online advertising	18,881	40,740	87,279	13,876	35,467	50,370	7,929
Total net revenues	32,710	128,338	319,655	50,820	118,760	324,450	51,071
Cost of revenues[1]	(28,849)	(110,062)	(182,699)	(29,046)	(78,349)	(164,138)	(25,836)
Gross profit	3,861	18,276	136,956	21,774	40,411	160,312	25,235
Operating expenses[1]:							
Research and development expenses	(12,597)	(49,219)	(106,804)	(16,980)	(43,215)	(77,809)	(12,248)
Sales and marketing expenses	(4,951)	(12,363)	(13,381)	(2,127)	(7,917)	(4,862)	(765)
General and administrative expenses	(32,878)	(192,222)	(118,241)	(18,798)	(59,165)	(50,170)	(7,897)
Total operating expenses	(50,426)	(253,804)	(238,426)	(37,905)	(110,297)	(132,841)	(20,910)
Operating (loss) income	(46,565)	(235,528)	(99,488)	(15,816)	(69,886)	28,142	4,431
(Loss) income before income tax expenses	(46,534)	(236,023)	(80,455)	(12,791)	(64,524)	32,342	5,092
Net (loss) income attributable to YY Inc.	(47,116)	(238,857)	(83,156)	(13,221)	(68,635)	20,816	3,277
Amortization of beneficial conversion feature	(237)	—	—	—	—	—	—
Accretion to convertible redeemable preferred shares redemption value	(283,179)	(1,808,853)	(223,663)	(35,559)	(157,859)	(126,621)	(19,931)
Deemed dividend to series A preferred shareholders	(19)	—	—	—	—	—	—
Deemed dividend to series B preferred shareholders	(176)	—	—	—	—	—	—
Net loss attributable to common shareholders	(330,727)	(2,047,710)	(306,819)	(48,780)	(226,494)	(105,805)	(16,654)
Weighted average number of common shares used in calculating:							
Basic	407,613,328	406,304,672	485,883,845	485,883,845	467,627,928	537,420,517	537,420,517
Diluted	407,613,328	406,304,672	485,883,845	485,883,845	467,627,928	537,420,517	537,420,517
Net loss per share:							
Basic	(0.81)	(5.04)	(0.63)	(0.10)	(0.48)	(0.20)	(0.03)
Diluted	(0.81)	(5.04)	(0.63)	(0.10)	(0.48)	(0.20)	(0.03)
Loss per ADS[2]:							
Basic							
Diluted							

(1) Share-based compensation was allocated in cost of revenues and operating expenses as follows:

	For the Year Ended December 31,				For the Six Months Ended June 30,		
	2009	2010	2011		2011	2012	
	RMB	RMB	RMB	US$	RMB	RMB (Unaudited)	US$
	(in thousands)						
Cost of revenues	5,269	31,709	15,449	2,456	9,240	4,386	690
Research and development expenses	2,475	21,627	31,672	5,035	13,887	19,731	3,106
Sales and marketing expenses	194	1,499	1,336	212	660	500	79
General and administrative expenses	28,544	182,101	86,544	13,759	48,181	29,643	4,666
Total	36,482	236,936	135,001	21,462	71,968	54,260	8,541

(2) Each ADS represents Class A common shares.

	As of December 31,				As of June 30,					
	2009	2010	2011		2012					
	RMB	RMB	RMB	US$	RMB	US$	RMB	US$	RMB	US$
	Actual	Actual	Actual	Actual	Actual	Actual	Pro forma(1) (Unaudited)	Pro forma(1) (Unaudited)	Pro forma as adjusted(2) (Unaudited)	Pro forma as adjusted(2) (Unaudited)
	(in thousands)									
Selected Consolidated Balance Sheet Data:										
Cash and cash equivalents	106,427	83,683	128,891	20,491	187,934	29,582	187,934	29,582		
Total assets	131,003	158,767	745,426	118,510	903,152	142,161	903,152	142,161		
Total current liabilities	52,757	253,001	125,737	19,990	205,689	32,376	205,689	32,376		
Total mezzanine equity	448,418	2,257,271	2,480,934	394,425	2,607,555	410,444	—	—		
Accumulated deficits	(370,045)	(2,350,448)	(2,433,604)	(386,900)	(2,412,788)	(379,787)	(2,412,788)	(379,787)		
Total shareholders' (deficits) equity	(370,172)	(2,351,505)	(1,861,693)	(295,976)	(1,911,347)	(300,857)	696,208	109,587		

(1) The unaudited consolidated balance sheet data as of June 30, 2012 on a pro forma basis reflect the automatic conversion of all of our outstanding series A, B, C-1 and C-2 preferred shares into 359,424,310 Class B common shares immediately upon the completion of this offering.
(2) The unaudited consolidated balance sheet data as of June 30, 2012 on a pro forma as adjusted basis reflect (a) the automatic conversion of all of our outstanding series A, B, C-1 and C-2 preferred shares into 359,424,310 Class B common shares immediately upon the completion of this offering; and (b) the 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$ 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.

Non-GAAP Financial Measure

Adjusted Net Loss or Income

To provide investors with additional information about our financial results, we disclose within this prospectus adjusted net loss or income, a non-GAAP financial measure. We have provided below a reconciliation between adjusted net loss or income and net loss or income, the most directly comparable GAAP financial measure.

We have included adjusted net loss or income in this prospectus because it is a key measure we use to evaluate our operating performance, generate future operating plans and make strategic decisions for the allocation of capital. Accordingly, we believe that adjusted net loss or income provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our

management and board of directors. While we believe that this non-GAAP financial measure is useful in evaluating our business, this information should be considered as supplemental in nature and is not meant as a substitute for the related financial information prepared in accordance with GAAP.

The following table presents a reconciliation between adjusted net loss or income and net (loss)/income, the most directly comparable GAAP financial measure.

	For the year Ended December 31,				For the Six Months Ended June 30,		
	2009	2010	2011		2011	2012	
	RMB	RMB	RMB	US$	RMB	RMB (Unaudited)	US$
				(in thousands)			
Reconciliation of Net (Loss) Income to Adjusted Net (Loss) Income:							
Net (loss) income	(47,116)	(238,857)	(83,156)	(13,221)	(68,635)	20,816	3,277
Share-based compensation	(36,482)	(236,936)	(135,001)	(21,462)	(71,968)	(54,260)	(8,541)
Adjusted net (loss) income	(10,634)	(1,921)	51,845	8,241	3,333	75,076	11,818

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the section headed "Selected Consolidated Financial Data" and our consolidated financial statements and the related notes included elsewhere in this prospectus. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this prospectus.

Overview

YY is a revolutionary rich communication social platform. YY Client, our core product launched in China in July 2008, has attracted 400.5 million registered user accounts as of September 30, 2012. Users spent an aggregate of 393.0 billion voice minutes on YY Client in the first nine months of 2012. We achieved approximately 10.0 million peak concurrent users and approximately 70.5 million monthly active users on YY in August 2012.

We derive our revenues primarily from IVAS and online advertising. We derived 42.3%, 68.3%, 72.7% and 84.5% of our total net revenues from IVAS in 2009, 2010, 2011 and the six months ended June 30, 2012, respectively, with online advertising accounting for the remainder of our revenues. Revenues from IVAS are primarily generated through web games, YY Music and other services on our platform. Online advertising revenues are primarily generated from sales of different forms of advertising on Duowan.com. In 2011 and the six months ended June 30, 2012, revenues generated from advertisements on Duowan.com contributed to 93.8% and 97.8% of our total advertising revenues, respectively. We currently do not allow advertising on YY.com and Mobile YY, and have minimal advertising on YY Client. Although we do not currently derive revenues from Mobile YY, we have plans to monetize it by selling virtual items on Mobile YY in the future. We expect to derive an increasing portion of our revenues from IVAS in the future. This trend may pose new challenges to us, including, for example, the need to develop more popular products and services in response to user demand and the need to recruit and retain talented personnel for technology and product development purposes. IVAS revenues depend on the popularity of the online games on our platform and the growth of other types of channels or activities for which IVAS are available, such as YY Music.

We began our operations in 2005 by launching Duowan.com, a popular online web portal hosting game media content. We have grown significantly in recent years, developing and introducing YY Client in 2008 and making YY Client available for mobile users through Mobile YY in September 2010. YY Client's average daily active users increased from 10.3 million in December 2010 to 13.5 million in December 2011. In June 2012, the number of average daily active users for YY Client grew to 16.2 million, compared to 12.8 million in June 2011. We believe that we will be able to further expand our existing user base and to capitalize on our large and highly engaged user base and our open platform by exploring additional monetization opportunities. Our total net revenues increased from RMB32.7 million in 2009 to RMB128.3 million in 2010 and to RMB319.7 million (US$50.8 million) in 2011, representing a CAGR of 212.6% from 2009 to 2011. For the six months ended June 30, 2012, our total net revenues grew to RMB324.5 million (US$51.1 million), representing a 173.2% increase from RMB118.8 million for the six months ended June 30, 2011. We had net losses of RMB47.1 million, RMB238.9 million and RMB83.2 million (US$13.2 million) in 2009, 2010 and 2011, respectively, and in the six months ended June 30, 2012, we had a net income of RMB20.8 million (US$3.3 million). We have issued share incentive awards to motivate our employees, officers and consultants since our inception, and incurred significant share-based compensation expenses in the past. Our share-based compensation expenses increased significantly in 2010, primarily due to a charge caused by a re-measurement of our liability-classified share-based compensation awards. Treatment of our share-based compensation awards has reverted to the equity-based method in late 2011. Our adjusted net loss, a non-GAAP measure that excludes non-cash share-based compensation expenses, decreased from RMB10.6 million in 2009 to RMB1.9 million in 2010, and in 2011, we had an adjusted net income—also a non-GAAP measure that excludes non-cash share-based compensation—of RMB51.8 million (US$8.2 million). In the six months ended June 30, 2012, our adjusted net income amounted to

RMB75.1 million (US$11.8 million) compared to RMB3.3 million in the same period in 2011. For information regarding adjusted net (loss) income and a reconciliation of each to net (loss) net income, see "Prospectus Summary—Our Summary Consolidated Financial Data—Non-GAAP Financial Measure" on page 14.

Our results of operations are subject to certain seasonal fluctuations. For example, the number of online users tend to be lower during school holidays and certain parts of the school year, and advertising revenues tend to be lower during the Chinese New Year season, which negatively affects our cash flow for those periods. However, such seasonal fluctuations are relatively brief and predictable and have not posed any significant operational and financial challenges to our business. See "—Seasonality" for additional details regarding the effects of seasonality on our cash flow, operating performance and financial results.

Selected Statement of Operations and Comprehensive Loss Items

Revenues

In the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, we had derived our revenues primarily from IVAS and online advertising. Our IVAS revenues are primarily comprised of revenues from the paying users of online games, YY Music and, to a lesser degree, our membership subscriptions. The online games we currently offer on YY Client are all web games, which are a type of online games that can be run from an internet browser and requires an internet connection to play. Our online advertising revenues primarily consist of revenues from the sale of online advertising in various formats primarily on our Duowan.com online portal. We expect that in the future, as is the case in 2012, an increasing portion of our revenues will be derived from non-game IVAS revenues, including revenues from in-channel virtual items sold on YY Client, such as virtual flowers and gifts for use in various channels, as well as other new online products and services that we recently launched or expect to offer in the future. We expect that revenues we receive from the membership program we launched in October 2011, which grants users enhanced privileges for monthly subscription fees, will increase in the future.

The average revenue per paying user for our membership program is lower than that for our online games and YY Music due to the fact that we charge a relatively low membership fee of RMB20.0 per month in order to attract a large subscriber base for this program. In the three months ended June 30, 2012, the average revenue per paying user for our membership program was RMB47, as compared to RMB298 for our online games and RMB254 for YY Music. Although the number of paying users of online games decreased since the launch of our membership program, primarily due to seasonality and certain events in the first half of 2012, we believe our membership program has attracted additional paying users rather than causing a migration of paying users from online games or YY Music to our membership program. Therefore, we believe that such decrease in the number of paying users of online games is separate from and not a result of the growth of our membership program and expect our membership program to continue to increase and have a positive impact on our revenues. For a detailed explanation of the reasons for the recent decrease in the number of paying users of online games, see "—IVAS revenues" below. See also "Risk Factors—Risks Relating to Our Business—The revenue models for each of YY Music and our membership program is relatively new and may not remain effective, which may cause us to lose users and materially and adversely affect our business, financial condition and results of operations."

The following table sets forth the principal components of our total net revenues by amount and as a percentage of our total net revenues for the periods presented.

	For the Year Ended December 31,							For the Six Months Ended June 30,				
	2009		2010		2011			2011		2012		
	RMB	% of total net revenues	RMB	% of total net revenues	RMB	US$	% of total net revenues	RMB	% of total net revenues	RMB	US$	% of total net revenues
	(in thousands, except for percentages)											
Total net revenues:[1]												
IVAS:												
Online games	12,976	39.7	86,316	67.3	165,933	26,380	51.9	71,679	60.4	150,398	23,674	46.4
YY Music	—	—	—	—	52,854	8,403	16.5	9,645	8.1	92,721	14,595	28.6
Others	853	2.6	1,282	1.0	13,589	2,161	4.3	1,969	1.6	30,961	4,873	9.5
Online advertising	18,881	57.7	40,740	31.7	87,279	13,876	27.3	35,467	29.9	50,370	7,929	15.5
Total	32,710	100.0	128,338	100.0	319,655	50,820	100.0	118,760	100.0	324,450	51,071	100.0

(1) Revenues are presented net of rebates and discounts.

IVAS revenues. We generate revenues from (i) the sales of virtual items under the offering of web games developed by us or by third parties under revenue-sharing arrangements on YY Client, (ii) the sale of in-channel virtual items to be used on YY Music and (iii) other revenues, including membership subscription fees. Users play web games on YY and access channels free of charge, but are charged for purchases of virtual items which can be used in online games or YY channels.

The most significant factors that directly affect our IVAS revenues include:

- *The number of paying users.* The number of our paying users increased from approximately 31,000 in July 2009, the first month in which we began tracking paying user numbers, to 50,000 in December 2009, 70,000 in December 2010, 357,000 in December 2011 and decreased slightly to 343,000 in June 2012. We had approximately 1.4 million paying users in the full year 2011 and 1,277,000 in the first six months of 2012. We calculate the number of paying users during a given period as the cumulative number of registered user accounts that have purchased virtual items or other products and services on YY Client at least once during the relevant period. We were able to achieve an increase in paying users primarily due to (a) a significant increase in the number of active users due to the increasing popularity of YY Client, and (b) an increase in the number of virtual items we offer, which in turn resulted from the increased number of online games we host and our launch of virtual items for sale on YY Music in March 2011. We expect that the number of our paying users will continue to grow in the future as we expand our services and products offerings and further monetize our existing platform. The number of our registered user accounts, paying users, active users and unique visitors overstates the number of unique individual users we have, however. See "Risk Factors—Risks Relating to Our Business—The respective number of our registered user accounts, active users, paying users and unique visitors overstates the numbers of unique individuals who register to use our products and services, sign onto YY Client, purchase virtual items or other products and services on our platform or access Duowan.com, respectively, and may therefore lead to an inaccurate interpretation of our average revenue per paying user metric and of our business operations by our management and by investors, and may cause advertisers to reduce the amount spent on advertising with us, which may materially and adversely affect on our reputation, business and results of operations."
- *The average revenue per paying user, or ARPU.* Our ARPU for IVAS was approximately RMB177.9, RMB164.3 (US$25.9) and RMB214.6 (US$33.8) in 2010 and 2011 and the six months ended June 30, 2012, respectively. ARPU is calculated by dividing our total revenues from IVAS during a given period by the number of paying users for that period. As we begin to generate revenues from an increasing variety of IVAS, our ARPU may fluctuate from period to period due to the mix of IVAS purchased by our paying users. The changes in ARPU are primarily the result of (a) an increase in the number of virtual items available on our platform, (b) an increase in the average price of the virtual items that can be purchased for use in our channels, (c) the launch of YY Music in March 2011, which has a lower ARPU when compared to online games, (d) the launch of our membership program, which currently charges a relatively low membership fee of RMB20.0 per month, in October 2011. We had approximately 158,000 members in our membership program as of December 31, 2011 and approximately 301,000 members as of June 30, 2012.

The number of paying users for each year typically increases as the number of active users increases. The number of our monthly active users increased from 35.4 million in December 2010 to 53.4 million in December 2011 to 66.1 million monthly active users in September 2012. Meanwhile, ARPU fluctuated during that period because of our launch of new online games, our effective promotion of commercially successful games and our launch of YY Music, offset by the fact that, at times, our paying user numbers grew faster than our revenues primarily due to the lower ARPU of paying users for YY Music and our membership program.

The following table sets forth the approximate paying users and average revenue per paying user data on a quarterly basis for the quarters in the period from July 1, 2010 to September 30, 2012, broken down by different key areas of our business. The numbers of paying users and average revenue per paying users fluctuate on a quarterly basis, because they are often affected by a variety of factors such as seasonality and the number and type of promotions that may be conducted from time to time.

	For the Three Months Ended								
	September 30, 2010	**December 31, 2010**	**March 31, 2011**	**June 30, 2011**	**September 30, 2011**	**December 31, 2011**	**March 31, 2012**	**June 30, 2012**	**September 30, 2012**
Average monthly active users *(in thousands)*									
—Online games[1]	—	24,342	28,991	31,581	32,210	33,242	33,705	36,862	37,307
—YY Music[2]	—	10,587	14,691	18,522	19,707	21,061	21,804	24,705	26,573
—YY platform[3]	—	32,178	39,366	46,537	49,250	51,877	56,127	62,960	68,856
Paying users									
—Online games[4]	143,000	136,000	217,000	234,000	279,000	354,000	327,000	274,000	283,000
—YY Music[5]	—	—	2,700	97,000	150,000	225,000	230,000	232,000	355,000
—Membership subscription[6]	—	—	—	—	—	236,000	281,000	321,000	356,000
	(RMB)								
Average revenue per paying user									
—Online games[4]	183	200	159	159	149	148	210	298	—[7]
—YY Music[5]	—	—	15	99	119	113	147	254	—[7]
—Membership subscription[6]	—	—	—	—	—	21	38	47	—[7]

(1) Data for online games herein refers to the average number of monthly active users that have visited the game channels of YY platform at least once in the relevant quarter.
(2) Data for online music herein refers to the average number of monthly active users that have visited the music channels of YY platform at least once in the relevant quarter.
(3) Data for YY platform herein refers to the average number of monthly active users that have visited YY platform at least once in the relevant quarter. A user that has visited both game channels and music channels of YY platform in the relevant period is counted as one active user for YY platform and one active user for each of online games and YY Music.
(4) Data for online games herein refers exclusively to data regarding YY platform's web games available in the game center. See "Business—The YY Platform—YY Client—Game Center on YY Client."
(5) We launched our YY Music platform in March 2011.
(6) We launched our membership program in October 2011.
(7) These numbers are not yet available.

The number of paying users of online games decreased from 354,000 in the three months ended December 31, 2011 to 327,000 in the three months ended March 31, 2012 and further to 274,000 in the three months ended June 30, 2012. The second quarter of 2012 represented our lowest number of paying users of online games since the second quarter of 2011. The decrease in the number of paying users of online games in the first and second quarters of 2012 was primarily due to certain special operational measures that we took in those quarters. In the normal course of business, we sell bundled packages of virtual items at different face values. In the first and second quarters of 2012, to streamline administration of bundled packages, we suspended the sales of bundled packages below a certain face value. As a result, the users who only wanted to purchase bundled packages at lower face values ceased to purchase bundled packages during this period, which contributed to the reduction in the number of paying users in the first and second quarters of 2012. We resumed the normal practice of selling bundled packages at lower face value in August 2012. Seasonality, to a lesser extent, also contributed to the decrease in the number of paying users of online games in the first quarter of 2012. The number of paying users of online games tends to be lower during public holidays such as the Chinese New Year holidays, which in 2012 fell in late January. In the second quarter of 2012, we deactivated some paying user accounts suspected of being improper user accounts that were registered and used in violation of our policies. These deactivations also contributed to the decrease in the number of paying users of online games in such quarter. Although the number of paying users of online games increased in the third quarter of 2012 compared to the second quarter of 2012, it has still decreased compared to its peak in the fourth quarter of 2011 and we cannot assure you that this number will continue to increase or that it will not decrease in the future, whether due to seasonality or other factors.

The number of paying users of YY Music increased slightly from 225,000 in the three months ended December 31, 2011 to 230,000 in the three months ended March 31, 2012 and further to 232,000 in the three months ended June 30, 2012. The slower increase in paying users of YY Music in the first and second quarters of 2012 was

mainly due to the quarterly fluctuations of YY Music paying users. Since the launch of YY Music, we have conducted marketing campaigns and promotional activities coinciding with popular western or Chinese festivals celebrated by young Chinese people, many of which are in the fourth quarter and ending with the Chinese New Year holidays which typically fall in the first half of the first quarter. These promotions encourage users to purchase virtual items and give them as gifts to performers on YY Music channels as a means of celebration, resulting in a higher number of paying users for YY Music for the fourth quarter. After the Chinese New Year holidays, we launched fewer special events since there are fewer festivals in the rest of the first quarter and the second quarter. As a result, the number of paying users of YY Music increased at a slower pace in the first and second quarters of 2012.

Other significant factors that directly or indirectly affect our IVAS revenues include:

- our ability to offer new and attractive products and services that allow us to monetize our platform;
- our ability to attract and retain a large user base;
- the terms of our arrangements with third party game developers and service providers as well as certain popular performers and channel owners on YY Music; and
- competition in China’s online games and other IVAS markets.

We historically derived a significant portion of our revenues from a limited number of popular online games, all of which are web games, primarily through selling in-game virtual items for these games. For example, Dandan Tang, one of our most popular online games, contributed 62.8%, 46.5% and 18.0% of our online game revenues, 62.0%, 33.3% and 9.9% of our total IVAS revenues as well as 42.3%, 24.2% and 8.4% of our total revenues in 2010, 2011 and the six months ended June 30, 2012, respectively. Dandan Tang was developed by Shenzhen 7th Road Technology Co., Ltd., or 7th Road, a third party game developer. See “—Contract for Dandan Tang” for a description of the joint operation agreement between Guangzhou Huaduo and 7th Road in relation to the joint operation of Dandan Tang and the offering of other game-related services. Business Tycoon, another popular online game on YY platform, contributed 11.0%, 6.3%, 0.5% and zero of our online game revenues and 4.3%, 4.3%, 0.2% and zero of our total revenues in 2009, 2010, 2011 and the six months ended June 30, 2012, respectively. Business Tycoon was developed by Haikou Dynamic Vanguard Network Technology Co., Ltd., a third party game developer. Kingdom, another of our most popular online games, contributed 46.3%, 11.4%, 2.1% and 0.1% of our online game revenues and 18.4%, 7.7%, 1.1% and zero of our total revenues in 2009, 2010, 2011 and the six months ended June 30, 2012, respectively. Kingdom was developed by one of our PRC consolidated affiliated entities, Guangzhou Huaduo. Hero on Expedition, which was launched in 2011, contributed 9.7% and 11.2% of our online game revenues and 5.1% and 5.2% of our total revenues in 2011 and the six months ended June 30, 2012, respectively. Hero on Expedition was developed by Guangzhou Youguo Information Technology Co., Ltd., a third party game developer. A vast majority of our popular online games are developed by third party game developers under revenue-sharing arrangements that typically last one to two years. We currently receive only a relatively small amount of monthly revenues from self-developed games and have no plans to develop any more games in the future. Due to the fact that our large user base makes us a desirable platform for game developers to launch and operate their games, we believe we will continue to retain existing and attract additional online game developers.

We expect an increasing portion of our revenues from IVAS will continue to be derived from the sales of non-game virtual items and services as we capitalize on monetization opportunities. For example, our revenues from virtual items sold on YY Music increased from 16.5% of total revenues for the year ended December 31, 2011 to 28.6% of total revenues for the six months ended June 30, 2012; we expect that such revenues will represent an increasingly larger portion of our revenues in the future. In addition, we expect that a large portion of our IVAS revenues will continue to be derived from online games generated from third party online game developers in the future, as we do not intend to further internally develop any additional online games. However, in the future, we expect to derive a lower percent of our revenues from online games as a whole, as we expect to monetize other non-game aspects of the YY platform, such as YY Music and our membership program. We launched our membership program in October 2011 and generated revenues from membership subscription fees of RMB25.7 million (US$4.0 million) in the six months ended June 30, 2012.

Online advertising revenues. We offer a wide range of online advertising formats and solutions. We enter into advertising contracts with third party advertising agencies as well as with advertisers directly. Advertisers pay to place advertisements on Duowan.com in different formats over a particular period of time. Such formats include banners, text-links, videos, logos, and buttons. Advertisements on Duowan.com are charged primarily on the basis of duration with pricing variations depending on the size and the prominence of the locations for these advertisements, and advertising contracts establish the advertising services to be provided and the prices for such services. In 2009, 2010 and 2011 and the six months ended June 30, 2012, a vast majority of our online advertising revenues were derived from pay-for-time arrangements under which we charge advertisers depending on the duration of display for an advertisement or a series of advertisements.

The most significant factors that directly affect our online advertising revenues include:

- *The number of advertisers that use our online advertising services.* The number of advertisers that use our online advertising services increased from 105 in 2009 to 120 in 2010 to 140 in 2011, and increased from 83 in the six months ended June 30, 2011 to 100 in the six months ended June 30, 2012. We calculate the number of advertisers during a given period as the number of advertisers to whom we have delivered advertising services during that period. An advertiser to whom we deliver services more than once in a period is counted as one advertiser for that period.
- *The average revenues per advertiser.* Our average revenues per advertiser increased from approximately RMB180,000 in 2009 to RMB340,000 in 2010 to RMB623,000 (US$98,000) in 2011, average revenues per advertiser also increased from approximately RMB427,000 in the six months ended June 30, 2011 to approximately RMB504,000 (US$79,000) in the six months ended June 30, 2012. The amount of average advertising spend per advertiser is the result of our total advertising revenues during a given period divided by the number of advertisers for that period.

The number of our advertisers and the average spending per advertiser are in turn driven by the increase in the number of unique visitors to Duowan.com, because larger visitor numbers indicate better advertising reach for advertisers, which leads to increased use of Duowan.com by advertisers. The number of average daily unique visitors to Duowan.com increased from approximately 4.5 million in December 2009 to 5.5 million in December 2010, 9.9 million in December 2011 and 19.9 million in June 2012.

Other significant factors that directly or indirectly affect our online advertising revenues include the following:

- acceptance by advertisers of online advertising in general as an effective marketing channel;
- advertisers' total online advertising budgets;
- our ability to attract new advertisers and retain existing advertisers;
- our ability to continue providing innovative advertising solutions which enable advertisers to reach their target customers; and
- changes in government regulations or policies affecting the internet and online advertising industries.

In the first six months of 2012, the majority of our revenues shifted from online advertising to IVAS. We believe that the significant growth in revenues generated from IVAS is attributable to multiple factors including (1) the increase in the number of web games operated by us and, as a result, the increase in the number of virtual items a user may purchase, (2) the official launch and increasing popularity of YY Music and the introduction of our membership program in 2011, and (3) the increase in average prices of the virtual items that can be purchased by users in channels. On the other hand, we continue to rely on Duowan.com for a majority of our online advertising revenues. Although the number of advertisers who use our advertising services and the average revenues per advertiser continue to grow, which contribute to the continuing growth in online advertising revenues, the growth rate of online advertising revenues is not as fast as that of our IVAS revenues. In the first six months of 2012, our revenues generated from IVAS grew by 229.1% as compared to the same period in 2011, while our revenues generated from online advertising grew by 42.0%.

Cost of Revenues

Cost of revenues consists primarily of (i) bandwidth costs, (ii) share-based compensation, (iii) salary and welfare, (iv) business tax and surcharges, (v) depreciation and amortization, (vi) payment handling costs and (vii) YY Music activities costs. In the future, we anticipate that YY Music activities costs, which primarily consist of commissions offered to popular performers and channel owners in different YY Music channels, will contribute significantly to our cost of revenues. We expect that our cost of revenues will increase in absolute amount as we further grow our user base and expand our revenue-generating services.

Bandwidth costs. Our bandwidth costs increased from RMB8.5 million in 2009 to RMB32.5 million in 2010 and to RMB75.1 million (US$11.9 million) in 2011, and increased from RMB32.8 million in the six months ended June 30, 2011 to RMB64.2 million (US$10.1 million) in the same period in 2012. We expect bandwidth costs to increase as our user base continues to expand and as YY Music and other video-related services become more popular in the future.

Share-based compensation. Our share-based compensation allocated to the cost of revenues increased from RMB5.3 million in 2009 to RMB31.7 million in 2010 and to RMB15.4 million (US$2.4 million) in 2011, and decreased from RMB9.2 million in the six months ended June 30, 2011 to RMB4.4 million (US$0.7 million) in the same period in 2012. The share-based compensation expenses increased significantly in 2010 primarily due to a charge caused by re-measurement of our liability-classified share-based compensation awards. In 2011, the share-based compensation expenses decreased as compared to 2010 due to the liability-classified share-based compensation awards being changed to equity-classified in late 2011 and certain awards granted to Mr. David Xueling Li, our chief executive officer, that vested in 2010, but increased as compared to 2009 due to the expansion of our business and the distribution of options, restricted shares and restricted share units to recruit and retain talents for our company. The share-based compensation expenses in the six months ended June 30, 2012 decreased as compared to the six months ended June 30, 2011 because (a) we are using the graded vesting method to recognize share-based compensation costs and expenses, (b) some awards granted fully vested before 2012, and (c) the share options and NeoTasks restricted shares granted were previously classified using the liability method and subject to remeasurement, but was modified back to equity-method on September 15, 2011.

Salary and welfare. Our salary and welfare costs increased from RMB6.9 million in 2009 to RMB23.5 million in 2010 and to RMB33.4 million (US$5.3 million) in 2011, and increased from RMB15.9 million in the six months ended June 30, 2011 to RMB20.4 million (US$3.2 million) in the same period in 2012. We expect our salary and welfare costs to increase as we continue to hire additional employees in line with the expansion of our business.

Business tax and surcharges. Our business tax and surcharges increased from RMB2.3 million in 2009 to RMB7.2 million in 2010 and to RMB16.5 million (US$2.6 million) in 2011, and increased from RMB5.9 million in the six months ended June 30, 2011 to RMB14.3 million (US$2.3 million) in the same period in 2012. We expect our business tax and surcharges to increase as our total revenues continue to grow.

Depreciation and amortization. Our depreciation and amortization increased from RMB2.3 million in 2009 to RMB4.3 million in 2010 to RMB12.0 million (US$1.9 million) in 2011, and increased from RMB5.0 million in the six months ended June 30, 2011 to RMB10.9 million (US$1.7 million) in the same period in 2012. We expect depreciation and amortization to increase as we continue to expand our operations and purchase servers and other equipment or intangibles directly related to the operating of our platform and business.

Payment handling costs. Our payment handling costs increased from RMB1.7 million in 2009 to RMB6.8 million in 2010 and to RMB9.3 million (US$1.5 million) in 2011, and increased from RMB4.8 million in the six months ended June 30, 2011 to RMB8.9 million (US$1.4 million) in the same period in 2012. We expect payment handling costs to increase as we continue to grow our paying users and expand our paid service offerings.

YY Music activities costs. Our YY Music activities costs, which primarily consisted of the portion of the commissions offered to certain popular performers and channel owners in different YY Music channels, amounted to RMB6.8 million (US$1.1 million) and RMB30.5 million (US$4.8 million) in 2011 and the six months ended June 30, 2012, respectively. We expect YY Music activities costs to increase as we continue to expand our YY Music service and product offerings and grow our paying users for YY Music.

Operating Expenses

Our operating expenses consist of (i) research and development expenses, (ii) sales and marketing expenses and (iii) general and administrative expenses. The following table sets forth the components of our operating expenses for the periods indicated, both in absolute amounts and as percentages of our total net revenues.

	For the Year Ended December 31,							For the Six Months Ended June 30,				
	2009		2010		2011			2011		2012		
	RMB	% of total net revenues	RMB	% of total net revenues	RMB	US$	% of total net revenues	RMB	% of total net revenues	RMB	US$	% of total net revenues
	(in thousands, except for percentages)											
Operating expenses:												
Research and development expenses	12,597	38.5	49,219	38.4	106,804	16,980	33.4	43,215	36.4	77,809	12,248	24.0
Sales and marketing expenses	4,951	15.1	12,363	9.6	13,381	2,127	4.2	7,917	6.7	4,862	765	1.5
General and administrative expenses	32,878	100.5	192,222	149.8	118,241	18,798	37.0	59,165	49.8	50,170	7,897	15.5
Total operating expenses	50,426	154.2	253,804	197.8	238,426	37,905	74.6	110,297	92.9	132,841	20,910	40.9

Research and Development Expenses

Research and development expenses consist primarily of salaries and benefits for research and development personnel and rental and depreciation of office premise and servers utilized by the research and development personnel. Research and development expenses generally increased in the past three years ended December 31, 2011 and the six months ended June 30, 2012, due to the need for additional research and development personnel to accommodate the rapid growth of our business. We expect our research and development expenses in absolute amount to increase as we intend to retain existing research and development personnel and also hire new ones to, among other things, develop new series of applications for our platform, improve technology infrastructure to further enhance user experience, and further develop enhanced features for Mobile YY to reach more users. In particular, because of the inherent limitations of mobile devices, such as a smaller display screen space as compared to PCs, we may not be able to provide as many kinds of virtual items as are available on YY Client, which may limit Mobile YY's monetization potential and require more research and development resources devoted to developing products and features for Mobile YY. See "Risk Factors—Risks Relating to Our Business—If we are unable to successfully capture and retain the growing number of users that access internet services through mobile devices, or successfully monetize Mobile YY, our business, financial condition and results of operations may be materially and adversely affected."

Sales and Marketing Expenses

Sales and marketing expenses consist primarily of salaries, benefits and commissions for our sales and marketing personnel, share-based compensation expenses and advertising and promotion expenses. Our sales and marketing expenses generally increased over the past three years ended December 31, 2011, primarily reflecting increased commissions for our sales and marketing personnel as our advertising revenues increased and increased efforts to serve and maintain close relations with an increasing number of advertisers. Our sales and marketing expenses for the six months ended June 30, 2012 decreased slightly compared to the six months ended June 30,

2011, primarily because we conducted an advertising campaign for Duowan.com on a third-party website in the first half of 2011, driving up our sales and marketing expenses for that period; this advertising campaign was not subsequently repeated. We expect that our sales and marketing expenses will increase in absolute amount in the near term as we expect to increase commission for our sales and marketing personnel due to increased advertising demand and, to a lesser extent, the hiring of additional sales and marketing personnel.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries and benefits, including share-based compensation for our general and administrative personnel, professional service fees, legal expenses and other administrative expenses. Our general and administrative expenses generally increased over the past three years ended December 31, 2011 as our business expanded, primarily due to the hiring of additional management and administrative staff and increase in share-based compensation expenses. Our general and administrative expenses decreased slightly in the six months ended June 30, 2012 as compared to the six months ended June 30, 2011, primarily due to a decrease in our share-based compensation expenses for the period. We expect our general and administrative expenses to increase in the future as our business grows and we incur increased costs related to complying with our reporting obligations under the U.S. securities laws as a public company.

Share-based Compensation Expenses

Our operating expenses include share-based compensation expenses as follows:

	For the Year Ended December 31,				For the Six Months Ended June 30,		
	2009	2010	2011		2011	2012	
	RMB	RMB	RMB	US$	RMB	RMB	US$
				(in thousands)			
Research and development expenses	2,475	21,627	31,672	5,035	13,887	19,731	3,106
Sales and marketing expenses	194	1,499	1,336	212	660	500	79
General and administrative expenses	28,544	182,101	86,544	13,759	48,181	29,643	4,666
Total	31,213	205,227	119,552	19,006	62,728	49,874	7,851

We grant stock-based award such as, but not limited to, share options, restricted shares, restricted share units and warrants to eligible employees, officers, directors, and non-employee consultants. Awards granted to employees, officers, and directors are initially accounted for as equity-classified awards, which are measured at the grant date fair value of the award and are recognized using the graded vesting method, net of estimated forfeiture rates, over the requisite service period, which is generally the vesting period. Awards granted to non-employees are initially measured at fair value on the grant date and periodically re-measured thereafter until the earlier of the performance commitment date or the date the service is completed and recognized over the period in which the service is provided.

As a result of repurchases of certain awards offered in 2009 and in 2011, certain initially equity-classified employee and non-employee awards have been reclassified as a liability-classified awards, as these awards were deemed to have a substantive cash settlement feature. These awards are re-measured at the end of each reporting period until either the substantive cash settlement is terminated or the holder of the awards is exposed to the market value fluctuation of the underlying shares for a reasonable period of time (at least six months), or the awards are settled, cancelled or expire unexercised.

On September 15, 2011, our board of directors resolved not to undertake any repurchases of vested or unvested share-based compensation awards, except under those conditions specified in the relevant award scheme and grant documents. Accordingly, the classification of the liability-classified awards were changed to being equity-classified, and the related liability was reclassified as additional paid-in capital on the modification date. After the awards were changed to equity-classified awards, they were measured based on the fair value of

the awards on September 15, 2011, and the expenses to be recognized over the remaining requisite service period are calculated using the graded vesting attribution method.

Taxation

Cayman Islands

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or after execution brought within the jurisdiction of, the Cayman Islands. There are no exchange control regulations or currency restrictions in the Cayman Islands.

Pursuant to Section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, we have obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to us or our operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on our shares, debentures or other obligations.

The undertaking for us is for a period of twenty years from August 2, 2011.

British Virgin Islands

As Duowan BVI is a BVI business company subject to the provisions of the BVI Business Companies Act, it is exempt from all provisions of the Income Tax Act of the BVI (including with respect to all dividends, interests, rents, royalties, compensation and other amounts payable by us to persons who are not persons resident in the BVI).

Capital gains realized with respect to any shares, debt obligations or other securities of a company by persons who are not persons resident in the BVI are also exempt from all provisions of the Income Tax Act of the BVI.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in the BVI with respect to any shares, debt obligations or other securities of us, save for interest payable to or for the benefit of an individual resident in the European Union.

Hong Kong

No Hong Kong profits tax has been provided as we have no assessable profit arising in Hong Kong.

PRC

Current taxation primarily represented the provision for a state and local corporate income tax, or EIT, for subsidiaries and VIEs operating in the PRC. Prior to January 1, 2008, companies established in the PRC were generally subject to EIT at statutory rates of 30% and 3% respectively. On March 16, 2007, the PRC National People's Congress promulgated the New EIT Law, which became effective on January 1, 2008. These subsidiaries and VIEs are subject to new EIT on their taxable income as reported in their respective statutory financial statements adjusted in accordance with the relevant tax laws and regulations in the PRC. All our PRC entities are subject to EIT at a rate of 25%, with the exception of any preferential treatments they may receive, such as the 15% preferential tax rate that Guangzhou Huaduo can enjoy for the years from 2011 to 2012 due to its qualification as a high and new technology enterprise.

According to a policy promulgated by the state tax bureau of the PRC and effective from 2008 onwards, enterprises engaged in research and development activities are entitled to claim 150% of the research and

development expenses so incurred in a year as tax deductible expenses in determining its tax assessable profits for that year, or Super Deduction. Guangzhou Huaduo has claimed such Super Deduction in ascertaining its tax assessable profits for 2009, 2010 and 2011 and the six months ended June 30, 2012, and Zhuhai Duowan claimed such Super Deduction in ascertaining its tax assessable profits for the year of 2011 and the six months ended June 30, 2012.

In addition, according to the New EIT Law and its implementation rules, foreign enterprises, which have no establishment or place in the PRC but derive dividends, interest, rents, royalties and other income (including capital gains) from sources in the PRC shall be subject to PRC withholding tax, or WHT, at 10% (a further reduced WHT rate may be available according to the applicable double tax treaty or arrangement). The 10% WHT is applicable to any dividends to be distributed from Beijing Huanju Shidai and Guangzhou Huanju Shidai to our company out of any profits Beijing Huanju Shidai and its subsidiaries and Guangzhou Huanju Shidai derived after January 1, 2008. We do not have any present plan to pay out the retained earnings in the PRC subsidiaries and PRC consolidated affiliated entities in the foreseeable future. We currently intend to retain our available funds and any future earnings to operate and expand our business. Accordingly, no such WHT has been accrued.

Our PRC subsidiaries and PRC consolidated affiliated entities are subject to business taxes and related surcharges. Revenues from IVAS are taxed at a rate of 3.3%, while advertising revenues are taxed at 8.5%. Business taxes and related surcharges during 2009, 2010 and 2011 and the six months ended June 30, 2012 were RMB2.3 million, RMB7.2 million, RMB16.5 million (US$2.6 million) and RMB14.3 million (US$2.3 million), respectively.

For more information on PRC tax regulations, see “PRC Regulation— Regulation on Tax.”

Seasonality

Our results of operations are subject to seasonal fluctuations. For example, the number of online users tends to be lower during school holidays and during certain parts of the school year, and advertising revenues tend to be lower during the Chinese New Year season. The Chinese New Year season is a less attractive period for online advertisers in the PRC due to the relative lower number of people online during this period as more people are engaging in offline, traditional family-related activities. In addition, since the launch of YY Music, we have conducted marketing campaigns and promotional activities coinciding with popular western or Chinese festivals celebrated by young Chinese people, many of which are in the fourth quarter and ending with the Chinese New Year holidays which typically fall in the first half of the first quarter. These promotions encourage users to purchase virtual items and give them as gifts to performers on YY Music channels as a means of celebration, resulting in a higher number of paying users for YY Music for the fourth quarter. The number of special events remained high until the Chinese New Year holidays in late January in 2012. After the Chinese New Year holidays, we launched fewer special events since there are fewer festivals in the rest of the first quarter and the second quarter. As a result, the number of paying users of YY Music increased at a slower pace in the first and second quarters of 2012. These fluctuations result in lower revenues and negatively affect our cash flow for the relevant periods. However, seasonal fluctuations have not posed material operational and financial challenges to us, as such periods tend to be brief and predictable, allowing us to adjust the working shifts of our staff and re-allocate resources to reduce costs ahead of time.

Internal Control Over Financial Reporting

In connection with the preparation and external audit of our consolidated financial statements as of and for the years ended December 31, 2009, 2010 and 2011 and the review of our consolidated financial statements as of and for the three months ended March 31, 2012, we and our auditors, an independent registered public accounting firm, noted two material weaknesses in our internal control over financial reporting. The material weaknesses identified were: (a) a lack of accounting resources for fulfilling U.S. GAAP and SEC reporting requirements, and (b) a lack of comprehensive U.S. GAAP accounting policies and financial reporting procedures. We have implemented and are continuing to implement various measures to address the material

weaknesses identified; these measures are outlined below. As a result of such efforts, subsequently, in connection with the review of our consolidated financial statements as of and for the three months ended June 30, 2012, we and our independent registered public accounting firm identified only one significant deficiency. The significant deficiency identified relates to the inadequacy of 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 for purposes of identifying and reporting material weaknesses, significant deficiencies and control deficiencies in our internal control over financial reporting as we and they will be required to do once we become a public company. We believe it is possible that, had we performed a formal assessment of our internal control over financial reporting or had our independent registered public accounting firm performed an audit of our internal control over financial reporting, additional control deficiencies may have been identified.

We took certain steps to improve our internal control over financial reporting. In August 2011, we appointed a new chief financial officer to lead our accounting and financial reporting department. Our new chief financial officer has extensive financial reporting experience and work experience involving U.S. GAAP and SEC financial reporting and was previously the chief financial officer of an NYSE-listed company. We hired, for the finance department, additional staff who formerly worked in a Big Four international accounting firm and who have U.S. GAAP experience. We engaged external accounting consultants to improve our U.S. GAAP accounting capability and financial reporting procedures. In addition, we also intend to periodically evaluate the sufficiency of our accounting resources and needs for recruiting additional personnel and provide our accounting staff with regular U.S. GAAP training. In relation to internal controls, we established an internal audit department, established strategies for further implementation of internal audit work, hired additional accounting staff with U.S. GAAP experience, Big Four international accounting firm experience and extensive accounting work experience, including additional internal audit professionals to serve internal audit functions, and intend to hire additional similarly qualified personnel in the future, including those with U.S.-listed company experience, U.S. CPA certificate or experience working in a Big Four international accounting firm. We have developed and implemented a full set of U.S. accounting policies and financial reporting procedures as well as related internal control policies, including a formal asset safeguard policy, and plan to continually enhance and improve these policies and procedures to meet updated U.S. GAAP requirements and our reporting obligations as an U.S.-listed company. We expect that these accounting policies and financial reporting procedures will be carried out by a qualified supporting staff overseen by our chief financial officer, who will be responsible for the final results and the quality of implementation. Moreover, we have engaged a team of professional advisors to assist us to improve our corporate governance, internal control procedures and help us design and implement a structured control environment for complying with the Sarbanes-Oxley Act of 2002, and we have devoted significant efforts to remedy any deficiencies or control gaps identified in the process. We intend to establish an independent audit committee to supervise the above measures; we have identified several qualified individuals with extensive U.S. GAAP and U.S.-listed company experience and intend to appoint one to serve as a financial expert and chairman of our audit committee. We are also drafting an anti-fraud policy and a whistle-blowing program which we expect to implement in the third quarter of 2012. We expect to complete the measures above as soon as practicable and we will continue to implement measures to remedy our internal control deficiencies in order to meet the deadline imposed under Section 404 of the Sarbanes-Oxley Act. However, the implementation of these measures may not fully address the existing significant deficiency in our internal control over financial reporting, and we cannot yet conclude that it has been fully remedied.

The process of designing and implementing an effective financial reporting system is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to expend significant resources to maintain a financial reporting system that is adequate to satisfy our reporting obligations. See “Risk Factors—Risks Relating to Our Business—If we fail to implement and maintain an effective system of internal controls, we may be unable to accurately report our results of operations or prevent fraud or fail to meet our reporting obligations, and investor confidence and the market price of our ADSs may be materially and adversely affected.”

Results of Operations

The following table sets forth a summary of our consolidated results of operations for the periods indicated. Our business has grown rapidly since our inception. Our limited operating history makes it difficult to predict future operating results. We believe that period-to-period comparisons of results of operations should not be relied upon as indicative of future performance.

	For the Year Ended December 31,							For the Six Months Ended June 30,				
	2009		2010		2011			2011		2012		
	RMB	% of total net revenues	RMB	% of total net revenues	RMB	US$	% of total net revenues	RMB	% of total net revenues	RMB	US$	% of total net revenues
	(in thousands, except for percentages)											
Total net revenues[(1)]	32,710	100.0	128,338	100.0	319,655	50,820	100.0	118,760	100.0	324,450	51,071	100.0
IVAS:												
Online game	12,976	39.7	86,316	67.3	165,933	26,380	51.9	71,679	60.4	150,398	23,674	46.4
YY Music	—	—	—	—	52,854	8,403	16.5	9,645	8.1	92,721	14,595	28.6
Others	853	2.6	1,282	1.0	13,589	2,161	4.3	1,969	1.6	30,961	4,873	9.5
Online advertising	18,881	57.7	40,740	31.7	87,279	13,876	27.3	35,467	29.9	50,370	7,929	15.5
Cost of revenues	(28,849)	(88.2)	(110,062)	(85.8)	(182,699)	(29,046)	(57.2)	(78,349)	(66.0)	(164,138)	(25,836)	(50.6)
Gross profit	3,861	11.8	18,276	14.2	136,956	21,774	42.8	40,411	34.0	160,312	25,235	49.4
Operating expenses												
Research and development expenses	(12,597)	(38.5)	(49,219)	(38.4)	(106,804)	(16,980)	(33.4)	(43,215)	(36.4)	(77,809)	(12,248)	(24.0)
Sales and marketing expenses	(4,951)	(15.1)	(12,363)	(9.6)	(13,381)	(2,127)	(4.2)	(7,917)	(6.7)	(4,862)	(765)	(1.5)
General and administrative expenses	(32,878)	(100.5)	(192,222)	(149.8)	(118,241)	(18,798)	(37.0)	(59,165)	(49.8)	(50,170)	(7,897)	(15.5)
Total operating expenses	(50,426)	(154.2)	(253,804)	(197.8)	(238,426)	(37,905)	(74.6)	(110,297)	(92.9)	(132,841)	(20,910)	(40.9)
Government grants	—	—	—	—	1,982	315	0.6	—	—	671	106	0.2
Operating (loss) Income	(46,565)	(142.4)	(235,528)	(183.5)	(99,488)	(15,816)	(31.1)	(69,886)	(58.8)	28,142	4,431	8.7
Foreign currency exchange (loss) gain, net	(15)	(0.0)	(551)	(0.4)	14,143	2,248	4.4	4,014	3.4	(1,786)	(281)	(0.6)
Interest income	46	0.1	56	0.0	4,890	777	1.5	1,348	1.1	5,986	942	1.8
(Loss) income before income tax expenses	(46,534)	(142.3)	(236,023)	(183.9)	(80,455)	(12,791)	(25.2)	(64,524)	(54.3)	32,342	5,092	10.0
Income tax expenses	(391)	(1.2)	(2,322)	(1.8)	(1,343)	(214)	(0.4)	(3,365)	(2.8)	(11,152)	(1,755)	(3.4)
(Loss) income before loss in equity method investments, net of income taxes	(46,925)	(143.5)	(238,345)	(185.7)	(81,798)	(13,005)	(25.6)	(67,889)	(57.2)	21,190	3,337	6.5
Losses in equity method investment, net of income taxes	(191)	(0.6)	(512)	(0.4)	(1,358)	(216)	(0.4)	(746)	(0.6)	(374)	(60)	(0.1)
Net (loss) income attributable to YY Inc.	(47,116)	(144.0)	(238,857)	(186.1)	(83,156)	(13,221)	(26.0)	(68,635)	(57.8)	20,816	3,277	6.4

(1) Net of rebates and discounts.

Six Months Ended June 30, 2012 Compared to Six Months Ended June 30, 2011

Net Revenues. Our net revenues increased by 173.2% from RMB118.8 million in the six months ended June 30, 2011 to RMB324.4 million (US$51.1 million) in the six months ended June 30, 2012. This increase was primarily due to increases in our online game revenues and the increased contribution of revenues from YY Music, which was officially launched in March 2011 as well as our membership program, which was launched in October 2011, and to a lesser extent, an increase in our online advertising revenues.

IVAS revenues. Our IVAS revenues, which consisted of revenues from online games and YY Music as well as other sources, increased by 229.1% from RMB83.3 million in the six months ended June 30, 2011 to

RMB274.1 million (US$ 43.1 million) in the same period in 2012. The overall increase primarily reflected an increase in the number of paying users and, to a lesser extent, an increase in ARPU. Our number of paying users increased from approximately 524,000 for the six months ended June 30, 2011 to 1,277,000 for the six months ended June 30, 2012. This increase in paying users was attributable to (i) a significant increase in the number of monthly active users from 48.8 million in June 2011 to 66.3 million in June 2012, (ii) an increase in the number of web games we operated and therefore the volume of new virtual items a user may purchase and (iii) the official launch and increasing popularity of YY Music and the introduction of our membership program. Our ARPU for IVAS increased from RMB159.1 for the six months ended June 30, 2011 to RMB214.6 (US$33.8) for the six months ended June 30, 2012.

Revenues from online games, all from web games, increased by 109.8% from RMB71.7 million in the six months ended June 30, 2011 to RMB150.4 million (US$23.7 million) in the same period in 2012. The number of online games we hosted increased from 30 as of June 30, 2011 to 57 as of June 30, 2012. Our paying users for online games increased from approximately 399,000 for the six months ended June 30, 2011 to 526,000 for the six months ended June 30, 2012.

Revenues from YY Music, which was officially launched in March 2011, increased from RMB9.6 million for the six months ended June 30, 2011 to RMB92.7 million (US$14.6 million) for the six months ended June 30, 2012. In addition to the increase in paying users and ARPU, the increase in YY Music IVAS revenues was also due to the increasing popularity of YY Music since its official launch. The increasing popularity of YY Music is attributable to several factors: (a) in June 2011, we began paying certain popular performers and channel owners on YY Music, which attracted more talented performers and channel owners to our platform and resulted in greater performer and channel owner participation on YY channels, which in turn led to higher attendance in YY channels, more loyal audiences and more paying users; (b) we have expanded the range of virtual item offerings on YY Music since its inception, and these virtual items now include flowers, glow sticks, beer and chocolate, and (c) we launched video functionalities in YY Music channels in the first quarter of 2012, which helped further enhance the attractiveness of YY Music to users. We believe that the combination of higher audience participation, a growing range of appealing virtual items offered and enhanced functionalities on YY Music have all contributed to the increased revenues generated from the sale of virtual items on YY Music. Our paying users for YY Music increased from approximately 97,000 for the six months ended June 30, 2011 to 400,000 for the six months ended June 30, 2012.

Other revenues, which primarily consisted of membership subscription fees, increased from RMB2.0 million in the six months ended June 30, 2011 to RMB31.0 million (US$4.9 million) in the six months ended June 30, 2012. This increase was primarily attributable to an increase in the number of users who subscribed to our membership program and paid the monthly subscription fee; we had approximately 301,000 such members as of June 30, 2012.

Online advertising revenues. Our online advertising revenues increased by 42.0% from RMB35.5 million in the six months ended June 30, 2011 to RMB50.4 million (US$7.9 million) in the same period in 2012. This increase was primarily attributable to an increase in the average revenue per advertiser which increased from approximately RMB427,000 in the six months ended June 30, 2011 to RMB504,000 (US$79,000) in the same period in 2012. This increase was partly driven by (a) the increase in the number of our average daily unique visitors to Duowan.com from 6.8 million in June 2011 to 19.9 million in June 2012, making online advertising on Duowan.com more attractive to a larger number of online game developers as an effective way to market games to a larger audience, (b) an increase in the average prices for our advertising slots due to Duowan.com's increasing popularity, and (c) the effective efforts of our sales and marketing team in promoting advertising on Duowan.com.

Cost of Revenues. Our cost of revenues increased by 109.5% from RMB78.3 million in the six months ended June 30, 2011 to RMB164.1 million (US$25.8 million) in the same period in 2012. The increase in our cost of revenues was due in large part to increases in bandwidth costs, which increased by 95.7% from RMB32.8 million in the six months ended June 30, 2011 to RMB64.2 million (US$10.1 million) in the same

period in 2012 and an increase in our YY Music activities costs. The increase in bandwidth costs was primarily due to (i) an increase in the amount of bandwidth required since we provided video functionality to an increasing number of our channels in the six months ended June 30, 2012 and (ii) an increase in the number of monthly active users on YY Client from approximately 48.8 million in June 2011 to 66.3 million in June 2012. Our YY Music activities costs, primarily consisting of the portion of revenues shared with certain popular performers and channel owners in different YY Music channels, amounted to RMB30.5 million (US$4.8 million) in the six months ended June 30, 2012 as our IVAS revenues from the sale of virtual items on YY Music channels increased. In addition, salary and welfare costs increased from RMB15.9 million in the six months ended June 30, 2011 to RMB20.4 million (US$3.2 million) in the same period in 2012, mainly due to our hiring of additional employees to serve our rapidly expanding user base. Payment handling costs increased from RMB4.8 million in the six months ended June 30, 2011 to RMB8.9 million (US$1.4 million) in the same period in 2012, primarily because of the higher IVAS sales and an increase in the number of users paying through third party payment channels.

Operating Expenses. Our operating expenses increased by 20.4% from RMB110.3 million in the six months ended June 30, 2011 to RMB132.8 million (US$20.9 million) in the same period in 2012, primarily due to an increase in research and development expenses, which reflected the general growth of our business operations, partially offset by a decrease in share-based compensation expenses.

Research and development expenses. Our research and development expenses increased by 80.1% from RMB43.2 million in the six months ended June 30, 2011 to RMB77.8 million (US$12.2 million) in the same period in 2012. This increase was primarily due to a significant increase in salaries and other benefits for research and development personnel, which was in turn mainly driven by an increase in our research and development staff, especially engineers, from 281 as of June 30, 2011 to 584 as of June 30, 2012. In addition, share-based compensation allocated to research and development expenses increased from RMB13.9 million in the six months ended June 30, 2011 to RMB19.7 million (US$3.1 million) in the same period in 2012.

Sales and marketing expenses. Our sales and marketing expenses decreased by 38.6% from RMB7.9 million in the six months ended June 30, 2011 to RMB4.9 million (US$0.8 million) in the same period in 2012. This decrease was primarily due to the fact that in the six months ended June 30, 2011, we conducted a one-time publicity campaign for Duowan.com on a third party website; we did not subsequently conduct similar publicity campaigns, leading to a decrease in our sales and marketing expenses. Share-based compensation allocated to sales and marketing expenses decreased from RMB660,000 in the six months ended June 30, 2011 to RMB500,000 (US$78,703) in the six months ended June 30, 2012.

General and administrative expenses. Our general and administrative expenses decreased by 15.2% from RMB59.2 million in the six months ended June 30, 2011 to RMB50.2 million (US$7.9 million) in the same period in 2012. This decrease was primarily due to a lower amount of share-based compensation expenses being allocated to general and administrative expenses from RMB48.2 million in the six months ended June 30, 2011 to RMB29.6 million (US$4.7 million) in the six months ended June 30, 2012.

Foreign Currency Exchange Gains (loss). We had net foreign currency exchange loss of RMB1.8 million (US$0.3 million) in the six months ended June 30, 2012, compared to a net foreign currency exchange gain of RMB4.0 million in the same period in 2011. This decrease was primarily due to the fact that we converted our proceeds from the issuance of common shares to an existing shareholder from U.S. dollars into Renminbi and the fact that the value of the Renminbi depreciated against the U.S. dollar during the six months ended June 30, 2012.

Interest Income. Our interest income increased from RMB1.3 million in the six months ended June 30, 2011 to RMB6.0 million (US$0.9 million) in the same period in 2012. This increase was primarily due to higher levels of cash on hand, partly as a result of depositing the proceeds from the issuance of common shares to Tiger Global Six YY Holdings into various bank accounts.

Income Tax Expenses. We recorded income tax expenses of RMB3.4 million in the six months ended June 30, 2011 compared to RMB11.2 million (US$1.8 million) in the same period in 2012. This increase was primarily due to the higher revenues recorded by certain of our PRC subsidiaries.

Net Income. As a result of the foregoing, we had a net income of RMB20.8 million (US$3.3 million) in the six months ended June 30, 2012 as compared to a net loss of RMB68.6 million in the same period in 2011.

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Net Revenues. Our net revenues increased by 149.2% from RMB128.3 million in 2010 to RMB319.7 million (US$50.8 million) in 2011. This increase was due to increases in both our online advertising revenues and online game revenues and the contribution of revenues from YY Music, which was officially launched in March 2011.

IVAS revenues. Our IVAS revenues, which consisted of revenues from online games and YY Music as well as other sources, increased significantly from RMB87.6 million in 2010 to RMB232.4 million (US$36.9 million) in 2011. The overall increase primarily reflected an increase in the number of paying users which partly led to a decrease in ARPU. The number of our paying users increased from approximately 492,000 in the year ended December 31, 2010 to 1.4 million in the year ended December 31, 2011. This increase in paying users was attributable to (i) a significant increase in the number of monthly active users from 35.4 million in December 2010 to 53.4 million in December 2011, (ii) an increase in the number of online games we operated from 2010 to 2011 and (iii) the official launch and increasing popularity of YY Music and the introduction of our membership program. Our ARPU for IVAS users decreased from RMB177.9 in 2010 to RMB164.3 (US$26.1) in 2011, primarily driven by the increase in the number of paying users which grew at a rate faster than the IVAS revenues for the period primarily due to the launch of YY Music in March 2011 and our membership program in October 2011, the latter of which charges a relatively low membership fee of RMB20.0 per month and partly offset by the increasing average price we charged for virtual items in 2011.

Revenues from online games, all from web games, increased significantly from RMB86.3 million in 2010 to RMB165.9 million (US$26.4 million) in 2011. The number of online games we hosted increased from 23 as of December 31, 2010 to 45 as of December 31, 2011, raising the volume of new virtual items available for purchase. Our number of paying users for online games increased from approximately 492,000 for the year ended December 31, 2010 to 871,000 for the year ended December 31, 2011.

Revenues from YY Music, which was launched in March 2011 and became increasingly popular during the year, amounted to RMB52.9 million (US$8.4 million) for 2011. Our paying users for YY Music amounted to approximately 225,000 for the fourth quarter of 2011.

Other revenues, which primarily consisted of membership subscription fees and other services, increased significantly from RMB1.3 million in 2010 to RMB13.6 million (US$2.2 million) in 2011. This increase was primarily attributable to the launching of our membership program in October 2011 and other services.

Online advertising revenues. Our online advertising revenues increased by 114.5% from RMB40.7 million in 2010 to RMB87.3 million (US$13.9 million) in 2011. This increase was primarily attributable to an increase in the average revenue per advertiser and, to a lesser extent, an increase in the number of advertisers. The average revenue per advertiser increased from RMB340,000 in 2010 to RMB623,000 (US$99,000) in 2011, and the number of our advertisers increased from 120 in 2010 to 140 in 2011. These increases were partly driven by (a) the increase in the number of our average daily unique visitors to Duowan.com from 5.5 million in December 2010 to 9.9 million in December 2011, making online advertising on Duowan.com more attractive to a larger number of online game developers as an effective way for them to market their games to a larger audience, and (b) the effective efforts of our sales and marketing team to acquire new advertisers and promote our advertising services to existing advertisers.

Cost of Revenues. Our cost of revenues increased by 66.0% from RMB110.1 million in 2010 to RMB182.7 million (US$29.0 million) in 2011. The increase in our cost of revenues was due in large part to increases in bandwidth costs, which increased by 131.1% from RMB32.5 million in 2010 to RMB75.1 million (US$11.9 million) in 2011. The increase in bandwidth costs reflected an increase in the number of monthly active users on YY Client from approximately 35.4 million in December 2010 to 53.4 million in December 2011. In addition, salary and welfare costs increased from RMB23.5 million in 2010 to RMB33.4 million (US$5.3 million) in 2011, mainly due to our hiring of additional employees to serve our rapidly expanding user base. Share-based compensation, as allocated to cost of revenues, decreased from RMB31.7 million in 2010 to RMB15.4 million (US$2.4 million) in 2011. Payment handling costs increased from RMB6.8 million in 2010 to RMB9.3 million (US$1.5 million) in 2011, primarily because our users purchased more virtual items through third party payment channels. The increase in our cost of revenues was also attributable to the YY Music activities costs of RMB6.8 million (US$1.1 million) we incurred in the year of 2011.

Operating Expenses. Our operating expenses decreased by 6.1% from RMB253.8 million in 2010 to RMB238.4 million (US$37.9 million), primarily due to a decrease in general and administrative expenses, partly offset by increases in research and development expenses and sales and marketing expenses, which reflected the general growth of our business operations and the significant share-based compensation expenses we incurred.

Research and development expenses. Our research and development expenses increased by 117.1% from RMB49.2 million in 2010 to RMB106.8 million (US$17.0 million) in 2011. This increase was primarily due to a significant increase in salaries and other benefits for research and development personnel, which was in turn mainly due to an increase in our research and development staff headcount from 194 as of December 31, 2010 to 401 as of December 31, 2011. In addition, share-based compensation allocated to research and development expenses increased from RMB21.6 million in 2010 to RMB31.7 million (US$5.0 million) in 2011.

Sales and marketing expenses. Our sales and marketing expenses increased by 8.1% from RMB12.4 million in 2010 to RMB13.4 million (US$2.1 million) in 2011. This increase was primarily due to a significant increase in salaries, commissions and other benefits for our sales and marketing personnel, partly offset by a decrease in share-based compensations allocated to sales and marketing expenses from RMB1.5 million in 2010 to RMB1.3 million (US$0.2 million) in 2011.

General and administrative expenses. Our general and administrative expenses decreased by 38.5% from RMB192.2 million in 2010 to RMB118.2 million (US$18.8 million) in 2011. This decrease was primarily due to a significant decrease in share-based compensation expenses allocated to general and administrative expenses, from RMB182.1 million in 2010 to RMB86.5 million (US$13.8 million) in 2011.

Foreign Currency Exchange (Losses) Gains. We had a net foreign currency exchange loss of RMB551,000 in 2010 and a net foreign currency exchange gain of RMB14.1 million (US$2.2 million) in 2011. This increase was primarily due to the fact that we converted approximately US$75.0 million of the proceeds from the issuance of common shares to Tiger Global Six YY Holdings from U.S. dollars into Renminbi and the fact that the value of the Renminbi rose against the U.S. dollar during 2011.

Interest Income. Our interest income increased from RMB56,000 in 2010 to RMB4.9 million (US$777,000) in 2011. This increase was primarily due to higher levels of short-term deposits as a result of additional cash received from of our issuance of common shares to Tiger Global Six YY Holdings during 2011.

Income Tax Expenses. We had income tax expenses of RMB2.3 million in 2010 and RMB1.3 million (US$214,000) in 2011, respectively. This decrease was primarily due to the fact that our deferred income tax benefits increased in 2011; Zhuhai Duowan claimed 150% of its research and development expenses for the year in assessing its tax assessable profits in 2011, in line with a policy promulgated by the State Tax Bureau of the PRC for enterprises engaged in research and development activities.

Net Loss. As a result of the foregoing, our net loss decreased from RMB238.9 million in 2010 to RMB83.2 million (US$13.2 million) in 2011.

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Net Revenues. Our net revenues increased by 292.4% from RMB32.7 million in 2009 to RMB128.3 million in 2010. This increase was due to increases in both our online advertising revenues and online game revenues.

IVAS revenues. Our IVAS revenues, which primarily consisted of revenues from online games, increased significantly from RMB13.8 million in 2009 to RMB87.6 million in 2010. Revenues from IVAS from online games, all from web games, increased by 563.8% from RMB13.0 million in 2009 to RMB86.3 million in 2010, reflecting primarily an increase in the number of our paying users and, to a lesser extent, an increase in ARPU. The number of our paying users increased from approximately 147,000 in the six months ended December 31, 2009 to 492,000 in the year ended December 31, 2010. This increase in paying users was attributable to (a) a significant increase in the number of monthly active users from 16.2 million in January 2010 to 35.4 million in December 2010, and (b) an increase in the number of online games we operated from the end of 2009 to the end of 2010, from 13 to 23, raising the volume of new virtual items a user may purchase. Our ARPU for IVAS increased to RMB177.9 in 2010, primarily driven by the increasing average price we charged for virtual items in 2010.

Online advertising revenues. Our online advertising revenues increased by 115.3% from RMB18.9 million in 2009 to RMB40.7 million in 2010. This increase was attributable to the increase in the number of advertisers and an increase in the average revenue per advertiser. The number of our advertisers increased from 105 in 2009 to 120 in 2010, and the average revenue per advertiser increased from RMB180,000 in 2009 to RMB340,000 in 2010. These increases were partly driven by (a) the increase in the number of our average daily unique visitors to Duowan.com from 4.5 million in December 2009 to 5.5 million in December 2010, making online advertising on Duowan.com more attractive to a larger number of online game developers as an effective way for them to market their games to a larger audience, and (b) the effective efforts of our sales and marketing team to acquire new advertisers and promote our advertising services to existing advertisers.

Cost of Revenues. Our cost of revenues increased by 282.3% from RMB28.8 million in 2009 to RMB110.1 million in 2010. The increase in our cost of revenues was due in large part to increases in bandwidth costs, which increased by 282.4% from RMB8.5 million in 2009 to RMB32.5 million in 2010. The increase in bandwidth costs reflected an increase in the number of monthly active users on YY Client from approximately 16.2 million in January 2010 to 35.4 million in December 2010. In addition, salary and welfare costs increased from RMB6.9 million in 2009 to RMB23.5 million in 2010, mainly due to our hiring of additional employees to serve our rapidly expanding user base. Share-based compensation, as allocated to cost of revenues, increased from RMB5.3 million in 2009 to RMB31.7 million in 2010. Payment handling costs increased from RMB1.7 million in 2009 to RMB6.8 million in 2010, primarily because our users purchased more virtual items through third party payment channels.

Operating Expenses. Our operating expenses increased by 403.6% from RMB50.4 million in 2009 to RMB253.8 million in 2010, primarily due to increases in research and development, general and administrative expenses as well as sales and marketing expenses, which reflected the general growth of our business operations and the significant share-based compensation expenses we incurred.

Research and development expenses. Our research and development expenses increased by 290.5% from RMB12.6 million in 2009 to RMB49.2 million in 2010. This increase was primarily due to a significant increase in salaries and other benefits for research and development personnel, which was in turn mainly due to an increase in our research and development staff headcount from 100 as of December 31, 2009 to 194 as of December 31, 2010. In addition, share-based compensation allocated to research and development expenses increased significantly from RMB2.5 million in 2009 to RMB21.6 million in 2010.

Sales and marketing expenses. Our sales and marketing expenses increased by 148.0% from RMB5.0 million in 2009 to RMB12.4 million in 2010. This increase was primarily due to a significant increase in salaries, commissions and other benefits for our sales and marketing personnel. Share-based compensations

allocated to sales and marketing expenses increased from RMB0.2 million in 2009 to RMB1.5 million in 2010.

General and administrative expenses. Our general and administrative expenses increased by 484.2% from RMB32.9 million in 2009 to RMB192.2 million in 2010. This increase was primarily due to a significant increase in share-based compensation expenses, from RMB28.5 million in 2009 to RMB182.1 million in 2010, and, to a lesser extent, an increase in salaries and other benefits for our management team and other employees.

Foreign Currency Exchange Losses. Our net foreign currency exchange losses increased from RMB15,000 in 2009 to RMB551,000 in 2010. This increase was primarily due to the conversion of proceeds from our Series C-1 and C-2 preferred shares financing from U.S. dollars into Renminbi and the fact that the value of the Renminbi rose against the U.S. dollar during 2010.

Interest Income. Our interest income increased from RMB46,000 in 2009 to RMB56,000 in 2010. This increase was primarily due to additional cash received as a result of our series C preferred shares financing during the year.

Income Tax Expenses. We had income tax expenses of RMB0.4 million in 2009 and RMB2.3 million in 2010. This change was primarily due to higher levels of revenues in certain of our PRC subsidiaries and PRC affiliated entities, such as Zhuhai Daren Computer Technology Company, or Zhuhai Daren.

Net Loss. As a result of the foregoing, our net loss increased from RMB47.1 million in 2009 to RMB238.9 million in 2010.

Selected Quarterly Results of Operations

The following table presents our unaudited consolidated results of operations for the eight quarters in the period from July 1, 2010 to June 30, 2012. You should read the following table in conjunction with our audited and unaudited consolidated financial statements and related notes included elsewhere in this prospectus. We have prepared the unaudited condensed consolidated quarterly financial information on the same basis as our audited consolidated financial statements. This unaudited quarterly consolidated financial information includes all adjustments, consisting only of normal and recurring adjustments, that we consider necessary for a fair representation of our financial position and operating results for the quarters presented.

	For the Three Months Ended							
	September 30, 2010	December 31, 2010	March 31, 2011	June 30, 2011	September 30, 2011	December 31, 2011	March 31, 2012	June 30, 2012
	(Unaudited) *(in thousands of RMB, except for share, per share and per ADS data)*							
Internet value-added service								
—Online game	26,127	27,149	34,479	37,200	41,689	52,565	68,806	81,592
—YY Music	—	—	40	9,605	17,794	25,415	33,763	58,958
—Others	366	396	686	1,283	3,041	8,579	13,427	17,534
Online advertising	11,709	15,240	12,152	23,315	25,437	26,375	20,667	29,703
Total net revenues	38,202	42,785	47,357	71,403	87,961	112,934	136,663	187,787
Cost of revenues(1)	(29,973)	(39,921)	(37,237)	(41,112)	(48,354)	(55,996)	(68,954)	(95,184)
Gross profit	8,229	2,864	10,120	30,291	39,607	56,938	67,709	92,603
Operating expenses(1)								
Research and development expenses	(13,932)	(18,123)	(21,172)	(22,043)	(30,894)	(32,695)	(36,719)	(41,090)
Sales and marketing expenses	(3,452)	(2,996)	(3,722)	(4,195)	(2,705)	(2,759)	(2,046)	(2,816)
General and administrative expenses	(51,307)	(79,473)	(28,210)	(30,955)	(29,610)	(29,466)	(25,330)	(24,840)
Total operating expenses	(68,691)	(100,592)	(53,104)	(57,193)	(63,209)	(64,920)	(64,095)	(68,746)
Government grants	—	—	—	—	—	1,982	642	29
Operating (loss) income	(60,462)	(97,728)	(42,984)	(26,902)	(23,602)	(6,000)	4,256	23,886
(Loss) income before income tax expenses	(60,484)	(98,215)	(42,295)	(22,229)	(16,115)	184	7,215	25,127
Net (loss) income attributable to YY Inc.	(61,313)	(99,472)	(42,927)	(25,708)	(18,546)	4,025	3,521	17,295

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(1) Share-based compensation was allocated in cost of revenues and operating expenses as follows:

	For the Three Months Ended							
	September 30, 2010	December 31, 2010	March 31, 2011	June 30, 2011	September 30, 2011	December 31, 2011	March 31, 2012	June 30, 2012
	(Unaudited) *(in thousands of RMB)*							
Cost of revenues	8,566	13,076	4,408	4,832	3,533	2,676	2,171	2,215
Research and development expenses	5,843	8,917	6,624	7,263	9,754	8,031	9,641	10,090
Sales and marketing expenses	405	619	315	345	364	312	248	252
General and administrative expenses	49,197	75,088	22,983	25,198	20,867	17,496	15,473	14,170
Total:	64,011	97,700	34,330	37,638	34,518	28,515	27,533	26,727

The following table sets forth our historical unaudited consolidated selected quarterly results of operations for the periods indicated, as a percentage of total net revenues.

	For the Three Months Ended							
	September 30, 2010	December 31, 2010	March 31, 2011	June 30, 2011	September 30, 2011	December 31, 2011	March 31, 2012	June 30, 2012
	(Unaudited)							
Internet value-added service								
—Online game	68.4	63.5	72.8	52.1	47.4	46.5	50.3	43.4
—YY Music	—	—	0.1	13.5	20.2	22.5	24.7	31.4
—Others	1.0	0.9	1.4	1.8	3.5	7.6	9.8	9.3
Online advertising	30.7	35.6	25.7	32.7	28.9	23.4	15.1	15.8
Total net revenues	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Cost of revenues	(78.5)	(93.3)	(78.6)	(57.6)	(55.0)	(49.6)	(50.5)	(50.7)
Gross profit	21.5	6.7	21.4	42.4	45.0	50.4	49.5	49.3
Operating expenses								
Research and development expenses	(36.5)	(42.4)	(44.7)	(30.9)	(35.1)	(29.0)	(26.9)	(21.9)
Sales and marketing expenses	(9.0)	(7.0)	(7.9)	(5.9)	(3.1)	(2.4)	(1.5)	(1.5)
General and administrative expenses	(134.3)	(185.7)	(59.6)	(43.4)	(33.7)	(26.1)	(18.5)	(13.2)
Total operating expenses	(179.8)	(235.1)	(112.1)	(80.1)	(71.9)	(57.5)	(46.9)	(36.6)
Government grants	—	—	—	—	—	1.8	0.5	0.0
Operating (loss) income	(158.3)	(228.4)	(90.8)	(37.7)	(26.8)	(5.3)	3.1	12.7
(Loss) income before income tax expenses	(158.3)	(229.6)	(89.3)	(31.1)	(18.3)	0.2	5.3	13.4
Net (loss) income attributable to YY Inc.	(160.5)	(232.5)	(90.6)	(36.0)	(21.1)	3.6	2.6	9.2

Liquidity and Capital Resources

Cash Flows and Working Capital

To date, we have financed our operations primarily through private placements of preferred and common shares to investors as well as cash flows from operations. See "Description of Share Capital—History of Securities Issuances." As of June 30, 2012, we had RMB187.9 million (US$29.6 million) in cash and cash equivalents and RMB507.1 million (US$79.8 million) in short term deposits. We expect to require cash to fund our ongoing operational needs, particularly our bandwidth costs, salaries and benefits and potential acquisitions or strategic investments. We believe that our cash and the anticipated cash flow from operations will be sufficient to meet our anticipated cash needs for the next 12 months. However, we may require additional cash resources due to changing business conditions or other future developments, including any investments or acquisitions we may decide to selectively pursue. If our existing cash resources are insufficient to meet our requirements, we may seek to sell equity or equity-linked securities, debt securities or borrow from banks.

Our PRC subsidiaries and consolidated affiliated entities, in the aggregate, held RMB120.4 million (US$19.0 million) and RMB222.1 million (US$35.0 million) in cash, cash equivalents and short term deposits as of December 31, 2011 and June 30, 2012, respectively. For information regarding restrictions and potential tax liabilities on profit distribution from these entities, see "Risk Factors—Risks Relating to Doing Business in China—Under the PRC enterprise income tax law, we may be classified as a PRC "resident enterprise," which could result in unfavorable tax consequences to us and our shareholders and have a material adverse effect on our results of operations and the value of your investment" and "—PRC regulations relating to offshore investment activities by PRC residents may limit our PRC subsidiaries' ability to increase their registered capital or distribute profits to us or otherwise expose us to liability and penalties under PRC law." Our PRC subsidiaries are categorized as "foreign-invested enterprises" pursuant to applicable PRC laws, and accordingly their dividend remittances to foreign investors are conducted through the following four steps: (1) making up any losses incurred during the current year and past years and paying enterprise income taxes; (2) appropriating no less than 10% of the accumulative after-tax profits as a statutory reserve fund until the aggregate amount of such reserve fund reaches 50% of each PRC subsidiary's respective registered capital; (3) reserving a certain amount for the employee welfare funds at the discretion of the PRC subsidiary; and (4) distributing all or some of the remaining profits to the PRC subsidiary's direct foreign shareholders as dividends. In accordance with the New EIT Law and its implementation rules, dividends generated after January 1, 2008 and distributed to our overseas holding company by our PRC subsidiaries are subject to withholding tax at a rate of 10%. The economic benefits of our PRC consolidated affiliated entities are mainly transferred to Beijing Huanju Shidai through payment of service fees under the Exclusive Business Cooperation Agreements and the Exclusive Technology Support and Technology Services Agreements entered into between Beijing Huanju Shidai and each PRC consolidated affiliated entity, Beijing Tuda and Guangzhou Huaduo, which are subject to the business tax and related surcharges. Upon receipt of such service fees, they will become a portion of Beijing Huanju Shidai's revenues and can be remitted to the parent company through the four-step process above.

The following table sets forth a summary of our cash flows for the periods indicated:

	For the Year Ended December 31,				For the Six Months Ended June 30,		
	2009	2010	2011		2011	2012	
	RMB	RMB	RMB	US$	RMB	RMB	US$
	(in thousands)						
Net cash (used in) provided by operating activities	(4,476)	16,228	99,817	15,868	12,497	131,723	20,734
Net cash used in investing activities	(4,509)	(33,576)	(528,357)	(83,999)	(323,981)	(72,777)	(11,456)
Net cash provided by (used in) financing activities	74,629	(3,138)	477,882	75,975	317,045	—	—
Net increase (decrease) in cash and cash equivalents	65,644	(20,486)	49,342	7,844	5,561	58,946	9,278
Cash and cash equivalents at the beginning of the year period	40,797	106,427	83,683	13,304	83,683	128,891	20,288
Effect of exchange rates change on cash and cash equivalents	(14)	(2,258)	(4,134)	(657)	(2,153)	97	16
Cash and cash equivalents at the end of the year period	106,427	83,683	128,891	20,491	87,091	187,934	29,582

Operating Activities

Net cash used in or generated from operating activities consists primarily of our net loss mitigated by non-cash adjustments, such as share-based compensation, impairment of intangible asset, loss on disposal of property and equipment, deferred taxes and depreciation of property and equipment, and adjusted by changes in operating assets and liabilities, such as accounts receivable and accrued liabilities, account payables and other payables.

Net cash provided by operating activities for the six months ended June 30, 2012 was approximately RMB131.7 million (US$20.7 million), primarily resulting from RMB410.2 million (US$64.6 million) of cash revenues we received from the sale of IVAS and advertisements, partially offset by our employee salaries and welfare payment of RMB103.8 million (US$16.3 million), our sales-related cash outflow of RMB90.4 million (US$14.2 million), which mainly consisted of the amounts due to third party game developers under revenue-sharing arrangements, distributions under arrangements with certain popular performers and channel owners on YY Music, payment collection costs and business taxes, our payments for server maintenance and data center leases of RMB60.8 million (US$9.6 million) and our general operating costs of RMB23.5 million (US$3.7 million).

Net cash provided by operating activities for the year ended December 31, 2011 was approximately RMB99.8 million (US$15.9 million), primarily resulting from RMB395.8 million (US$62.9 million) of cash revenues we received from the sale of IVAS and advertisements, partially offset by our sales-related cash outflow of RMB81.9 million (US$13.0 million), which mainly consisted of the amounts due to third party game developers under revenue sharing arrangements, payment collection costs and business taxes, our employee salaries and welfare payment of RMB118.0 million (US$18.8 million), our payments for server maintenance and data center leases of RMB71.4 million (US$11.4 million) and our general operating costs of RMB24.7 million (US$3.9 million).

Net cash provided by operating activities for the year ended December 31, 2010 was approximately RMB16.2 million, primarily resulting from RMB151.0 million cash revenues we received from the sale of IVAS and advertisements, partially offset by our sales-related cash outflow of RMB33.9 million, which mainly consisted of the amounts due to third party game developers under revenue sharing arrangements, payment collection costs and business taxes, our employee salaries and welfare payment of RMB59.2 million, our

payments for server maintenance and data center leases of RMB29.8 million and our general operating costs of RMB11.9 million.

Net cash used in operating activities for the year ended December 31, 2009 was approximately RMB4.5 million, primarily resulting from our employee salaries and welfare payment of RMB18.0 million, our payments for server maintenance and data center leases of RMB8.2 million, our sales-related cash outflow of RMB8.1 million, which mainly consisted of the amounts due to third party game developers under revenue sharing arrangements, payment collection costs and business taxes and our general operating costs of RMB6.7 million, partially offset by RMB36.5 million cash revenues we received from the sale of IVAS and advertisements.

Investing Activities

Net cash used in investing activities largely reflects purchases of property and equipment in connection with the expansion and upgrade of our technology infrastructure, purchases of intangibles assets and our equity investments in privately-held companies, such as associated game developers with whom we jointly operate online web games and or an online communications company which can increase our capacity for data delivery.

Net cash used in investing activities amounted to RMB72.8 million (US$11.5 million) in the six months ended June 30, 2012. Net cash used in investing activities primarily resulted from the placement of short-term deposits of RMB364.4 million (US$57.4 million), consideration of RMB11.7 million (US$1.8 million) paid in connection with an acquisition, and payments of RMB25.8 million (US$4.1 million) for the purchase of property and equipment, which mainly consisted of the purchase of servers to serve our expanded user base and, to a lesser extent, the purchase of office furniture and other office set-up related costs, partially offset by the maturity of term deposits in various banks in the amount of RMB330.0 million (US$51.9 million).

Net cash used in investing activities amounted to RMB528.4 million (US$84.0 million) in the year ended December 31, 2011. Net cash used in investing activities primarily resulted from the placement of short-term deposits of RMB872.4 million (US$138.7 million), payments of RMB47.0 million (US$7.5 million) for the purchase of property and equipment, which mainly consisted of the purchase of servers to serve our expanded user base and, to a lesser extent, the purchase of office furniture and other office set-up related costs, and equity investments of RMB4.5 million associated with the purchase of a minority equity interest in Zhuhai JinShan KuaiKuai Technology Co., Ltd., a company which provides online game technological research services in China, and Shenzhen Yingpeng Information Technology Company Limited, a company which provides mobile internet related content in China, partly offset by the maturity of term deposits in various banks in the amount of RMB399.7 million (US$63.5 million).

Net cash used in investing activities amounted to RMB33.6 million in 2010, primarily attributable to the acquisition of property and equipment in the amount of RMB14.7 million and the purchase of intangible assets in the amount of RMB13.5 million. The acquisition of property and equipment mainly consisted of the purchase of servers to serve our expanded user base and, to a lesser extent, the purchase of office furniture and other office set-up related costs. The purchase of intangible assets primarily represented the purchase of domain names in preparation for the continued expansion of our platform.

Net cash used in investing activities amounted to RMB4.5 million in 2009, primarily attributable to the acquisition of property and equipment in the amount of RMB5.9 million and investments under the equity method in the amount of RMB1.0 million due to our acquisition of Zhuhai Daren, partially offset by the maturity of term deposits in various banks in the amount of RMB1.5 million and the repayment of a loan to a related party of RMB1.0 million. The repayment of the loan to a related party was due to the fact that we extended a RMB1.0 million loan to Zhuhai Daren in advance of the completion of our investment therein, treating the loan as a receivable. The loan was later repaid. The acquisition of property and equipment primarily related to the purchase of servers to serve an expanded user base.

Financing Activities

Net cash provided by financing activities amounted to RMB0.0 in the six months ended June 30, 2012.

Net cash provided by financing activities was RMB477.9 million (US$76.0 million) in the year ended December 31, 2011, primarily attributable to proceeds from the issuance of common shares to Tiger Global Six YY Holdings, net of issuance costs, of RMB489.0 million (US$77.7 million), partially offset by our repurchase of share options in the amount of RMB11.1 million (US$1.8 million).

Net cash used in financing activities amounted to RMB3.1 million in 2010, primarily attributable to our repurchase of share options in the amount of RMB2.6 million in January 2010.

Net cash provided by financing activities amounted to RMB74.6 million in 2009, primarily attributable to proceeds from issuance of preferred shares in the amount of RMB80.3 million, partially offset by our repurchase of shares and warrants in the amount of RMB5.7 million.

Capital Expenditures

We made capital expenditures of RMB6.5 million, RMB34.9 million and RMB41.6 million (US$6.6 million) in 2009, 2010 and 2011, respectively. We incurred capital expenditure of approximately RMB45.2 million (US$7.1 million) for the six months ended June 30, 2012. Our capital expenditures are primarily used to purchase computers, servers, office furniture and other equipment. As we expand, we may move to larger offices and purchase additional office furniture and other equipment.

Contractual Obligations and Capital Commitments

The following table sets forth our contractual obligations as of December 31, 2011:

	Payment Due by Period				
	Total	Less than 1 year	1-2 years	2-3 years	More than 3 years
	(in thousands of RMB)				
Operating lease obligations[1]	50,833	10,987	12,448	13,561	13,837

(1) Operating lease obligations refer to the lease of bandwidth and offices under operating lease agreements, where a significant portion of the risks and rewards of ownership are retained by the lessor. Payments made under operating leases are charged to the consolidated statements of operations on a straight-line basis over the period of the lease, including any free lease periods.

Our operating lease obligations increased from December 31, 2011 to June 30, 2012 primarily because we entered into new leases for expanded office space. In the six months ended June 30, 2012, we incurred capital commitments amounting to RMB500,000 (US$78,703) for leasehold improvements which were contracted but not yet reflected in our financial statements.

Off-Balance Sheet Commitments and Arrangements

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholder's equity or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or product development services with us.

Inflation

Since our inception, inflation in China has not materially impacted our results of operations. According to the National Bureau of Statistics of China, the change of consumer price index, or CPI, in China was (0.7)%,

3.3% and 5.4% in 2009, 2010 and 2011, respectively. The CPI rose by 2.2% in the first six months of 2012 compared to the same period in 2011. Although we have not in the past been materially affected by inflation since our inception, we can provide no assurance that we will not be affected in the future by higher rates of inflation in China.

Contract with Third-Party Game Developers

Contract with Dandan Tang

A Joint Operation Agreement dated July 1, 2011 was entered into between the Zhuhai branch of Guangzhou Huaduo and 7th Road for the joint operation of Dandan Tang, one of our most popular online games, and to provide relevant game-related services. The original term of this agreement was one year from the signing date and the agreement was automatically renewed till June 30, 2013. Under the agreement, 7th Road granted the Zhuhai branch of Guangzhou Huaduo non-exclusive, non-transferable rights to conduct certain activities with respect to Dandan Tang, including but not limited to operating the game and the use of the authorized trademarks and domain name associated with the game. Guangzhou Huaduo, pursuant to the agreement, supplies all necessary hardware and equipment to provide game services relating to Dandan Tang and guarantees the smooth operation of the servers and network in addition to using its best efforts to promote and market the game. 7th Road is responsible for resolving any issues encountered in Dandan Tang's operations and may update the game from time to time. Both parties are to share a certain percentage of the revenues derived from the game on a monthly basis.

Contracts with Other Major Third-Party Game Developers

The terms of the contracts that we enter into with each major third-party game developer are similar to the terms of the contract with the developer of Dandan Tang. For example, other than Dandan Tang, two third-party developed games, Business Tycoon and Hero on Expedition, accounted for more than 10% of our online game revenues at some point during the three years ended December 31, 2011. Business Tycoon was developed by Haikou Dynamic Vanguard Network Technology Co., Ltd., a third party game developer, and our contract with the developer is for a duration of one year ending in January 2013, and may be renewed upon mutual agreement. Hero on Expedition was developed by Guangzhou Youguo Information Technology Co., Ltd., a third party game developer, and our contract with the developer is for a duration of two years ending in January 2013, and may be renewed upon mutual agreement. Pursuant to these contracts, we have non-exclusive, non-transferable rights to conduct certain activities with respect to the games, including operating the games and using the authorized trademarks and domain names associated with the games. Under these agreements, we are responsible for the promotion and marketing of the games. The game developers are responsible for resolving any issues encountered in the games' operations and may update the games from time to time. We share a certain percentage of the revenues derived from the game on a monthly basis with the game developer.

Quantitative and Qualitative Disclosure about Market Risk

Foreign Exchange Risk

The revenues and expenses of our subsidiaries and PRC consolidated affiliated entities are generally denominated in Renminbi and their assets and liabilities are denominated in Renminbi. Our financing activities are denominated in U.S. dollars.

To date, we have not entered into hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. Although our exposure to foreign exchange risks is generally limited, the value of your investment in our ADSs will be affected by the exchange rate between the U.S. dollar and the Renminbi because the value of our business is effectively denominated in Renminbi, while our ADSs will be traded in U.S. dollars.

The Renminbi is not freely convertible into foreign currencies. Remittances of foreign currencies into the PRC and exchange of foreign currencies into Renminbi require approval by foreign exchange administrative authorities and certain supporting documentation. The State Administration for Foreign Exchange, under the authority of the People's Bank of China, controls the conversion of Renminbi into other currencies.

The value of the Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. The conversion of Renminbi into foreign currencies, including U.S. dollars, has been based on rates set by the People's Bank of China. 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 the revised policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy resulted in a more than 20% appreciation of the Renminbi against the U.S. dollar in the following three years. During the period between July 2008 and June 2010, the exchange rate between the Renminbi and the U.S. dollar had been stable and traded within a narrow band. However, the Renminbi fluctuated significantly during that period against other freely traded currencies, in tandem with the U.S. dollar. On June 20, 2010, the People's Bank of China announced that the PRC government would further reform the Renminbi exchange rate regime and increase the flexibility of the exchange rate. Since then, the Renminbi has started to slowly appreciate against the U.S. dollar, though there have been periods recently when the U.S. dollar has appreciated against the Renminbi. It is difficult to predict how long the current situation may last and when and how this relationship between the Renminbi and the U.S. dollar may change again. To the extent that we need to convert U.S. dollars we receive from this offering into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we receive from the conversion. Conversely, if we decide to convert the Renminbi into U.S. dollars for the purpose of making payments for dividends on our common shares or ADSs or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amounts available to us.

Interest Risk

Our exposure to interest rate risk primarily relates to the interest income generated by excess cash, which is mostly held in interest-bearing bank deposits. Interest-earning instruments carry a degree of interest rate risk. We have not been exposed to, nor do we anticipate being exposed to, material risks due to changes in market interest rates. However, our future interest income may fall short of expectations due to changes in market interest rates.

Critical Accounting Policies

We prepare our financial statements in conformity with U.S. GAAP, which requires us to make estimates and assumptions that affect our reporting of, among other things, assets and liabilities, revenues and expenses. We regularly evaluate these estimates and assumptions based on the most recently available information, our own historical experiences and other factors that we believe to be relevant under the circumstances. Since our financial reporting process inherently relies on the use of estimates and assumptions, our actual results could differ from these estimates. This is especially true with some accounting policies that require higher degrees of judgment than others in their application. We consider the policies discussed below to be critical to an understanding of our audited consolidated financial statements because they involve the greatest reliance on our management's judgment.

Revenue Recognition and Deferred Revenue

We generate revenues from IVAS and online advertising. Revenues from IVAS are generated based on the revenue-sharing with game developers for direct purchase and conversion of game tokens, sales of virtual items in online games, YY Music and other channels, and membership subscription fees, as well as other IVAS. Online advertising revenues are primarily generated from sales of different forms of advertising on Duowan.com. Revenue is recognized when persuasive evidence of an arrangement exists, service has been rendered, the price is fixed or determinable and collection is reasonably assured. Revenue is deferred until these criteria are met as describe below.

In October 2009, the Financial Accounting Standards Board (the "FASB") issued a new guidance to address the accounting for multiple-deliverable arrangements. This new guidance is effective prospectively in fiscal years beginning upon or after June 15, 2010, and early adoption is permitted. We have elected early adoption of this new guidance through a retrospective application to all revenue arrangements for all periods presented in our financial statements included elsewhere in this prospectus.

IVAS

We offer our IVAS on our platform, including online games, YY Music and membership. Users can play web games and participate in YY Music through our platform free of charge, but they are charged when they purchase virtual items. In addition, users who subscribe to our membership program pay monthly fees in order to enjoy certain functions and privileges unavailable to other users. We operate a virtual currency system under which our users can directly purchase our virtual currency, game tokens and virtual items on YY Client's online community channels or pay membership subscription fees via third-party payment systems, including payments using mobile phones and internet debit/credit card payments. Our virtual currency can be used to (a) convert into game tokens that can be used to purchase virtual items in online games, (b) purchase virtual items in channels on YY Client, or (c) pay monthly membership subscription fees. Virtual currency sold but not yet consumed by the users is recorded as "advances from users" and, upon being converted or used, is recognized as revenue according to the respective prescribed revenue recognition policies addressed below:

Online games

Users play online games on our website free of charge, but they are charged for purchases of in-game virtual items including consumable and perpetual items, which can be utilized in the online games to enhance their game-playing experience. Currently, these online games on our platform that contribute to IVAS revenues are all web games. Consumable items represent virtual items that can be consumed by a specific user within a specified period of time. Perpetual items represent virtual items that are accessible to the user's account over the life of the online game. Almost all of these online games can be accessed and played by users on our platform without downloading separate software.

We recognize revenues when recognition criteria defined under U.S. GAAP are satisfied. For purposes of determining when the service has been provided, we have determined that there is an implied obligation for us to the paying user to continue providing access to the games such that the users can utilize the virtual items purchased by game tokens. Game players need to log on and access the games through our platform because their virtual currency, game tokens, virtual items, and game history are specific to our game accounts and are non-transferable to other platforms. To purchase in-game virtual items, our users can either charge their game accounts by purchasing game tokens, or virtual currency from our platform, which are convertible into game tokens based on a predetermined exchange rate agreed among us and the relevant game developers. To purchase virtual items for YY client channel activities, our users can consume their virtual currency directly.

The proceeds from the purchase of our virtual currency is recorded as an "advance from users," representing prepayments received from users in the form of our virtual currency but not yet consumed or converted into game specific tokens. Upon the conversion into a game token from our virtual currency or upon the direct purchase of a game token, whichever is applicable, the proceeds will be shared between us and the relevant game developer based on a predetermined contractual ratio. Our portion, net of the game developer's proceeds, is recorded as deferred revenue and amortized according to the prescribed revenue recognition policies described below. Game tokens are non-refundable and non-exchangeable among different games. Users typically do not convert our virtual currency into game tokens or purchase game tokens unless they soon plan to purchase in-game virtual items.

We generate revenues from offering online games developed by both third parties and by ourselves. The majority of online game revenues have been derived from third party developed games.

Third party developed games

Under contracts signed between us and the respective game developers, revenues from the sale or conversion of game tokens to be used for the purchase of in-game virtual items derived from online games developed by third parties are shared between us and the game developers based on a pre-agreed ratio for each game. These revenue-sharing arrangements typically last for a range of one year to two years.

The third party developed games under non-exclusive licensing contracts are maintained and updated by the game developers. We mainly provide access to the platform and limited after-sale services to the game players. The determination of whether to record these revenues using the gross or net method is based on an assessment of various factors; the primary factors are whether we act as the principal in offering services to the game players or as agent in the transaction, and the specific requirements of each contract. We determined that for third party developed games, the third party game developers are the principal given that the game developers design and develop the game services offered, have reasonable latitude to establish prices of game tokens, and are responsible for maintaining and upgrading the game content and virtual items. Accordingly, we record online game revenue net of the pre-agreed portion of revenue sharing with the game developers.

Given that third party developed games are managed and administered by the third party game developers, we do not have access to the data on the consumption details such as when a game token is spent on the virtual items or the types of virtual items (consumable or perpetual items) purchased by each individual game player. However, we maintain historical data on the timing of the conversion of our virtual currency into game-specific tokens and the amount of game tokens purchased. We believe that our performance for, and obligation to, the game developers correspond to the game developers' services to the users. We have adopted a policy to recognize revenues relating to game tokens for third party developed games over the estimated user relationship with us on a game-by-game basis, which are approximately three to six months for the periods presented. Future usage patterns may differ from historical usage patterns and therefore the estimated user relationship with us may change in the future.

When we launch a new game, we estimate the user relationship based on other similar types of games in the market until the new game establishes its own history. We also consider the game's profile, attributes, target audience, and its appeal to players of different demographic groups in estimating the user relationship period.

The estimated user relationship period is based on data collected from those users who have acquired game tokens. To estimate the period of the user relationship, we maintain a software system that captures the following information for each user: (a) the frequency that users log into each game via our platform, and (b) the amount and the timing of when users charge or convert his or her game tokens. We estimate the user relationship period for a particular game to be (1) the date a player purchases or converts from virtual currency to a game token through (2) the date we estimate the user plays the game for the last time. This computation is completed on a user by user basis. Then, the results for all analyzed users are averaged to determine one estimated user relationship period for each game. Each month's in-game payments are recognized over the end user relationship period calculated for that game.

To estimate the date the user plays the game for the last time, we selected all paying users that logged on during a particular month and continue to track these users log on behavior over at least a six month period to determine if each user is "active" or "inactive," which is determined based on a review of the period of inactivity or idle period from the user's last log-on. We observe the behavior of these users to see whether they subsequently return to a game based on different inactive periods (e.g. not logging on) of one month, two months, three months and so forth. The percentage of users calculated that do not log back on is estimated to be the probability that users will not return to the game after a certain period of inactivity.

We consider a paying player to be inactive once he or she has reached a period of inactivity for which it is probable (defined as at least 80%) that a player will not return to a specific game. We believe that using an 80% threshold for the likelihood that a player will not return to a game is a reasonable estimate that achieves the magnitude of "probable" under the threshold described in ASC 450 *Contingencies*. We have consistently applied this threshold to our analysis. Based on our assessment, the inactive period ranges generally from one to three months depending on the game.

The consideration of user relationship with each online game is based on our best estimate that takes into account all known and relevant information at the time of assessment. We assess the estimated user relationships

on a quarterly basis. Any adjustments arising from changes in user relationship as a result of new information will be accounted as a change in accounting estimate in accordance with ASC 250 *Accounting Changes and Error Corrections*.

Self-developed games

Revenues derived from our self-developed games are recorded on a gross basis as we act as a principal to fulfill all obligations. We do not maintain information on consumption details of in-game virtual items, and only have limited information related to the frequency of log-ons for our two self-developed games. Given that certain historical data is not available, we use the user relationship of third party games with similar popularity, gaming experience and sales to determine the estimated period of the user relationship for our self-developed games. The estimated lives of the user relationships of our self-developed games are approximately four months for the periods presented.

YY Music Revenue

YY Music revenue consists of sales of virtual items that we create and offer to users to be used on YY Client's music channels that we operate and maintain. Users purchase consumable virtual items from us to show support for their favorite performers or time-based virtual items that provide users with recognized status, such as priority speaking rights or special symbols on the music channels for a specific period of time. In order to attract user traffic, we share with certain popular performers and channel owners, who have entered into revenue-sharing arrangements with us, a portion of the revenues we derive from such in-channel virtual item sales on YY Music, which we account for as cost of revenues. Performers and channel owners who do not have revenue-sharing arrangements with us are not entitled to share any revenue derived from the virtual items sold. Accordingly, YY Music revenue is recognized for the sale of virtual items sold in YY Music channels immediately if the virtual item is a consumable or, in the case of time-based virtual items, recognized ratably over the period each virtual item is made available to the user, which does not exceed one year. We do not have further obligations to the user after the virtual items are consumed. Virtual items may be sold individually or bundled into one arrangement. When our users purchase multiple virtual items bundled within the same arrangement, we evaluate such arrangements under ASC 605-25 *Multiple-Element Arrangements*. We identify individual elements under the arrangement and determine if such elements meet the criteria to be accounted for as separate units of accounting. We allocate the arrangement consideration to separate units of accounting based on their relative selling price. The following hierarchy has been followed when determining the relative selling price for each element: (1) vendor specific objective evidence, or VSOE, (2) third party evidence, or TPE, and (3) best estimate of selling price, or BESP. Given that the VSOE of the selling price cannot be determined, we have adopted a policy to allocate the consideration of the whole arrangement to different virtual item elements based on the TPE of selling price or the BESP for each virtual item element. We determine the fair values of virtual items sold in a bundle based on similar products sold separately on the YY platform based on the TPE of selling price and determine the fair values of virtual items without similar products sold separately on the YY platform based on the BESP. The BESP is generally based on the selling prices of the various elements of a similar nature when they are sold to users on a stand-alone basis. The BESP may also be based on the estimated stand-alone pricing when the element has not previously been sold on a stand-alone basis. These estimates are generally determined based on pricing strategies, market factors and strategic objectives. We recognize revenue for each virtual item element in accordance with the applicable revenue recognition method.

Other revenue

Other revenue mainly represents revenue from membership subscription fees, technical support fees, server rental income and revenue from the sale of other items on the YY platform. We launched our membership program where members can receive enhanced user privileges when using YY Client. The membership fee is collected up-front from each member. The receipt of membership fees is initially recorded as deferred revenue, and revenue is recognized ratably over the period of the membership subscription. Server rental income is recognized on a straight-line basis over the rental period.

Advertising revenues

Advertising revenues are derived principally from advertising arrangements where the advertisers pay to place their advertisements on Duowan.com in different formats over a particular period of time. Such formats generally include but are not limited to banners, text-links, videos, logos, and buttons. Advertisements on our website are generally charged on the basis of duration, and advertising contracts are signed to establish the fixed price and the advertising services to be provided. Where collectability is reasonably assured, advertising revenues from advertising contracts are recognized ratably over the contract period of display.

We enter into advertising contracts with third party advertising agencies, as well as with advertisers directly. A typical contract term would range from one to three months. Both third party advertising agencies and direct advertisers are generally billed at the end of the display period and payments are due usually within six months.

Where our customers purchase multiple advertising spaces with different display periods in the same contract, we allocate the total consideration to the various advertising elements based on relative selling price and recognize revenue for the different elements over their respective display periods. We determine the fair values of different advertising elements based on our best estimate of selling prices of each advertisement within the contract, taking into consideration our standard price list and historical discounts granted. We recognize revenue on the elements delivered and defer the recognition of revenue for the fair value of the undelivered elements until the remaining obligations have been satisfied. Where all of the elements within an arrangement are delivered uniformly over the agreement period, the revenues are recognized on a straight line basis over the contract period.

Transactions with third party advertising agencies

For contracts entered into with third party advertising agencies, the third party advertising agencies will in turn sell the advertising services to advertisers. Revenue is recognized ratably over the contractual period of display based on the following criteria:

- there is persuasive evidence that an arrangement exists—we enter into framework and execution agreements with the advertising agencies, specifying price, advertising content, format and timing;
- price is fixed or determinable—the price charged to the advertising agencies are specified in the agreements, including relevant discount and rebate rates;
- services are rendered—we recognize revenue ratably as the elements are delivered over the contract period of display; and
- collectability is reasonably assured—we assess the credit history of each advertising agency before entering into any framework and execution agreements. If the collectability from the agencies is assessed is not reasonably assured, we recognize revenue only when the cash is received and all the other revenue criteria are met.

We provide sales incentives in the forms of discounts and rebates to third party advertising agencies based on purchase volume. As the advertising agencies are viewed as the customers in these transactions, revenue is recognized based on the price charged to the agencies, net of sales incentives provided to the agencies. Sales incentives are estimated and recorded at the time of revenue recognition based on the contracted rebate rates and estimated sales volume based on historical experience.

Transactions with advertisers

We also enter into advertisement contracts directly with advertisers. Under these contracts, similar to transactions with third party advertising agencies, we recognize revenue ratably as the advertising services purchased from us are delivered over the periods of display specified by the relevant contracts. The terms and conditions, including price, are fixed according to the relevant advertising contract. We also perform a credit assessment of all advertisers prior to entering into contracts. Revenue is recognized based on the amount charged to the advertisers, net of discounts.

Advances from users and deferred revenue

Advances from users are prepayments from users for our virtual currency that are not yet consumed or converted into game tokens, and upon the consumption or conversion, are amortized according to the prescribed revenue recognition policies. Deferred revenue primarily consists of those unamortized game tokens in relation to the portion of game tokens retained by us or the sale of virtual items where there is still an implied obligation to be provided by us and will be recognized as revenue when all of the revenue recognition criteria are met. Deferred revenue also consists of upfront membership fees received and recognized ratably over the period of the membership subscription.

Share-based compensation

We awarded a number of share-based compensation to our employees and non-employees (such as consultants), which include share options, restricted shares and restricted share units granted to employees and non-employees, share-based awards granted to our chief executive officer and chairman and share-based awards granted in relation to our acquisition of NeoTasks Inc. The details of these share-based awards and the respective terms and conditions are described in "Share-based compensation" in note 18 to our audited consolidated financial statements for the years ended December 31, 2009, 2010 and 2011 and in note 14 to our unaudited interim condensed consolidated financial statements for the six months ended June 30, 2011 and June 30, 2012, which are included elsewhere in this prospectus.

Share options

Options were initially accounted for as equity-classified awards because there are no explicit repurchase rights specified in the award documents and the number of shares of our common shares issued under these awards are fixed and determined at the time of grants. All options to employees and non-employees are measured based on the grant date fair value of the award and recognized as compensation expense based on the graded-vesting method, net of estimated forfeitures, over the requisite service period, with a corresponding impact reflected in additional paid-in capital. The options to non-employees are re-measured at each reporting date using the fair value as at each period end. The compensation expense is recognized using the graded-vesting method.

Nevertheless, a number of our outstanding employee share-based awards relating to stock options granted to employees and non-employees, or the Pre-2009 Scheme Options, prior to the adoption of our 2009 Scheme had been subject to past practices of repurchases in conjunction with our preferred shares and common share issuance made to our shareholders and investors, details of which are described in "Share-based compensation' in note 18 to our audited consolidated financial statements which are included elsewhere in this prospectus.

Upon the negotiation and occurrence of our repurchase of certain outstanding share-based awards in November 2009, the details of which are set out in "Share-based compensation" in note 18 to our audited consolidated financial statements which are included elsewhere in this prospectus, we considered it probable for holders of the Pre-2009 Scheme Options to develop an expectation that we might continue to repurchase their vested options in the future. As a result, such past practices result in a constructive obligation of ours. Such initially equity-classified awards were considered to have been tainted and they began to be reflected as a stock compensation liability on our consolidated balance sheets, commencing on the date when the definitive agreement on the repurchase was reached with the respective holders of the instruments in 2009. In the case of any future repurchases, the repurchase price of these awards would be determined by our board of directors with reference to valuation results regarding the fair value of our common shares prevailing at the time of repurchase and therefore it was not determinable until the date of repurchase.

We continued to amortize share-based compensation expenses for those awards expected to vest on a graded-vesting basis over the requisite service period. We re-measured the fair value of the awards at the end of each reporting period until either the repurchase rights were exercised or the holders were exposed to the market value of the shares for a reasonable period of time of at least six months, or the awards were settled, cancelled or expire unexercised.

On September 15, 2011, we determined not to undertake any repurchases of vested or unvested share-based compensation awards, except under those conditions specified in the relevant award scheme and grant documents. In addition, any proposed repurchase of vested or unvested share-based compensation awards should be approved by the majority votes of the board of directors. Our intention was specifically communicated to all employees. All employees with vested or unvested awards also confirmed their understanding and agreement through written confirmation. Accordingly, the classification of the liability-classified awards was changed to become equity-classified.

The following table sets forth certain information regarding the share options granted to our employees in 2009, with the share and per share information presented to give retroactive effect to a 1:490 share split in December 2009.

Grant Date	Common Shares Underlying Options Granted	Exercise Price Per Common Share (US$)	Fair Value Per Option as of the Grant Date (US$)	Fair Value Per Common Shares as of the Grant Date (US$)	Type of Valuation	Intrinsic Value Per Option[(1)] (US$)
January 1, 2009	8,499,050	0.0067	0.0297	0.0351	Retrospective	

(1) The intrinsic value in the table above represents the pre-tax intrinsic value (the difference between the estimated initial public offering price and the exercise price) of the awards outstanding.

We engaged an independent third party appraiser to assist us in our determination of the fair value of our share options as of each grant date and each re-measurement date. However, our management is ultimately responsible for such determination.

In determining the value of share options, we have used the binomial option pricing model to determine the fair value of equity-classified awards and liability-classified awards. Under this option pricing model, certain assumptions are required. Changes in these assumptions could significantly affect the fair value of share options and hence the amount of compensation expense we recognized in our consolidated financial statements.

The key assumptions used in valuation of the options for grant date and re-measurement date fair values in 2009, 2010 and 2011 and the six months ended June 30, 2012 are summarized in the following table:

	Years Ended December 31,			Six Months Ended June 30,
	2009	2010	2011	2012
Risk-free interest rate[(1)]	2.81% - 3.61%	3.01% - 3.78%	3.34% - 4.01%	2.99%
Exercise multiple[(2)] (times)	2.2	2.2	2.2	2.2
Expected term[(3)] (years)	8 -10	7 - 9	6 - 8	5.5
Expected volatility[(4)]	62.50% - 68.85%	54.60% - 61.25%	53.06% - 55.34%	56.19%
Expected dividend yield[(5)]	—	—	—	—

(1) The risk-free interest rate of periods within the contractual life of the share option is based on the China Government Bond yield as at the valuation dates.

(2) The exercise-multiple is an assumption about early exercise behavior or patterns based on stock-price appreciation rather than the time that has elapsed since the grant date. It represents the expected ratio of stock price to exercise price at the time of exercise.

(3) The expected term is the remaining contract life of the option.

(4) Expected volatility is estimated based on the average of historical volatilities of the comparable companies in the same industry as at the valuation dates.

(5) Neither Duowan BVI nor us has a history or the expectation of paying dividends on its common shares. The expected dividend yield was estimated based on our expected dividend policy over the expected term of the option.

Share-based award for our acquisition of NeoTasks

In December 2008, in connection with the acquisition of NeoTasks, we issued warrants to purchase 17,915,380 common shares and 8,957,690 common shares of our company to two founders of NeoTasks with a service condition of three years. In October 2009, our board approved the request of these warrant holders to exercise their warrants to acquire 26,873,070 restricted shares that were subject to a restricted share agreement with the same rights and vesting conditions as the original warrant grants.

These share-based awards were initially accounted for as equity-classified awards because there are no explicit repurchase rights specified in the award documents and the number of shares of our common shares issued under these awards are fixed and determined at the time of grants.

We recognize the value of the portion of the warrants/restricted shares that we ultimately expect to vest as expense over the requisite service periods in our consolidated statements of operations on a graded-vesting basis.

However, a number of our outstanding warrants/restricted shares had been subject to practices of repurchases in conjunction with our preferred share and common share issuance made to our shareholders and investors, details of which are described in "Share-based compensation" in note 18 to our audited consolidated financial statements which are included elsewhere in this prospectus.

Upon the negotiation and occurrence of the latest repurchase of outstanding share-based awards in 2009, we considered that it is probable that holders may develop an expectation that we might continue to repurchase their vested warrants in the future. As a result, such past practices result in a constructive obligation of ours. Such initially equity-classified awards were considered to have been tainted and they began to be reflected as a stock compensation liability on our consolidated balance sheet, commencing on the date when the definitive agreement on the First Repurchase was reached with the respective holders of the instruments.

We continued to amortize share-based compensation expense for those awards expected to vest on a graded-vesting basis over the requisite service period. We re-measured the fair value of the awards at the end of each reporting period until either the repurchase rights are exercised or the holders are exposed to the market value of the shares for a reasonable period of time (at least six months), or the awards are settled, cancelled or expire unexercised.

The fair value of warrants/restricted shares was based on the fair value of our underlying common shares on the grant date and re-measurement date.

The restricted shares granted to NeoTasks had been fully vested as of December 31, 2011.

Restricted shares

Restricted shares issued to our employees are measured based on the grant date fair value of the award and recognized as compensation expense based on the graded-vesting method, net of estimated forfeitures, over the requisite service period, with a corresponding impact reflected in additional paid-in capital. The fair value of restricted shares was based on the fair value of our underlying common shares on the grant date.

We account for restricted shares issued to non-employees are measured at fair value at the date the services are completed. These awards are re-measured at each reporting date using the fair value as at each period end until the measurement date. The compensation expenses is recognized using the graded vesting method.

We are required to estimate forfeiture at the time of grant and revise those estimated in subsequent periods if actual forfeitures differ from those estimates. Historical data was used to estimate pre-vesting forfeitures and record share-based compensation expenses only for those awards that we expect to vest.

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The following table sets forth certain information regarding the restricted shares granted to our employees and non-employees at different dates in 2009, 2010 and 2011 and the six months ended June 30, 2012 with share and per share information presented to give retroactive effect to a 1:490 share split.

Grant Date	Restricted Shares Granted	Fair Value Per Common Share as of the Grant Date	Type/Methodology of Valuation	Intrinsic Value Per Restricted Share[3]
		(US$)		*(US$)*
January 1, 2010	23,686,542	0.1590	Retrospective/ GTM[1]	
February 1, 2010	4,257,335	0.1875	Retrospective/ GTM[1]	
April 1, 2010	2,000,000	0.2721	Retrospective/ GTM[1]	
July 1, 2010	20,060,000	0.4666	Retrospective/ GTM[1]	
October 1, 2010	500,000	0.6988	Retrospective/ GTM[1]	
January 1, 2011	10,846,800	0.9362	Retrospective/ Backsolve[2]	

(1) GTM denotes the guideline transaction method under the market approach based on the enterprise value to revenue multiples of our own equity transactions close to the valuation date.

(2) Backsolve denotes the back solve method under the market approach based on our own equity transactions as of the valuation date.

(3) Represents the pre-tax intrinsic value, which is the estimated initial public offering price of our Class A common shares.

Restricted share units

Restricted share units issued to our employees are measured based on the grant date fair value of the award and recognized as compensation expense based on the graded-vesting method, net of estimated forfeitures, over the requisite service period, with a corresponding impact reflected in additional paid-in capital. The fair value of restricted shares was based on the fair value of our underlying common shares on the grant date.

We are required to estimate forfeiture at the time of grant and to revise those estimates in subsequent periods if actual forfeitures differ with those estimates. Historical data was used to estimate pre-vesting forfeitures and record share-based compensation expenses only for those awards that we expect to vest.

The following table sets forth certain information regarding the restricted share units granted to our employees in 2011 and the six months ended June 30, 2012 with share and per share information.

Grant Date	Restricted Share Units Granted	Fair Value Per Common Share as of the Grant Date	Type/Methodology of Valuation	Intrinsic Value Per Restricted Share Unit[2]
		(US$)		*(US$)*
September 16, 2011	8,822,300	1.0630	Contemporaneous/ DCF[1]	
January 1, 2012	1,618,000	1.0869	Contemporaneous/ DCF[1]	
March 31, 2012	6,431,021	1.1153	Contemporaneous/ DCF[1]	

(1) DCF denotes the discounted cash flow method under the income approach which explicitly recognizes that the business enterprise value as of the valuation date is developed by discounting future net cash flow to the present value at a rate that reflects both the current return requirements of the market and the risks inherent in the specific investment.

(2) Represents the pre-tax intrinsic value, which is the estimated initial public offering price of our Class A common shares.

On July 15, 2012, we granted 533,000 restricted share units under the 2011 Plan that are subject to vesting over a four-year period. The fair value of the restricted share units at the grant date was US$1.1284 per share. The Contemporaneous/DCF valuation method was used, and the intrinsic value, which represents the pre-tax intrinsic value per restricted share unit of the estimated initial public offering price of our Class A common shares is .

Share-based awards granted to chief executive officer and chairman

On February 23, 2010, Mr. David Xueling Li and Mr. Jun Lei, our co-founder, chairman and director, were granted 13,369,813 and 29,678,483 restricted shares, which vested immediately and over a four-year period (50%

after the second anniversary and 25% each year thereafter), respectively. These restricted shares are subject to a performance condition which relates to the number of peak concurrent users on YY Client. Such performance condition was met as of December 31, 2010.

We recognized these awards as employee share-based compensation Awards using fair value of the awards on the grant date. The compensation expense for the restricted shares held by Mr. David Xueling Li was fully recognized and the compensation expense for the restricted shares held by Mr. Jun Lei was recognized over the requisite service period using the graded vesting method.

The fair value of the share-based awards above was determined at the respective grant dates by us with the assistance of an independent valuation company.

Common share value

Given that we issued common shares and warrants to Tiger, an independent investor, in January 2011, we used the Backsolve Method based on our own share transactions to determine the fair value of our equity as of January 1, 2011. Among the valuation methodologies, the Backsolve Method is the most objective indicator of the enterprise value at the development stage like our company in January 2011. In view of the fast growing number of registered user accounts, with relatively fixed staff costs and network expenses, we judged it is reasonable to assume that our business enterprise value would increase in line with our growing revenue. For valuation dates in 2010, as there was no share transactions with investor in 2010, we could not adopt the Backsolve Method. Instead, we adopted the Guideline Transaction Method under the market approach and applied the implied business enterprise value to revenue multiples based on the increase in the business enterprise value between our series C financing in November 2009 and the warrants issued to Tiger in January 2011 over the increase in corresponding 12-month trailing revenues, to the 12-month trailing revenue, to determine the fair value of our equity in 2010. The income approach—discounted cash flow method, or DCF—was also used in preparing a business enterprise value analysis of our company as of January 1, 2008, September 16, 2011, January 1, 2012 and March 31, 2012 and for the beneficial conversion feature assessments as of June 1, 2008, August 1, 2008 and November 1, 2009.

The determination of the fair value of our common shares requires complex and subjective judgments to be made regarding our projected financial and operating results, our unique business risks, the liquidity of our shares and our operating history and prospects at the time of each grant. Had our management used different assumptions and estimates, the resulting fair value of our common shares and the resulting share-based compensation expenses could have been different.

We believe that the determinations of the fair market value of our common shares were fair and reasonable at the times they were made. Our board of directors' methodologies, approaches and assumptions consistent with the American Institute of Certified Public Accountants Practice Aid, *Valuation of Private-Held-Company Equity Securities Issued as Compensation*, or the AICPA Practice Aid.

See "—Fair value of our common shares" for more details.

Acquisition

We apply the purchase method of accounting to account for our acquisitions. We determine the acquisition date based on the date at which all required licenses are transferred to us and we obtained control of the acquiree.

Purchase consideration generally consists of cash, contingent consideration and equity securities. In estimating the fair value of equity compensation, we consider both income and market approach and selected the methodology that is most indicative of our fair value in an orderly transaction between market participants as of the measurement date. Under the market approach, we utilize publicly-traded comparable company information to determine the revenue and earnings multiples that are used to value our equity securities. Under the income approach, we determine the fair value of our equity securities based on the estimated future cash flow discounted by an estimated weighted-average cost of capital, which reflects the overall level of inherent risk and the rate of

return an outside investor would expect to earn. We base the cash flow projections on forecasted cash flows derived from the most recent annual financial forecast using a terminal value based on the perpetuity growth model.

The identifiable assets acquired and liabilities and contingent liabilities assumed in a business acquisition are measured initially at the fair value at the acquisition date. The excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill.

We are responsible for determining the fair value of the equity issued, assets acquired, liabilities assumed and intangibles identified as of the relevant acquisition date. Post-acquisition expenses are charged to general and administrative expenses directly.

Goodwill

Goodwill represents the amount by which the cost of acquired net assets in a business acquisition exceeds the fair value of the net identifiable assets on the date of purchase. Goodwill is carried at cost less accumulated impairment losses. Goodwill is allocated to the reporting units that are expected to benefit from the business combination in which the goodwill arises for the purpose of impairment testing. If the carrying value of the reporting unit exceeds its fair value, an impairment loss is recorded to the extent that the carrying value of goodwill exceeds its fair value. We have determined that the reporting units for testing goodwill impairment are the operating segments that constitute a business for which discrete financial information is available and for which management regularly reviews the operating results.

We estimate the fair value of our reporting units using discounted cash flow valuation models. There are inherent limitations in any estimation technique and a minor change in the assumption could result in a significant change in its estimate of fair value, thereby increasing or decreasing the amounts of our consolidated assets, shareholders' equity and net income or loss.

We perform an impairment test on October 1 of each year or whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Zero impairment loss is recognized for each of the periods presented.

Intangible assets

Intangible assets that are acquired in business acquisitions are recognized apart from goodwill if the intangible assets arise from contractual or other legal rights, or are separately identifiable if the intangible assets do not arise from contractual or other legal rights.

The costs of determinable-lived intangible assets are amortized to expense over their estimated life and stated at cost (fair value at acquisition) less accumulated amortization. The value of indefinite-lived intangible assets is not amortized, but tested for impairment annually on October 1 of each year, or whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. We reassess indefinite-lived intangible assets at each reporting period to determine whether events or circumstances continue to support an indefinite useful life.

Impairment of long-lived assets and intangible assets

The carrying amounts of long-lived assets and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is evaluated by a comparison of the carrying amount of assets to future undiscounted net cash flows expected to be generated by the assets. Such assets are considered to be impaired if the sum of the expected undiscounted cash flow is less than carrying amount of the assets. The impairment to be recognized is measured by the amount by which the carrying amounts of the assets exceed the fair value of the assets. Zero, RMB0.3 million, RMB1.9 million and RMB0.5 million of impairment of investments were recognized for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012.

Taxation and uncertain tax positions

Current income tax is provided on the basis of income for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes. In accordance with the regulations of the relevant tax jurisdictions, deferred income taxes are accounted for using the liability approach which requires the recognition of income taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in our financial statements or tax returns. Deferred income taxes are determined based on the differences between the financial reporting and tax basis of assets and liabilities and are measured using the currently enacted tax rates and laws. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the consolidated statements of operations in the period that includes the enactment date.

We currently have deferred tax assets resulting from net operating loss carryforwards and deductible temporary differences, all of which are available to reduce future tax payable in our significant tax jurisdictions. The largest component of our deferred assets are the temporary differences generated by our PRC subsidiary and VIE due to recognition of the deferred revenue. In assessing whether such deferred tax assets can be realized in the future, we need to make judgments and estimates on the ability of each of our PRC subsidiary and VIE to generate taxable income in the future years. To the extent that we believe it is more likely than not that some portion or the entire amount of deferred tax assets will not be realized, we established a total valuation allowance to offset the deferred tax assets. As of December 31, 2009, 2010 and 2011 and June 30, 2012, a total valuation allowance of RMB4.7 million, RMB8.1 million, RMB1.9 million (US$0.3 million) and RMB2.3 million (US$0.4 million), respectively, was recognized against deferred tax assets. If we subsequently determine that all or a portion of the temporary differences are more like than not to be realized, the valuation allowance will be released, which will result in a tax benefit in our consolidated statements of operations.

We adopted the guidance on accounting for uncertainty in income taxes on January 1, 2008. The guidance prescribes a more likely than not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Guidance was also provided on derecognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods, and income tax disclosures. Significant judgment is required in evaluating our uncertain tax positions and determining the relevant provision for income taxes. The adjustment to the opening balance of retained earnings as of January 1, 2008 as a result of the implementation of the guidance was zero. The interest and penalties associated with tax positions for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012 was zero. As of December 31, 2009, 2010 and 2011 and June 30, 2012, we had no significant unrecognized uncertain tax positions.

Foreign currency

We use Renminbi as our reporting currency. The functional currency of our company, incorporated in the Cayman Islands, and our subsidiaries incorporated in the British Virgin Islands and Hong Kong is U.S. dollars, while the functional currency of the other entities is Renminbi. In the consolidated financial statements, the financial information of our company and our subsidiaries which use U.S. dollars as their functional currency have been translated into Renminbi. Assets and liabilities are translated at the exchange rates on the balance sheet date, equity amounts are translated at historical exchange rates, and revenues, expenses, gains and losses are translated using the average rate for the year. Translation adjustments arising from these are reported as other comprehensive income or loss in the statements of operations and comprehensive loss.

Foreign currency transactions denominated in currencies other than functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are re-measured at the applicable rates of exchange in effect at that date. Foreign exchange gains and losses resulting from the settlement of such

transactions and from re-measurement at year-end are recognized in foreign currency exchange gain/loss, net in the consolidated statements of operations and comprehensive loss.

Fair value of our common shares

In determining the fair values of our common shares as of each award grant date, three generally accepted approaches to value were considered: cost, market and income approaches. While useful for certain purposes, the cost approach is generally not considered applicable to the valuation of a company as a going concern, as it does not capture the future earning potential of the business. The comparability of the financial metrics of comparable companies in our industry and thus the relevance of the market approach based on guideline companies method were also considered low because our target market and stage of development were different from those of the publicly listed companies in the same industry. In view of the above, we determined that the income approach is the most appropriate method to derive the fair values of our common shares for valuation dates with no equity transaction close to the award grant date. In case we have own equity transactions close to the award grant date, guideline transaction method of the market approach or backsolve method were adopted. In addition, we took into consideration the guidance prescribed by the AICPA Practice Aid.

We are a private company with no quoted market prices for our common shares. We have therefore estimated, with assistance from an independent valuation firm, the fair value of our common shares at certain dates in 2010, 2011 and the six months ended June 30, 2012 for the following purposes:

(a) to determine the fair value of our common shares at the date of the grant and re-purchase date of a share-based compensation award as one of the inputs into determining the fair value of the award as of the grant date or the re-purchase date;

(b) to determine the fair value of warrants issued to Tiger Global Six YY Holdings as of the issuance date and re-measurement date; and

(c) to determine the fair value of our common shares at the date of the grant of restricted shares and restricted share units as one of the inputs into determining the fair value of the award as of the grant date.

The following table sets forth the fair values of our common shares estimated from July 1, 2010 to the date of this prospectus:

Date	Fair Value of Common Shares (US$ per share)	Type/Methodology of Valuation	Purpose of Valuation
July 1, 2010	0.4666	Retrospective/ GTM[(1)]	(a)
October 1, 2010	0.6988	Retrospective/ GTM[(1)]	(a)
January 1, 2011	0.9362	Retrospective/ Backsolve[(2)]	(b)
May 1, 2011	0.9952	Retrospective/ GTM[(1)]	(a)
September 16, 2011	1.0630	Contemporaneous/ DCF[(3)]	(c)
January 1, 2012	1.0869	Contemporaneous/ DCF[(3)]	(c)
March 31, 2012	1.1153	Contemporaneous/ DCF[(3)]	(c)
June 30, 2012	1.1335	Contemporaneous/ DCF[(3)]	(c)

(1) GTM denotes guideline transaction method under market approach based on the enterprise value to revenue multiples of our own equity transactions close to the valuation date.

(2) Backsolve denotes the back solve method under market approach based on our own equity transactions as of the valuation date.

(3) DCF denotes the discounted cash flow method under the income approach which explicitly recognizes that the business enterprise value as of the valuation date is developed by discounting future net cash flow to the present value at a rate that reflects both the current return requirements of the market and the risks inherent in the specific investment.

When estimating the fair value of the common shares, our management considered a number of factors, including the result of an independent third party appraisal and the equity transactions conducted by our company, while taking into account standard valuation methods and the achievement of certain events. We obtained a retrospective valuation instead of a contemporaneous valuation for valuation dates prior to August 2011 by an unrelated valuation specialist because, at that time, our financial and other resources were mainly focused on our research and development efforts.

Due to the changing environment in which we are operating, a number of assumptions were established in deriving the fair value of our common shares. These assumptions include: there will be no major changes in the existing political, legal, fiscal and economic conditions in China; there will be no major changes in the current taxation law in China; exchange rates and interest rates will not differ materially from those presently prevailing; the availability of finance will not be a constraint on the future growth of our operations; we will retain and have competent management, key personnel, and technical staff to support our ongoing operations; and industry trends and market conditions for related industries will not deviate significantly from economic forecasts.

Equity value as of September 16, 2011, January 1, 2012, March 31, 2012 and June 30, 2012

Valuation of common equity as of September 16, 2011, January 1, 2012, March 31, 2012 and June 30, 2012 are based on the income approach—discounted cashflow analysis. The income approach involves applying appropriate discount rates to estimated cash flows that are subject to a number of assumptions. These assumptions include: (i) no material changes in the existing political, legal, fiscal and economic conditions in China; (ii) our ability to recruit and retain competent management, key personnel and technical staff to support our ongoing operations; (iii) exchange rates and interest rates will not differ materially from those presently prevailing; (iv) the availability of financing will not be a constraint on the future growth of our operation; and (v) industry trends and market conditions for related industries will not deviate significantly from economic forecasts. These assumptions are inherently uncertain and subjective.

The risks associated with achieving an estimated cash flow were assessed in selecting the appropriate discount rates. The discount rates were based on the estimated market required rate of return for investing in our company, or weighted average cost of capital, or WACC, which was derived using the capital asset pricing model, a method that market participants commonly use to price securities. The change in WACC was the combined result of the changes in risk-free interest rate, industry-average correlative relative volatility coefficient beta, equity risk premium, size of our company, scale of our business and our ability in achieving forecast projections.

A discount for lack of marketability, or DLOM, was also applied to reflect the fact there is no ready public market for our shares as we are a closely held private company. DLOM was quantified using the Black-Scholes option pricing model. Under this option-pricing method, the cost of the put option, which can hedge the price change before the privately held shares can be sold, was considered as a basis to determine the DLOM. This option pricing method is one of the methods commonly used in estimating DLOM as it can take into consideration factors such as timing of a liquidity event (such as an initial public offering) and estimated volatility of equity securities. The farther the valuation date is from an expected liquidity event, the higher the put option value and thus the higher the implied DLOM. The lower the DLOM used for the valuation, the higher the determined fair value of the common shares.

The discount rates and DLOM used are provided as follows:

Valuation dates	WACC	DLOM
September 16, 2011	16.5%	15.0%
January 1, 2012	16.0%	15.0%
March 31, 2012	16.0%	15.0%
June 30, 2012	16.0%	15.0%

Equity value as of January 1, 2011

We issued common shares and warrants to Tiger, an independent investor, in January 2011. We adopted the Backsolve Method to determine the equity value of our company by matching the sum of fair value of common shares issued and warrants granted to Tiger with the consideration of US$50.0 million.

Equity value as of July 1, 2010, October 1, 2010 and May 1, 2011

During the year 2010, we mainly focused on raising peak concurrent user levels and exploring new revenue sources related to YY such as virtual items sold in music channels created by YY users. Hence, we did not prepare financial projections. Since our operating costs such as staff costs and network expenses are relatively fixed in nature, we judged it reasonable to assume that our increase in business enterprise value was in a linear relationship with the increase in revenue. As such, a linear relationship of around 41 times, devised from the increase of business enterprise value between series C financing as of November 1, 2009 and the warrants issued to Tiger as of January 2011 over the increase of corresponding 12-month trailing revenues, was applied to the 12-month trailing revenue as of the valuation date to estimate the business enterprise value and hence equity value as of each valuation date stated in this section. We adopted the GTM for these valuation dates.

Allocation of equity value

Our equity values determined at the respective valuation dates based on the above assumptions were allocated between the preferred shares and common shares using the option pricing model taking into account the guidance prescribed by the AICPA Practice Aid. We have taken into consideration estimates of the anticipated timing of a potential liquidity event, such as an initial public offering, and estimates of the volatility of our equity securities. The anticipated timing is based on the plans of our board and management. The estimated volatility was derived by referring to the average annualized standard deviation of the share prices of listed comparable companies for the historical period matching with the terms of the options. Estimating the volatility of the share price of a privately held company is complex because there is no readily available market for the shares. The volatility of our shares was estimated based on the historical volatility of the shares of comparable listed companies. Had we used different estimates of volatility, the allocations between preferred and common shares would have been different.

Changes in fair values

Below are descriptions of how the fair values of our common shares changed in the past 12 months prior to the date of this prospectus.

The determined fair value of our common shares increased from US$1.0630 per share as of September 16, 2011 to US$1.0869 per share as of January 1, 2012. We believe this is primarily because of our ability to generate cash, substantially driven by:

- The increasing popularity of YY as reflected in the sharp increase in registered user accounts from 232 million to 266 million over this 3.5 months period;
- Our high quality voice-enabled services and robust server technology having further driven peak concurrent users and monthly active users to reach a new high during this period; and
- A change in WACC from 16.5% to 16.0% as a result of decrease in risk-free rate.

The increase in the fair value of our common shares, from US$1.0869 per share as of January 1, 2012 to US$1.1153 per share as of March 31, 2012, is primarily because our ability to generate cash increased, substantially driven by:

- The increasing popularity of YY as reflected in the sharp increase in registered user accounts from 266 million to 302 million over this three-month period; and

- The growth of our peak concurrent users and our monthly active users, which resulted from, among other reasons, the high quality of our services and technology.

The increase in the fair value of our common shares, from US$1.1153 per share as of March 31, 2012 to US$1.1335 per share as of June 30, 2012 is primarily because our ability to generate cash increased, substantially driven by:

- The increasing popularity of YY as reflected in the sharp increase in registered user accounts from 302 million to 345 million over this three-month period; and
- Our monthly active users having grown as a result of, among other reasons, the high quality of our services and technology.

Fair value of our series A, B, C-1 and C-2 preferred shares

In addition to our common shares, we have also determined the fair value of the series A, B, C-1 and C-2 preferred shares with the assistance of an independent valuation agency, the result of which is used to determine the amount of redemption values as well as the amortization of the associated beneficial conversion feature. Consistent with common shares discussed above, the determination of the fair value of our series A, B, C-1 and C-2 preferred shares requires complex and subjective judgments to be made regarding our projected financial and operating results, our unique business risks, the liquidity of these shares and our operating history and prospects at the time of valuation.

Recently Issued Accounting Pronouncements

In May 2011, the FASB issued Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs, an accounting standard update which amended the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. We adopted this standard effective January 1, 2012. The adoption of this standard did not have a material impact on our consolidated financial statements and disclosures.

In June 2011, the FASB issued an accounting standards update on the presentation of comprehensive income under which the option to present the components of other comprehensive income as part of the statement of shareholders' equity has been eliminated. We adopted this standard effective January 1, 2012. The standard requires other comprehensive income be presented as part of a single continuous statement of comprehensive income or in a statement of other comprehensive income immediately following the statement of operations. Reclassification adjustments from other comprehensive income to net income must be presented on the face of the financial statements. This standard must be retrospectively applied to all reporting periods presented in financial reports issued after the effective date. We adopted this standard effective January 1, 2012. The adoption of this standard did not have a material impact on our consolidated financial statements and disclosures. The adoption of this guidance changed the presentation of our financial statement but did not affect the calculation of net income, comprehensive income or earnings per share.

In September 2011, the FASB approved changes to the goodwill impairment guidance that is intended to reduce the cost and complexity of the annual impairment test. The changes will provide entities an option to perform a "qualitative" assessment to determine whether further impairment testing (i.e. step 2) is necessary. If an entity believes, as a result of its qualitative assessment, that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is required. Otherwise, no further testing is required. The final standard was issued in September 2011. We adopted this standard effective January 1, 2012. The adoption of this standard did not have a material impact on our consolidated financial statements and disclosures.

In December 2011, the FASB issued a further authoritative pronouncement, Accounting Standard Updated, or ASU 2011-12, Deferral of the Effective Date for Amendments to the Presentation of Reclassification of Items

Out of Accumulated Other Comprehensive Income in ASU 2011-05, Presentation of Comprehensive Income. Under the amendments in ASU 2011-05, entities are required to present reclassification adjustments and the effect of those reclassification adjustments on the face of the financial statements where net income is presented, by component of net income, and on the face of the financial statements where other comprehensive income is presented, by component of other comprehensive income. In addition, the amendments in ASU 2011-05 require that reclassification adjustments be presented in interim financial periods. The amendments supersede changes to those paragraphs in ASU 2011-05 that pertain to how, when, and where reclassification adjustments are presented. Due to the time required to properly make such a reassessment and to evaluate alternative presentation formats, the Board decided that it is necessary to reinstate the requirements for the presentation of reclassifications out of accumulated other comprehensive income that were in place before the issuance of ASU 2011-05. The amendments in this ASU are effective for public entities for fiscal years, and interim periods within those years, beginning after December 15, 2011. We adopted this standard effective January 1, 2012 and revised the historical annual financial statements to retrospectively reflect the adoption of ASU 2011-05.

In December 2011, the FASB issued an authoritative pronouncement on disclosures about offsetting assets and liabilities. Under this pronouncement, entities are required to disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. This scope would include derivatives, sale and repurchase agreements and reverse sale and repurchase agreements, and securities borrowing and securities lending arrangements. An entity is required to apply the amendments for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. An entity should provide the disclosures required by those amendments retrospectively for all comparative periods presented. This pronouncement is not expected to have a material impact on our financial position, results of operations or cash flows.

BUSINESS

Overview

YY is a revolutionary rich communication social platform that engages users in real-time online group activities through voice, text and video. YY Client, our core product launched in China in July 2008, has attracted 400.5 million registered user accounts as of September 30, 2012. We achieved approximately 10.0 million peak concurrent users and approximately 70.5 million monthly active users on YY in August 2012.

People are social creatures with a fundamental desire to connect, interact and communicate with each other. YY empowers users to create and organize groups of varying sizes to discover and participate in a wide range of online activities, including online games, karaoke, music concerts, education, live shows and conference calls. We believe that our proprietary technology infrastructure was the first to develop the capacity to support simultaneous communications among millions of concurrent users in a single channel. YY's scale, social features and high quality voice and video make it popular among internet users in China, as evidenced by the 393.0 billion voice minutes that users spent on YY Client in the first nine months in 2012.

Our platform consists of YY Client, the YY.com and Duowan.com web portals and Mobile YY. YY Client is our PC-based software that provides real-time access to user-created online activities groups, which we refer to as channels. Although online communication tools such as instant messenger and social networking services existed when we introduced YY Client in July 2008, these tools and services were confined to text or limited-scale voice or video communications. YY Client has transformed online social communications by enabling large-scale group activities through our platform. In 2011, we held an approximate 84.2% market share in the real-time online group voice communications market in China in terms of cumulative user time spent, according to the iResearch Report. On average, each active user spent approximately 51.7 hours on YY Client in September 2012. YY Client is available to download for free from YY.com, our online portal and guide to channels, events and content available across our platform. We also operate Duowan.com, the No. 2 game media website in China that provides access to and interactive resources for online games as measured in terms of monthly unique visitors in the eight months ended August 31, 2012, according to iResearch. To increase the accessibility and usage of YY Client, we introduced our mobile application, Mobile YY, in September 2010. In order to make YY more easily and widely accessible, we launched web-based YY in October 2012.

Delivering a superior user experience is our core focus, and it relies on our proprietary technology and industry know-how. A single YY channel can currently have from only a handful to approximately 1.4 million concurrent users. YY enables users to continually create new channels to engage in activities on our open platform designed to make offline group activities more effective and efficient online. YY is supported by our highly scalable infrastructure throughout China and our proprietary algorithms enabling low latency, low jitter and low loss rates in delivering voice and video data.

While the basic use of our platform is currently free, we monetize our user base through IVAS and online advertising. Currently, revenues from IVAS are primarily generated through sales of virtual items and game tokens that our users may purchase on our platform, including online games and YY Music. Online advertising revenues are primarily generated from sales of different forms of advertising on Duowan.com. Although we do not currently derive revenues from Mobile YY, we have plans to monetize it by selling virtual items on Mobile YY in the future. We believe that we will be able to capitalize on the large and highly engaged user base of our open platform by exploring additional monetization opportunities and diversifying our revenue sources.

We have achieved significant growth in recent years. Our total net revenues increased from RMB32.7 million in 2009 to RMB128.3 million in 2010 and to RMB319.7 million (US$50.8 million) in 2011, representing a CAGR of 212.6% from 2009 to 2011. For the six months ended June 30, 2012, our total net revenues grew to RMB324.5 million (US$51.1 million), representing a 173.2% increase from RMB118.8 million for the six months ended June 30, 2011. We had a net loss of RMB47.1 million, RMB238.9 million and RMB83.2 million (US$13.2 million) in 2009, 2010 and 2011, respectively, and in the six months ended June 30, 2012, we had a net income of RMB20.8 million (US$3.3 million). Our adjusted net loss, a non-GAAP measure, decreased from

RMB10.6 million in 2009 to RMB1.9 million in 2010, and in 2011, we had an adjusted net income of RMB51.8 million (US$8.2 million). In the six months ended June 30, 2012, our adjusted net income amounted to RMB75.1 million (US$11.8 million) compared to an adjusted net loss of RMB3.3 million in the same period in 2011. Our adjusted net (loss) income excludes non-cash share-based compensation expenses. For information regarding adjusted net (loss) income and a reconciliation of each to net (loss) income, see "Prospectus Summary—Our Summary Consolidated Financial Data—Non-GAAP Financial Measure" on page 14.

Our Strengths

We believe the following factors have contributed to the success of our rich communication social platform:

Large and highly engaged user base. We have attracted a large and highly engaged user base since we launched YY Client in July 2008. YY Client has attracted 400.5 million registered user accounts as of September 30, 2012 and 66.1 million monthly active users in September 2012. In September 2012, an average of approximately 625,000 registered user accounts and 63,000 new channels were created on YY Client each day. The increasing number of YY users and channels reflects the increased content, topics and activities on our platform for our users to explore. These factors drive greater user engagement and ultimately increase the number of monetization opportunities available to us. On average, each active user spent approximately 51.7 hours on YY Client in September 2012. We believe our number of registered users and the level of user engagement are among the highest of all internet companies in China, which creates high barriers of entry for potential competitors.

Powerful network effects. The more users use YY, the more diverse and vibrant our social ecosystem becomes, and the greater the value of our platform to our users and partners. This network effect encourages loyalty among our existing users and incentivizes them to attract new users, resulting in more channels and activities being created and more interests being catered to. This in turn leads to greater user engagement, a further enlarged user base and a thriving online social ecosystem. Our registered user accounts as of December 31, 2009, 2010 and 2011 and September 30, 2012 were 36.5 million, 124.7 million, 266.2 million and 400.5 million, respectively, which were achieved with minimal sales and marketing expenses. Our growing user base in turn attracts high quality content and more business partners on our platform.

Superior user experience. YY provides a rich communication social platform for high-fidelity communications in real time for millions of concurrent users in hundreds of thousands of channels. The platform facilitates access to a vast array of content through an intuitive graphical user interface that enables simple discovery of relevant content and engagement with other users. In addition, the platform also offers various options for easy and effective channel creation and management, thus encouraging higher levels of engagement from channel owners and managers. YY's ease of use results in high levels of user participation, which we believe appeals to new users, increases user loyalty and creates high barriers to entry as users accustomed to our high quality user experience are less likely to tolerate technical glitches or obtuse interfaces in competing products.

Scalable platform serving a broad range of potential end markets. The open architecture of the YY platform allows our user community to create, expand and develop novel ways to utilize the platform. The continuous, organic enrichment of the content available on our platform extends our relevance to new markets and users. While YY Client was originally intended to facilitate real-time communications among players of online games, our users quickly expanded its uses to include online events and performances, such as karaoke, music concerts, talk shows, education seminars and conference calls. We are able to gather an increasing amount of expertise on user behavior and preferences to more effectively design, promote and manage our products and services. The breadth of the potential uses and end markets addressed by our platform also creates many potential monetization opportunities for us to pursue.

Proprietary and scalable technology infrastructure. We have invested significant resources in developing our proprietary technology to support our business and future growth. Our proprietary technology infrastructure ensures high service quality characterized by high fidelity delivery of large amounts of voice and video data to

millions of concurrent users across the generally inefficient and unstable telecom network infrastructure in China. We had 9.3 million peak concurrent users on YY Client in September 2012, and our users spent an aggregate of 294.3 billion voice minutes on YY Client in the first nine months in 2011 and 393.0 billion voice minutes in the first nine months of 2012. Our scalable architecture consists of cloud-based server infrastructure and our proprietary algorithms that automatically detect the fastest and best way to dynamically route voice and video data. We believe the proprietary nature and scalability of our technology infrastructure form the basis for our superior user experience.

Our Strategies

Our mission is to make offline group activities available and better online. We are dedicated to continue to achieve our mission by pursuing the following strategies:

Further expand our user base. We aim to further expand our user base, as we believe the size of our user base represents an important competitive advantage. We periodically analyze proprietary data on our user behavior to gain a deeper understanding of their needs and preferences to further improve and expand our products and services in order to better address user demand. For example, we identified significant user demand for live online music concerts, celebrity/fan interaction events and online education. We addressed these demands by enabling users to host these live events and launching and increasing online video features on our platform, among other measures, and intend to further expand our capacity in these areas, especially in making video-enabled features more attractive and more widely available to our users. Furthermore, we intend to develop better content-search tools to help our users search for and find the content they want more easily and to develop new functionalities to allow users to access records of their historical interaction with others whenever they desire.

Increase the monetization of our user base. We plan to increase the monetization of our user base through paid products and services. Firstly, we intend to develop and introduce more IVAS, such as new in-channel paid activities, online conference calls and further enhanced privileges for our membership program and the recently introduced live broadcasting of online games. Secondly, we intend to increase the number of our paying users by raising their awareness of our paid products and services, especially existing in-channel virtual items, and enhancing the online payment process to make it easier for users to pay. Third, we plan to introduce third party applications or events that can be monetized through our open platform.

Further develop and expand the use of Mobile YY. As we plan to make our products and services more accessible, we are further developing Mobile YY. By the end of June 2012, there were 1.1 billion mobile users in China, according to the MIIT, almost twice as many as the 538 million internet users in China by the end of June 2011, according to the China Internet Network Information Center. Since the launch of our Mobile YY in September 2010, an increasing portion of our users has been accessing our platform through Mobile YY and there were approximately 18.0 million activations of Mobile YY in the nine months ended September 30, 2012. We believe there is significant potential to grow both the number of Mobile YY users as well as their level of engagement on Mobile YY, and will continue to introduce new mobile-specific features and applications. Although we do not currently derive revenues from Mobile YY, we have plans to monetize it by selling virtual items on Mobile YY in the future.

Continue to invest in our leading technology infrastructure. We intend to continue investing in and developing our industry-leading technology that supports our platform. As registered user accounts continue to increase, we intend to further augment our infrastructure capacity to more efficiently and reliably deliver voice and video data. We expect to obtain additional servers and bandwidth as part of our efforts to ensure that we can continue to provide the same level of high quality services to our users. We also intend to expand our technology team. We believe that maintaining and upgrading our industry-leading technology infrastructure will help us continue to attract new users and engender greater user loyalty.

The YY Platform

The YY platform consists of YY Client, the YY.com and Duowan.com web portals and Mobile YY. YY Client is our PC-based user software that provides access to user-created online social activities groups, which we also refer to as channels. We operate Duowan.com, which provides access to and interactive resources for online games. To increase the accessibility and usage of YY Client, we also offer Mobile YY, a smartphone application. Although we do not currently derive revenues from Mobile YY, we have plans to monetize it by selling virtual items on Mobile YY in the future.

YY Client

Our core product, YY Client, enables users to engage in live interactions online, and we continue to develop and upgrade it to address evolving user needs. YY Client provides access to user-created online social activities groups, which we refer to as channels. YY Client is compatible with most major internet-enabled devices, including PCs and mobile operating systems through Mobile YY. YY Client is widely accessible to most internet users in China because its voice-enabled features only require a minimal bandwidth of approximately 2 KB per second. YY Client is available to download for free from YY.com, Duowan.com and other internet software download centers.

The first version of YY Client, launched in July 2008, was instantly popular with users due to its voice-enabled features that allowed online game players to communicate with large groups of fellow gamers in real time. Game players typically organize various game players' guilds for players to discuss gaming strategies and play online games together. Such online game players' guilds, which can consist of up to thousands of players, built their own channels on YY Client to communicate with fellow guild members in real time when playing games online.

As users of YY Client eventually began to use it for purposes other than game-related group voice communications, we discovered that there was a significant potential market for a platform enabling large groups to gather, meet and socialize in real time. As a result, we further developed and tailored YY Client in response to that market need, and turned it into the revolutionary rich communication social platform that it is today. We gradually introduced video-enabled channels beginning in late 2011 in order to further enrich user experience and expand the versatility and potential application of our platform. We have since expanded the use of our video features to include some of our most popular music and education channels and will further expand the availability of video features over time. YY's registered user accounts had increased significantly from 36.5 million as of December 31, 2009 to 400.5 million registered user accounts as of September 30, 2012. YY also had 35.4 million, 53.4 million, 66.1 million active user accounts in December 2010 and 2011 and September 2012.

All of the basic social interface features enabled by our YY Client, such as the ability to engage in multi-party voice- and video-enabled communications, are currently available to our users free of charge. In addition, some IVAS, such as virtual monthly tickets and virtual flowers, are free to users up to a certain threshold. We currently earn revenues from YY Client through sales of IVAS paid through online third party payment systems. We also began generating revenues from our membership program in October 2011.

Channels on YY Client—User-created and User-defined

On YY Client, users can create individual channels for any live social gathering covering a broad range of interests and topics. YY Client offers unlimited potential for users to create channels to cover new topics and interests, quickly gain a fast growing user base and emerge as one of the most popular channels. YY Music, one of the most popular segments on our platform, began generating revenues from the sale of virtual items beginning in March 2011.

Currently, the most popular channel topics on YY channels include the following:

- ***Games***. YY channels are a popular live online communications tool for several major types of online games, such as massive multiplayer online games, web games, first person shooter games and real-time strategy games. Game players gather on YY channels for in-game real-time exchanges and to share game-playing tips, discuss strategies, game walk-throughs and guides, and organize guild-related social events. We intend to develop and introduce other game-related IVAS, such as the recently introduced live broadcasting of online games, in the future.
- ***Music***. Users gather on YY channels to participate in a range of music activities such as karaoke and live concerts/singing competitions. Beginning in March 2011, we launched a service offering various virtual items for sale on YY Music. We have expanded our virtual item offerings, and in turn, revenues, from YY Music, and expect to continue to do so in the future. For karaoke, one of the most popular activities on YY channels, we enable users to sing live to, and receive live feedback from, an online audience. We also host a variety of live online concerts and singing competitions showcasing the performances of grassroots musicians, professional performers and celebrities.
- ***Education***. Our users host and participate in live lectures or personal tutoring sessions on a range of subjects using a wide variety of teaching tools we provide, including video, PowerPoint, white board, screen shots and Q&A sessions. The most popular subjects include foreign language education, the PRC civil servant examination, and IT training. Users also discuss exam-taking and personal interview tips on YY channels.
- ***Talk Shows***. Our users use YY channels to organize and participate in talk shows, where channel owners, managers or designated persons host live talks or discussions on any topic of their interest. These talk shows are conducted either in the traditional talk show format with a host, or in more informal interactive settings. Talk shows revolve around topics such as comedy, sports, celebrity group and current events.
- ***Finance***. Users interested in finance and investment can find and interact with other users, including financial experts on YY channels. YY channels offer a wide range of opportunities for users to interact among each other and discuss finance-related topics, including stock market trends and investment basics.
- ***Literature***. Users gather on YY channels to review and conduct live discussions on literature, particularly novels. Our popular literary channels include book clubs or fan clubs for famous writers. Users on YY channels also host live events such as book promotions and meet-the-author events.
- ***Conference Calls.*** YY channels are often used as a convenient online gathering place for a wide range of uses, such as informal gatherings between friends or business meetings. YY enables small and medium business as well as large corporations to conduct conference call easily, efficiently and economically on YY channels, even for conference calls with thousands of participants.

Organization and Management of Channels

A majority of our users are introduced to us by invitation from friends, so they usually visit the channels that are recommended to them when first using YY Client. To help our users navigate and explore the channels on YY Client, we created online catalogs grouped by topics and common interests for users to browse the channels. Within each group, the channels are then ranked in terms of popularity. These online catalogs are also searchable by keywords, which makes it easier for users looking to explore social groups beyond their usual channels to find and join other channels that touch upon different interest areas.

Each YY channel is set up by one user, who becomes the channel's owner. Each channel owner has the ability to tailor such channel to his or her own specific interests and use the management tools we provide to

establish housekeeping rules, manage hierarchies and manage daily operations of the channel. Channel owners are usually highly motivated and engaged in the active promotion of their channels, often recruiting like-minded users to help manage their channels. As a channel grows in size, a channel owner can allocate powers and responsibilities to other users to monitor and maintain order within the channel.

Each of our channels can support millions of people concurrently, and to date, the largest online event we hosted attracted approximately 1.4 million peak concurrent users in a single channel. We provide three basic management modes for channel owners to organize the live voice and video-communications within their channels: “queue,” “chair” and “free” modes. Typically, channel owners and managers choose the type of management mode for their channels depending on the number of users in their channels and the specific needs of these channels. In queue mode, each user can sign in to line up to speak or broadcast, and can only be heard or seen when his or her turn comes “at the mic.” This queue mode is a popular mode for karaoke channels, where users take turns performing live in front of other channel users. In chair mode, only the “chair,” meaning the owners or other designated persons, are allowed to speak or broadcast video; the remaining users can listen, watch and respond through typing text on the screen. This mode is often used in channels set up by online game players’ guilds, as some of these guilds have thousands of users taking orders from a few leaders, who can speak and direct their team’s collective actions while the users are simultaneously signed on to play certain online games. In free mode, any user in the channel can conduct effective voice- and video-enabled communications at any time; this mode is often chosen by channels with a limited number of users, since too many people talking at once would make effective communication impossible. In addition, we provide channel owners and managers with a broad range of functions to tailor the channels to suit particular needs, such as granting certain privileges to a member who makes particular contributions to the channel or banning certain channel users for inappropriate behavior.

We work closely with channel owners and managers by considering and implementing some of their suggestions and feedback and providing them with the tools they require to successfully manage and promote their channels. We also monitor channels for levels of user activity and periodically shut down inactive ones.

Game Center on YY Client

The game center on YY Client currently consists of a game lobby and a game box. The game lobby enables users to access various online games, all of which are web games, without downloading any additional software and the game box is where users can download a client to access massive multi-player online games, which we recently launched. Our online portals, YY.com and Duowan.com, also offer links to online games on YY Client. We conduct market research regarding trends and demand for online games and various types of in-game virtual items, and often work with third party game developers to develop and offer a wide range of in-game virtual items. We intend to continue to source popular online games to users on YY Client.

Web-based YY

To make YY Client more easily and widely accessible, we launched an extension of YY Client, web-based YY, in October 2012. Web-based YY enables users to conduct real-time interactions on the web without requiring any downloads or installations. Web-based YY uses flash technology to optimize YY technology for the web, transcending the limitations of operational system platforms and enabling real-time communications on the web by simply clicking on a link. To date, web-based YY has established stable, quality service, and we expect it to become a thriving community of web-based real-time rich communications as it develops. We expect current online groups on the YY platform to use web-based YY to actively promote themselves on the web and further raise the number of YY users. We also anticipate further expand web-based YY to include video communication and to offer a variety of customized uses such as education.

Online Portals

YY.com is our community-driven portal site that offers visitors and our users a centralized location where they can learn about, navigate and access all that our broader platform has to offer. Through YY.com, our user community is able to download the latest versions of YY Client and Mobile YY applications to enjoy dynamic

live group activities and access special-interest resources and entertainment such as online music, online education and online games. For example, the music page on YY.com provides a comprehensive library of "greatest hits" recordings from popular performers on YY Client's live performance channels, among others. Beginning in late September 2011, YY.com began providing updated schedules and information on upcoming live concert performances by performers on YY channels, and currently hosts numerous fan clubs for popular performers. In addition, YY.com hosts a text-based discussion forum where our user community can exchange information, advertise their channels and special user activities, solicit additional members for their channels or clubs and provide feedback to us regarding our products and services. YY.com also offers a channel guide that users can use to identify channels that cater to their respective interests.

Duowan.com is a dedicated game media website that provides comprehensive information on online games and other resources for users and online game players. Duowan.com was the No. 2 game media website in China in terms of monthly unique visitors in the eight months ended August 31, 2012, according to iResearch. Duowan.com provides comprehensive gaming resources such as updated news and announcements of gaming events and the launch or release of new games, and hosts a text-based discussion forum in which users can discuss their game-playing strategies and interact socially through postings. Duowan.com was launched in 2005 and had 4.5 million, 5.5 million and 9.9 million average daily unique visitors for the months of December 2009, 2010 and 2011, respectively. Due to the popularity of Duowan.com, it has become a desired platform for gaming companies to promote their products and services. We also promote and provide links to various content on YY.com and YY Client through Duowan.com. We believe that the cross-promotional effect among YY Client, YY.com and Duowan.com has increased user traffic for both websites significantly over the years, and has significantly contributed to the rapid user growth on YY.

Mobile Applications

An important element of our strategy is to continue to develop new mobile applications to capture a greater share of the growing number of users that access live online social platforms, internet communications and other internet services through mobile operating systems. While we continue to develop and upgrade our platform, a key focus of our research and development is on Mobile YY, a version of YY Client that can be accessed through mobile devices that we launched in September 2010. We intend to further develop Mobile YY to reach more users. There is currently no monetization of Mobile YY. We expect that in the future, we will monetize Mobile YY in the same way YY Client is currently monetized—by selling virtual items. However, because of the inherent limitations of mobile devices, such as a smaller display screen space as compared to PCs, we may not be able to provide as many kinds of virtual items as are available on YY Client, which may limit Mobile YY's monetization potential. In addition, for the benefit of user experience, we do not currently intend to monetize Mobile YY by placing advertisements on Mobile YY. We believe that advertising on Mobile YY may clutter the user interface and distract users from their in-channel activities. This restriction on advertisements may also limit Mobile YY's ability to generate revenues. See "Risk Factors—Risks Relating to Our Business—If we are unable to successfully capture and retain the growing number of users that access internet services through mobile devices, or successfully monetize Mobile YY, our business, financial condition and results of operations may be materially and adversely affected."

Mobile YY contains the basic functions and services offered on our regular YY Client. Its existing key functions include real-time multi-media messages with delivery status, access to thousands of user-created entertainment channels with numerous entertainment options, and the ability to enter group voice or video-enabled channels. We believe that Mobile YY helps users keep in touch with their friends or online guilds and social groups when they do not have convenient access to a PC. Our users currently utilize Mobile YY for a wide range of activities, including listening to live music and sportscasts and singing karaoke. Mobile YY also offers a uniquely mobile feature, Sound Sharing, which is a recording-sharing service that allows users to record and share their own singing as well as third-party performances for evaluation from other users; this function is not available when accessing YY via PCs. An additional function on Mobile YY that our PC-based YY Client does not have is location-based services such as the ability to geographically locate fellow users nearby. Other features that are both available from YY Client and Mobile YY, but that are more popularly accessed by users of Mobile YY, include voice messaging services and one-on-one live chats.

We also recently introduced another mobile application, WeiChang, that is designed to allowing users to sing online through their mobile devices. WeiChang is essentially a mobile karaoke application that provides high-quality musical accompaniment, real-time lyrics display and allows users to evaluate and rank each other's performances. We intend to explore more user-friendly, mobile-specific functions for our platform in the future.

Why Users Love YY

The growth of our user base has largely been viral in nature through word-of-mouth. According to the iResearch Report, approximately 90.6% of our users are willing to recommend YY Client to their friends. We believe our users love the YY platform for the following reasons:

Large Scale. YY Client had attracted 400.5 million registered user accounts from its launch in July 2008 to September 30, 2012 and had 66.1 million monthly active users in September 2012. As of September 30, 2012, there were approximately 12.7 million channels on YY Client. The peak concurrent user number was 9.3 million in September 2012.

Ability to Pursue Diverse Interests. YY provides an open platform for users to register and set up channels as places for live social groups to gather online, catering to their own individual needs and diverse interests. Although online games and music have been the two most popular channel topics since the launch of YY Client, new channels have quickly emerged and expanded into a variety of interests and topics, such as talk shows, education and finance.

Opportunities for Self-Expression and Achievement. We offer our users a unique platform to reach a large number of other people online and express themselves or achieve whatever they desire, which may be difficult for them to do in the offline world. Whether it is by singing, playing games, or learning or teaching certain skills, they can engage with other people in a rich and meaningful manner and send and receive feedback and rewards in exchange.

Social Interactions and Activities. Strong bonds are created from the friendships and social relationships that we foster among our users. We encourage user engagement through various in-channel community applications, such as enabling users to send different types of virtual gifts, vote or use tickets to support their favorite performers. In addition, we provide social games and instant messaging functions for our users.

Quality of Experience. We believe our high quality voice- and video-enabled communication tools and channel management functions contribute greatly to our high level of user satisfaction. We provide YY channel owners and managers with various functions that enable them to better organize their channels and manage user interaction. These functions increase the ease of use of our YY Client, enhance user experience and enforce the sense of ownership of the channel owners and managers. For example, members of online game players' guilds for massive multi-player online role-playing games congregate on YY Client to discuss gaming strategies and to communicate in real-time during online games because our platform gives them sufficient voice quality and ability to manage their organization.

As part of our efforts to continue to improve user satisfaction, we have a dedicated customer service and operation team and provide user support 24 hours a day, seven days a week. Our users also help us improve YY and provide significant feedback to our customer service teams which help further improve our products and services.

Selected Stories of YY

Below are stories of some of the most successful channel owners, hosts, singers and events on YY Client. All of the individuals below now rely on YY as their primary source of income.

Music Channel Owner

A YY user whose nickname is Cabbage (青菜) decided to run his own YY Music channel in May 2008, after listening to performers sing on various YY channels. Cabbage aspired to provide a central performance venue for talented singers and music lovers, and he recruited and signed top singers and also hired professionals to evaluate the singers' performances. As of September 30, 2012, Cabbage organized and managed 18 channels, including

karaoke channels and talk show channels, with over one million visitors in aggregate per day and approximately 3,000 contracted performers across all channels. Cabbage has become one of the most successful channel owners on YY. By the end of September 2012, his YY channels in aggregate had peak concurrent users of approximately 210,000, and his most popular channel had approximately 100,000 peak concurrent users.

Singer

A YY user whose nickname is Poison (毒药) and is currently one of our most popular singers on YY Music has turned her hobby into a promising career through the YY platform. Poison first learned about YY by joining an online game players' guild in 2008, but soon became a singer on YY. As Poison gradually attracted more fans through continued performances, she began to earn a steady income through YY and quit her job as an office clerk in 2011 to pursue a career as a singer on YY Music. Poison opened her own live channel in February 2012. As of September 30, 2012, she had approximately 13,000 peak concurrent users per performance and 294,000 subscribers on her own live video channel. On her last birthday, Poison held a live concert which attracted approximately 36,000 peak concurrent users on her own video channel, and received numerous virtual gifts, including virtual gifts worth more than RMB100,000 from one ardent fan alone. Under our current arrangement with Poison, we share with her a portion of the revenues we derive from the sales of in-channel virtual items that are purchased on YY Music.

Talk Show Host

A YY user who refers to himself as Mr. Li (李先生) is a popular prime-time talk show host on YY. Originally a middle-school dropout, Mr. Li worked odd jobs such as DJ and internet café administrator before becoming a talk show host on YY. As his experience grew, he gained a large fan base and a prime-time slot for his talk show on various YY channels. As of September 30, 2012, Mr. Li's YY video channel was subscribed by approximately 327,000 YY users. Mr. Li hosted a show on his last birthday, attracting approximately 50,000 peak concurrent users on his own video channel and receiving over RMB80,000 in virtual gifts. Under our current arrangement with Mr. Li, we share with him a portion of the revenues we derive from the sales of in-channel virtual items that are purchased on YY Music.

Education Channel Owner

A YY user, Mr. Xing (邢先生), is the owner of a successful internet education company that teaches classes through YY education channels. He first chose YY as a platform for conducting internet classes in 2009 because of YY's user-friendly, ad-free interface and ability to support millions of concurrent users in a single channel. Currently, all of Mr. Xing's courses are taught exclusively on YY. As Mr. Xing's education business expanded, he benefited from our continuous improvement of our education channel tools, using new features including video, PowerPoint, white board, screen shots, Q&A sessions and other functions to expand and enrich his classes, and his courses on YY education channels grew from the one initial Adobe Photoshop class to 15 different software design courses. As of September 30, 2012, Mr. Xing's education channel had a staff of over 120 teachers and 500 recruiters and tutors, and taught over 350,000 students through YY education channels, among which over 30,000 are paying students; users may be charged approximately RMB1,000 or more per person per class.

Live Video Online Celebration of YY's Fourth Anniversary

On July 28, 2012, to celebrate the fourth anniversary of the launch of our YY platform, we hosted a live celebration event on YY. As part of the celebration, we invited the most popular performers from our channels and famous Chinese movie and TV celebrities to attend and host the event through live video and voice feeds. The event offered users and loyal fans a chance to listen to and interact with their favorite YY performers as well as other celebrities. The event ultimately attracted approximately 1.36 million peak concurrent users with live

video, voice and text interaction functionalities, creating a single-channel attendance record for our platform and signaling a new technological milestone for our infrastructure.

Monetization Opportunities

As users continue to unlock the full potential of our platform, we believe we will have increasing opportunities to expand our portfolio of products and services, and monetize them in various manners. Currently, we derive revenues from our users and third party advertisers. Although we do not currently derive revenues from Mobile YY, we have plans to monetize it by selling virtual items on Mobile YY in the future.

Internet Value-Added Services

We primarily generate revenues from paying users of online games, YY Music and memberships. Our users purchase virtual YY currency and prepaid game tokens which can be used to acquire virtual items to be consumed throughout our platform, including in-game virtual items and other virtual items in our channels. We enable users to acquire our virtual YY currency and prepaid game tokens through major third party online payment systems using bank cards and mobile payments. By cooperating with major online payment service providers in China, we provide high quality and reliable online payment services to users. We believe the following areas represent the most significant monetization opportunities for our platform:

Online Games. Online games, including massive multiplayer online games and web games, have become an increasingly popular source of entertainment for individuals and groups of internet users. According to iResearch, China's online gaming market generated RMB43.4 billion (US$6.8 billion) of revenue in 2011, and is expected to grow to RMB84.6 billion (US$13.3 billion) in 2016. In China, the monetization of online games has largely been driven by the sale of virtual items to be used and sold within games.

Our platform attracts a large number of online game players and is particularly attractive to online game players' guilds, the members of which congregate on YY Client to discuss gaming strategies and to communicate in real time during online games. Our platform provides users with access to a wide variety of web games which we monetize. We intend to source more popular online games to continually enhance user experience and continue being a valuable platform on which game developers can launch and operate their games. We also intend to develop and introduce more online-games related services, such as the recently introduced live broadcasting of online games.

Music. YY has become a popular platform for live online music performances on music channels. YY provides a stage for grassroots musicians, celebrities and professional performers to perform live. These live performances encompass a variety of formats, including karaoke, singing competitions and live concert. We create and offer to users virtual items that can be used on the music channels. Users can purchase consumable virtual items from us to show support for their favorite performers or time-based virtual items that provide users with recognized status, such as priority speaking rights or special symbols on the music channels. We share with certain popular performers and channel owners a portion of the revenues we derive from such in-channel virtual item sales on YY Music. In 2012, we commissioned a report conducted by DCCI, which researched the market for karaoke and live music performance in ten major cities in China, including Beijing, Shanghai and Shenzhen. The DCCI report indicates that approximately 20-30% of each city's population participates in karaoke at least once a month, and approximately 80% of those who participate in karaoke go with friends or colleagues as a way of relaxing and socializing. According to DCCI, the total market size for karaoke and live music performance in these ten major cities was US$8.6 billion at the time the report was conducted. We believe that these data show a strong market potential for online karaoke or live concerts and strong growth capability for YY Music, which allows people to socialize and sing online and eliminates the need to travel to attend live concerts. We have encouraged and facilitated numerous large-scale music events such as fan club gatherings and meet-and-greets with various performers, as well as concerts and singing competitions for performers from various music channels. In the future, we intend to encourage more live music events which users can access in real time for an entry fee. For details, see "—The YY Platform—YY Client—Channels on YY Client —Music."

We also have arrangements in place with channel owners and performers, in which each channel owner or performer is offered a portion of the revenues we receive from selling virtual items on YY Music. These arrangements align our interest with the interests of the channel owners and performers on YY Music, thus incentivizing channel owners and performers to improve content on YY Music channels and enhancing the attractiveness of our platform to YY Music users.

Membership. We provide enhanced membership privileges to users who pay a monthly fee and subscribe to our membership program. Enhanced privileges include access to new and unreleased channel functions, such as additional video usage, priority entrance to certain live performances, and exclusive rights to access VIP avatars, VIP ring-tones, VIP fonts and VIP emoticons. In the future, we intend to continue exploring different ways to expand our members-only offerings so as to better serve our members and attract a larger membership base.

Education. YY provides a convenient and efficient platform for lectures or personal tutoring sessions to be conducted in real time. Our education channels provide numerous classes that cover diverse subjects such as foreign languages, the PRC government civil employee examination and IT training. In the future, we intend to continue enabling users to conduct education courses and cooperate with various educational institutions to provide online classes on YY for a fee. We intend to work with tutoring companies, for example, to open more channels for the teaching of classes online, and we are currently negotiating with numerous education providers to expand the education offerings on our channels, to improve the relevant functions necessary for these online classes and to negotiate the relevant fee-sharing arrangements.

Our increased reliance on IVAS revenues poses new challenges to us, including, for example, the need to develop more popular products and services in response to user demand and the need to recruit and retain talented personnel for technology and product development purposes. See "Risk Factors—Risks Relating to Our Business—We may not be able to keep our users highly engaged, which may in turn reduce our monetization opportunities and as a result, our revenues, profitability and business prospects may be materially and adversely affected," "—We face competition in several major aspects of our business. If we fail to compete effectively, we may lose users, and make us less attractive to advertisers which could materially and adversely affect our business, financial condition and results of operations" and "—If we are unable to attract, train and retain qualified personnel, our business may be materially and adversely affected."

Advertising Services

We believe that our extensive user base represents an attractive demographic target for advertisers. We believe our advertising business will continue to develop as we grow our user base and advertisers embrace our platform and solutions for them.

Online Display Advertising. According to iResearch, Duowan was the No. 2 game media website in China in the eight months ended August 31, 2012, with a market share of 15.7% in terms of monthly unique visitors during that period. Also, according to the iResearch, total online advertising spending by game developers in China was approximately RMB687.0 million (US$108.1 million) in 2011, while the overall online advertising market in China was RMB51.3 billion (US$8.1 billion). According to the iResearch, the overall online advertising market in China is expected to grow to as much as RMB187.7 billion (US$29.5 billion) in 2015, representing a CAGR of 38.3% from 2010 to 2015.

The vast majority of our current advertising revenues are generated from advertisements on Duowan.com. In 2011 and the six months ended June 30, 2012, revenues generated from advertisements on Duowan.com contributed to 93.8% and 97.8% of our total advertising revenues, respectively. We currently do not allow advertising on YY.com and Mobile YY, and have minimal advertising on YY Client, for the benefit of user experience. We mainly sell online advertisements to major game developers in the form of banners, text-links, videos, logos and buttons on Duowan.com. We pioneered the "pre-order" business model in which we provide advertisers with a list of targeted potential customers who have expressed prior interest in or demand for their

products. In the future, we intend to expand our capacity and advertisement solutions for online advertising as our user base grows and to launch additional special interest content-driven portals to complement Duowan.com.

We generate most of our advertising revenues from advertising agencies representing advertisers and, to a lesser extent, from advertisers directly. A significant majority of our advertisers are game developers. We typically enter into framework advertising agreements with advertising agencies representing advertisers, with these agreements generally having a duration of one year, renewable on a yearly basis. Under the framework agreements, we usually set a minimum sales target for the advertising agencies, and typically impose certain penalties, including reduced rebates, if the advertising agencies fail to achieve the target within the year. We intend to further diversify our advertising client base.

Our Technology

Prior to the introduction of YY, we believe there had been no existing network infrastructure in China that could be adopted to support the kind of multi-user, real-time online voice and video communications on a scale necessary for our platform, which caused us to build and develop our own network infrastructure. We believe we are an industry leader in providing quality multi-user voice- and video-enabled online services in China, and we intend to continue to update our technology to maintain this leadership position.

Superb QoS for online multi-media communications

Quality of Service, or QoS, assurance is a key element of any high quality delivery of voice and video data over the internet. For live voice- or video-enabled communications, any data packet loss and jitter, or delay in transmission, is often immediately noticeable to users. We devote significant resources to maintain and develop a creative combination of multiple voice- and voice-over internet protocol, or VOIP, quality assurance mechanisms to minimize data loss and jitter. The mechanisms we employ include cloud-based intelligence routing, low-bitrate redundant solution, upstream-forward error correction and adaptive jitter. A special intelligent routing algorithm we designed automatically seeks optimal ways of delivering voice and video data across our cloud-based network, enabling us to provide consistent QoS even when the QoS levels are lower on certain routes.

We employ computer programs and design and implement a standardized set of measurements to help monitor our service quality. Our system periodically collects, and our team of experts analyzes, data from each of our data centers to evaluate the voice- and video-quality for each user using a systematic standard. We have set up formal procedures to handle different levels of server breakdowns and network-related emergencies, and our team can remotely discover issues and access any server to promptly resolve issues.

Large, dedicated cloud-based network infrastructure

Our team of experts developed a cloud-based network infrastructure specifically designed to handle multi-party voice- and video-enabled real-time online interactions. We own approximately 4,900 servers which are hosted in the data centers we lease from third parties throughout the country as of the date of this prospectus. To deliver voice data, we require only a limited bandwidth of approximately 2 KB per second, which is easily obtainable. Our cloud-based network infrastructure provides quality data delivery and allows multiple users to interact online from anywhere in China easily and with minimal delay.

Our system is designed for scalability and reliability to support growth in our user base. The number of our servers contributes significantly to our fast streaming speed and reliable services, and can be expanded with comparative ease, given the low cost of renting data centers to host additional servers in any high traffic regions in our network. We believe that our current network facilities and broadband capacity provide us with sufficient capacity to carry out our current operations, and can be expanded to meet additional capacity relatively quickly. The amount of bandwidth we lease is continually expanded to reflect increased peak concurrent users.

Content management and monitoring

YY Client, YY.com and Duowan.com all contain user-generated content, which we are required to monitor for compliance with PRC laws and regulations. A team within our data security department helps in enforcing our internal procedures to ensure that the content in our system are in compliance with applicable laws and regulations. They are aided by a program designed to periodically sweep our platform and the data being conveyed in our system for sensitive key words or questionable materials. Content that contain certain keywords are automatically filtered by our program and cannot be successfully posted on our platform. Thus we are able to minimize offending materials on our platform and to remove such materials promptly after they are discovered. See "Risk Factors—Risks Relating to Our Business—We may be held liable for information or content displayed on, retrieved from or linked to our platform, or distributed to users, and PRC authorities may impose legal sanctions on us, including, in serious cases, suspending or revoking the licenses necessary to operate our platform."

Accumulated experience and data for a proprietary technology platform

Significant time and efforts are required to build and operate an infrastructure such as ours. We believe that the extensive experience and vast data we have accumulated in resolving the numerous issues encountered in operating an expanding rich communication social platform makes it difficult for competitors to operate a platform of a similar scale or to challenge our leading position. For example, the technological difficulties which a platform that hosts 10,000 concurrent users faces differ greatly from the difficulties a platform with 100,000 and 1,000,000 concurrent users faces, including many issues to be considered when programming for the platform and planning the infrastructure. Since our launch, we have gradually developed an effective system to identify, study and resolve issues that we encounter every day. In addition, our team members have been trained over the years to anticipate and resolve any issues quickly and effectively, having gained significant knowledge from building and maintaining our platform over time.

Technology team

As of September 30, 2012, our dedicated technology team consisted of approximately 700 employees; the team is divided into three departments, serving (a) YY Client, (b) online games and YY.com and (c) Duowan.com, respectively. Approximately 40 members of our technology team are dedicated to monitoring and maintaining our network infrastructure 24 hours a day, seven days a week. Our technology team checks the voice and video data quality received by various users, the quality of user experience on YY Client and the proper functioning of our server equipment in our network, as well as contacting internet data center hosts to fix any issues located through such checks. Having launched and developed our video-enabled technology on an increasing number of channels, our team expects to provide full voice- and video-enabled live social interactions in the future.

Marketing and Sales

Viral and other marketing for YY Client and Mobile YY

We believe the most efficient form of marketing for YY Client and Mobile YY is word of mouth referrals and repeat user visits, which are ultimately driven by our delivery of superior user experience. Historically, we have incurred minimal marketing expenses for YY Client and Mobile YY and have built a large community of loyal users primarily through viral marketing. We believe the large number of active users on our platform in itself constitutes a key driver of our user growth as many internet users in China seek to join an established and vibrant online community for purposes of socializing and achieving maximal self-expression. The more users use YY, the more vibrant our social ecosystem becomes, and the greater the value of our platform to our users, which encourages user loyalty and incentivizes them to recruit new users for our online games, YY Music and our membership subscription.

While we have significantly benefited from the effects of powerful viral marketing, we recently initiated, and plan to continue, certain marketing activities designed to further promote YY Client and Mobile YY to a broader range of potential users. For instance, we plan to conduct a range of marketing campaigns to promote the educational and professional benefits of using our online social platform by holding discussion forums at numerous leading colleges and universities in China. We believe younger users are generally more receptive to new technology and spend more time online compared to other segments of the population. They tend to frequently share online resources and programs among friends and are likely to remain loyal to such resources and programs that they use from an early age. We also award our YY Client and Mobile YY users and channel owners virtual currencies based on the time they spend on our platform. We believe such incentives may further increase user loyalty and enhance the attractiveness of our platform.

Advertisers on Duowan.com

Dedicated sales team

As of September 30, 2012, we had a dedicated sales force of 49 experienced professionals to help us maintain and increase our online advertising revenues; approximately half of these professionals were in charge of serving advertisers and advertising agencies. Our sales force, located in Beijing, Shanghai and Guangzhou, is divided into three regional teams to cover all major geographic areas in China where we have advertisers. Currently, a majority of our sales effort is devoted to maintaining and expanding the level of our advertising revenues from online games, since advertising revenues from online games contributed a substantial majority of our online advertising revenue. Although our online advertising will remain an important source of revenues for us, we expect our online advertising revenues as a percentage of our total revenues to decrease in the future as we capitalize on increased monetization opportunities for YY Client and as IVAS revenues continue to increase.

The compensation for our sales personnel includes basic monthly salaries and sales commissions based on the advertising revenues that they bring in.

Targeted marketing strategy

Our sales team devotes significant resources to maintaining close relationships with major online game developers and major advertising agencies, communicating with them every week to seek feedback, obtain industry news and study potential demand for advertising. We provide different types of advertising to our advertisers, which include (a) traditional banners, text-links, videos, logos and buttons on fixed webpage positions on Duowan.com, (b) literatures promoting an advertiser's game in the form of special articles or feature stories introducing the game or any new features to the game, and (c) special offer campaigns sending existing users free virtual items or access codes to encourage players to join various online games.

We intend to expand our focus, in particular, on special offer campaigns that help advertisers target users who have previously expressed interest in certain types of products and services. For example, for the launch of a new online game, we spread the word among our users as to the launch date and solicit user interest in playing the game for a trial period; those interested are asked to join a waitlist to pre-order the game for a trial session once it becomes available. Once the game is launched, we send coupon codes to users on the waitlist to encourage them to log into the game and complete a trial session. The goal of this pre-order advertising strategy is to target only the users who are interested in a certain product, and to effectively turn trial usage into actual usage after the trial period ends. This type of advertising has proven to be effective with our users and advertisers because it matches user interest with targeted advertising efforts, sparing our users from unwanted spam advertising while helping our advertisers minimize the cost of sending test trials to potentially uninterested recipients.

Services for game developers

We work with game developers in hosting third party games that are available through our platform. We have a team that specifically monitors the performance of our online games, retires underperforming games, further promotes popular games, regularly liaises with existing game developers to maintain good relationships and explores potential opportunities with new game developers. We have also recently launched an initiative wherein we plan to work with third party game developers in developing new online web games in exchange for the exclusive right to host these games on our platform.

Competition

We face competition in several major aspects of our business, particularly from companies that provide online social networking, internet communication and online games. We also compete for online advertising revenues with other internet companies that sell online advertising services in China.

Social connectivity and communications. We are not aware of any other company that offers a live voice- or video-enabled online social platform of similar scale as ours in China. In relation to voice-enabled communication tools, there are several internet voice communication service providers in China, including iSpeak, Tencent's QQtalk and Dudu, and leading international internet voice communication service providers, such as Skype, are expanding into the China market. In addition, some other leading Chinese internet companies have announced the launch of internet voice communication services. We compete with other internet companies that provide voice and video services to Chinese internet users. However, we do not believe any of these companies have the capacity to handle large group multi-party voice- and video-enabled live interactions like we do, and we do not believe they can compete directly with us on the number of users we can support concurrently on our voice- and video-enabled platform. The internet voice and video communication industry in China has become increasingly competitive, and some of our potential competitors are adopting aggressive measures to gain market share and may challenge our leading market position in the future.

We may also face potential competition from global social networking service providers that seek to enter the China market, whether independently or through the formation of alliances with, or acquisition of, PRC domestic internet companies. However, we do not believe these companies pose direct competition to us as they do not currently offer voice- and video-enabled technology on a large scale.

The barriers to entry are comparatively high in this field, because of the technical challenges facing the delivery of voice and video data through frequent unstable internet connections in China. In addition, unless a competitor has reached a certain size, we believe it would be difficult for such competitor to economically and efficiently resolve the practical operational difficulties that arise when a platform hosts large numbers of concurrent users. This in turn would lead to inability to timely resolve technical issues as they arise, which would impact user experience and make it difficult, we believe, to challenge our current dominance in the market for the provision of platform and services for voice- and video-enabled live online social group gathering.

Online game media and hosting. We have various competitors in the online game media market in China. Duowan.com's primary competitor among game media websites is 17173.com. For web game hosting, our competitors include other major internet companies that host web games, such as Tencent, Qihoo 360 and other private companies.

Research and Development

We believe that our ability to develop internet and mobile online applications and services tailored to respond to the needs of our user base has been a key factor for the success of our business. We have been able to rapidly scale our product development output and deliver an increasing range of products and services to fulfill changing user needs. To maintain and enhance our market leadership position, we will need to continue to invest in research and development in order to enhance our products and services.

As of September 30, 2012, our research and development team consisted of 645 members. All of our service programs are designed and developed internally, including various interactive technologies. We expect to continue to develop all of our core technologies in-house.

We currently focus our product development efforts on three areas: (a) the continued improvement of our audio quality and further expansion of video-enabled features on our rich communication social platform, (b) the ongoing improvement of general user experience on YY Client by providing virtual items, additional games and online game add-ons as well as certain members-only special features, and (c) the continued development of Mobile YY. We will further invest in our voice and video technology to ensure that we continue to offer high quality live online social gathering experiences to our users, maintain the close communications we have with our existing users so as to identify user demand and offer product and service improvements to meet such demand and improve user experience. In addition, we are continuing to further develop Mobile YY to reach more users.

Intellectual Property

We regard our patents, trademarks, domain names, copyrights, trade secrets, proprietary technologies and similar intellectual property as critical to our success. We seek to protect our intellectual property rights through a combination of patent, trademark, copyright and trade secret protection laws in the PRC and other jurisdictions, as well as through confidentiality agreements and procedures with our employees, partners and others. The intellectual property rights we own include: (1) three patents relating to our proprietary technology; (2) 31 registered domain names, including YY.com, Duowan.com and Chinaduo.com; (3) copyrights to 44 software programs developed by us relating to various aspects of our operations, including voice software, games platform, general support and user management; and (4) 73 trademarks and service marks for our brands and logos in China, including YY and certain Chinese logos relating to Duowan and YY.

Employees

The following table sets forth the numbers of our employees, categorized by function, as of September 30, 2012:

Functions	Number of Employees
Management	19
Customer services and operations	343
Engineering and maintenance	90
Research and development	645
Sales and marketing	49
General and administration	76
Total	1,222

We had a total of 339, 600 and 854 employees as of December 31, 2009, 2010 and 2011, respectively.

Our success depends on our ability to attract, retain and motivate qualified personnel. We have developed a corporate culture that encourages initiative, technical superiority and self-development. In addition, we periodically evaluate our employees' performance and provide them with training sessions tailored to each job function to enhance performance and service quality.

As required by regulations in China, we participate in various employee social security plans that are organized by municipal and provincial governments, including pension, unemployment insurance, childbirth insurance, work-related injury insurance, medical insurance and housing insurance. We are required under PRC law to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government from time to time. We

have accrued, in the aggregate, RMB42,088 (US$6,625) for pension or similar retirement benefits for our executive officers and directors, as required under PRC laws, for the fiscal year ended December 31, 2011. We believe that we maintain a good working relationship with our employees and we have not experienced any significant labor disputes as of the date of this prospectus.

Facilities

Our principal executive offices are located on premises comprising approximately 10,300 square meters in Guangzhou, China. This facility currently accommodates our management headquarters, principal development, engineering, sales and marketing, human resources and administrative activities. The lease for this Guangzhou facility expires in 2015. We also have a branch office in Beijing focusing on research and development, a branch office in Zhuhai focusing on games related businesses, and a representative office in Shanghai that handles advertising-related matters. We lease these relatively small premises under lease agreements from unrelated third parties, and we plan to renew these leases from time to time as needed.

Our servers are hosted in leased internet data centers in different geographic regions in China. The data centers in our network are owned and maintained for us by major domestic internet data center providers. We typically enter into leasing and hosting service agreements that are renewable annually. We believe that our existing facilities are sufficient for our current needs and we will obtain adequate facilities, principally through leasing, to accommodate our future expansion plans.

Legal Proceedings

We are currently not a party to, and are not aware of any threat of, any legal, arbitration or administrative proceedings that, in the opinion of our management, are likely to have a material and adverse effect on our business, financial condition or results of operations. From time to time, we have become, and may in the future become, a party to various legal or administrative proceedings arising in the ordinary course of our business. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management attention and other factors.

PRC REGULATION

Certain areas related to the internet, such as telecommunications, internet information services, connections to the international information networks, internet information security and censorship and online game operations, are covered extensively by a number of existing laws and regulations issued by various PRC governmental authorities, including:

- the Ministry of Industry and Information Technology, or the MIIT;
- the Ministry of Culture, or the MOC;
- the General Administration of Press and Publication, or the GAPP;
- the State Administration for Radio, Film and Television, or the SARFT;
- the National Copyright Administration, or the NCA;
- the State Administration for Industry and Commerce, or the SAIC;
- the State Council Information Office, or the SCIO;
- the Ministry of Commerce, or the MOFCOM;
- the Bureau of Protection of State Secrets;
- the Ministry of Public Security; and
- the State Administration of Foreign Exchange, or the SAFE.

As the online social platform and online game industries are still at an early stage of development in China, new laws and regulations may be adopted from time to time to require new licenses and permits in addition to those we currently have. There are substantial uncertainties on the interpretation and implementation of any current and future Chinese laws and regulations, including those applicable to the online social platform and online game industries. See "Risk Factors—Risks Relating to Doing Business in China—Uncertainties in the interpretation and implementation of Chinese laws and regulations could limit the legal protections available to you and us." And this section sets forth the most important laws and regulations that govern our current business activities in China and that affect the dividends payment to our shareholders.

Regulation on Telecommunications Services and Foreign Ownership Restrictions

The Telecommunications Regulations, which became effective on September 25, 2000, are the core regulations on telecommunications services in China. The Telecommunications Regulations set out basic guidelines on different types of telecommunications business activities, including the distinction between "basic telecommunications services" and "value-added telecommunications services." According to the Catalog of Telecommunications Business (2003 Amendment), implemented on April 1, 2003 and attached to the Telecommunications Regulations, internet information services are deemed a type of value-added telecommunications services. The Telecommunications Regulations require the operators of value-added telecommunications services to obtain value-added telecommunications business operation licenses from MIIT or its provincial delegates prior to the commencement of such services. Under these regulations, if the value-added telecommunications services offered include mobile network information services, the operation license for value-added telecommunications business must include the provision of such services in its covered scope. We currently, through Guangzhou Huaduo, our PRC consolidated affiliated entity, hold an ICP license, a sub-category of the value-added telecommunications business operation license, covering the provision of internet and mobile network information services, issued by the Guangdong branch of the MIIT on February 10, 2012.

The Regulations for the Administration of Foreign-Invested Telecommunications Enterprises, or the FITE Regulations, which took effect on January 1, 2002 and were amended on September 10, 2008, are the key

regulations that regulate foreign direct investment in telecommunications companies in China. The FITE Regulations stipulate that the foreign investor of a telecommunications enterprise is prohibited from holding more than 50% of the equity interest in a foreign-invested enterprise that provides value-added telecommunications services, including online games and the provision of internet content. Moreover, such foreign investor shall demonstrate a good track record and experience in operating value-added telecommunications services when applying for the value-added telecommunications business operation license from the MIIT.

On July 13, 2006, the MIIT issued the Circular on Strengthening the Administration of Foreign Investment in Value-added Telecommunications Services, or the MIIT Circular 2006, which requires that (a) foreign investors can only operate a telecommunications business in China through establishing a telecommunications enterprise with a valid telecommunications business operation license; (b) domestic license holders are prohibited from leasing, transferring or selling telecommunications business operation licenses to foreign investors in any form, or providing any resource, sites or facilities to foreign investors to facilitate the unlicensed operation of telecommunications business in China; (c) value-added telecommunications service providers or their shareholders must directly own the domain names and registered trademarks they use in their daily operations; (d) each value-added telecommunications service provider must have the necessary facilities for its approved business operations and maintain such facilities in the geographic regions covered by its license; and (e) all value-added telecommunications service providers should improve network and information security, enact relevant information safety administration regulations and set up emergency plans to ensure network and information safety. The provincial communications administration bureaus, as local authorities in charge of regulating telecommunications services, (a) are required to ensure that existing qualified value-added telecommunications service providers will conduct a self-assessment of their compliance with the MIIT Circular 2006 and submit status reports to the MIIT before November 1, 2006; and (b) may revoke the value-added telecommunications business operation licenses of those that fail to comply with the above requirements or fail to rectify such non-compliance within specified time limits. Due to the lack of any additional interpretation from the regulatory authorities, it remains unclear what impact MIIT Circular 2006 will have on us or the other PRC internet companies with similar corporate and contractual structures.

To comply with such foreign ownership restrictions, we operate our online social platform and online game businesses in China through Guangzhou Huaduo, which is owned by several PRC citizens and Beijing Tuda. Beijing Tuda was established by Messrs. David Xueling Li, Tony Bin Zhao and Jin Cao. Guangzhou Huaduo and Beijing Tuda are both controlled by Beijing Huanju Shidai through a series of contractual arrangements. See “Corporate History and Structure.” Moreover, Guangzhou Huaduo owns a majority of the domain names, registered trademarks and facilities necessary for daily operations in compliance with the MIIT Circular 2006. Based on our PRC legal counsel, Zhong Lun Law Firm’s understanding of the current PRC laws, rules and regulations, our corporate structure complies with all existing PRC laws and regulations. However, we were further advised by our PRC legal counsel that there are substantial uncertainties with respect to the interpretation and application of existing or future PRC laws and regulations and thus there is no assurance that Chinese governmental authorities would take a view consistent with the opinions of our PRC legal counsel.

Internet Information Services

The Administrative Measures on Internet Information Services, or the ICP Measures, issued by the State Council on September 25, 2000 and amended on January 8, 2011, regulate the provision of internet information services. According to the ICP Measures, “internet information services” refer to services that provide internet information to online users, and are categorized as either commercial services or non-commercial services. Pursuant to the ICP Measures, internet information commercial service providers shall obtain an ICP license, from the relevant local authorities before engaging in the providing of any commercial internet information services in China. In addition, if the internet information services involve provision of news, publication, education, medicine, health, pharmaceuticals, medical equipment and other services that statutorily require approvals from other additional governmental authorities, such approvals must be obtained before applying for

the ICP license. Guangzhou Huaduo presently holds the ICP license on internet and mobile network information services issued by the Guangdong branch of the MIIT on February 10, 2012.

Besides, the ICP Measures and other relevant measures also ban the internet activities that constitute publication of any content that propagates obscenity, pornography, gambling and violence, incite the commission of crimes or infringe upon the lawful rights and interests of third parties, among others. If an internet information service provider detects information transmitted on their system that falls within the specifically prohibited scope, such provider must terminate such transmission, delete such information immediately, keep records and report to the governmental authorities in charge. Any provider's violation of these prescriptions will lead to the revocation of its ICP license and, in serious cases, the shutting down of its internet systems.

Internet Publication and Cultural Products

The Tentative Measures for Internet Publication Administration, or Internet Publication Measures, were jointly promulgated by the GAPP and the MIIT on June 27, 2002 and became effective on August 1, 2002. The Internet Publication Measures imposed a license requirement for any company that engages in internet publishing, which means any act by an internet information service provider to select, edit and process content or programs and to make such content or programs publicly available on the internet. The provision of online games is deemed an internet publication activity; therefore, an online game operator must (i) obtain an Internet Publishing License so that it can directly offer its online games to the public in the PRC, or (ii) publish its online games through a qualified press entity by entering into an entrustment agreement.

The Rules for the Administration of Electronic Publication, or the Electronic Publication Rules, was issued by the GAPP on February 21, 2008 and became effective on April 15, 2008. Under the Electronic Publication Rules and other regulations issued by the GAPP, online games are classified as a kind of electronic publication, and publishing of online games is required to be conducted by licensed electronic publishing entities that have been issued standard publication codes. Pursuant to the Electronic Publication Rules, if a PRC company is contractually authorized to publish foreign electronic publications, it must obtain the approval of, and register the copyright license contract with, the GAPP.

We, through Guangzhou Huaduo, obtained an Internet Publishing License for the publication of online games and mobile phone games on November 7, 2011. With the issued Internet Publishing License, we are in the process of applying for the GAPP's pre-approval for publishing online games. For more information on the pre-approval by the GAPP, see "—Regulation on Online Games and Foreign Ownership Restrictions."

Regulation on Online Games and Foreign Ownership Restrictions

On June 3, 2010, the MOC promulgated the Provisional Administration Measures of Online Games, or the Online Game Measures, which came into effect on August 1, 2010. The Online Game Measures governs the research, development and operation of online games and the issuance and trading services of virtual currency. It specifies that the MOC is responsible for the censorship of imported online games and the filing of records of domestic online games. The procedures for the filing of records of domestic online games must be conducted with the MOC within 30 days after the commencement date of the online operation of such online games or the occurrence date of any material alteration of such online games.

All operators of online games, issuers of virtual currencies and providers of virtual currency trading services, or Online Game Business Operators, are required to obtain Internet Culture Operation Licenses. An Internet Culture Operation License is valid for three years and in case of renewal, the renewal application should be submitted 30 days prior to the expiry date of such license. An Online Game Business Operator should request the valid identity certificate of game users for registration, and notify the public 60 days ahead of the termination of any online game operations or the transfer of online game operational rights. Online Game Business Operators

are also prohibited from (a) setting compulsory matters in the online games without game users' consent; (b) advertising or promoting the online games that contain prohibited content, such as anything that compromise state security or divulges state secrets; and (c) inducing game users to input legal currencies or virtual currencies to gain online game products or services, by way of random draw or other incidental means. It also states that the state cultural administration authorities will formulate the compulsory clauses of a standard online game service agreement, which have been promulgated on July 29, 2010 and are required to be incorporated into the service agreement entered into between the Online Game Business Operators, with no conflicts with the rest of clauses in such service agreements. Guangzhou Huaduo holds a valid Internet Culture Operation License that was last updated in March 2011.

On July 11, 2008, the General Office of the State Council promulgated the Regulation on Main Functions, Internal Organization and Staffing of the GAPP, or the Regulation on Three Provisions. On September 7, 2009, the Central Organization Establishment Commission issued the corresponding interpretations, or the Interpretations on Three Provisions. The Regulation on Three Provisions and the Interpretation on Three Provisions granted the MOC overall jurisdiction to regulate the online gaming industry, and granted the GAPP the authority to issue approvals for the internet publication of online games. Specifically, (a) the MOC is empowered to administrate online games (other than the pre-examination and approval before internet publication of online games); (b) subject to the MOC's overall administration, GAPP is responsible for the pre-examination and approval of the internet publication of online games; and (c) once an online game is launched, the online game will be only administrated and regulated by the MOC. On November 7, 2011, Guangzhou Huaduo obtained an Internet Publishing License for the publication of online games and mobile phone games. The online games we currently offer are domestically produced games, and are published by third parties qualified to publish online games. Approximately 88% of the online games currently available on YY Client have been filed with the GAPP as electronic publications, and the others are still undergoing the filing process.

On September 28, 2009, the GAPP, the NCA and the National Working Group to Eliminate Pornography and Illegal Publications jointly issued the Circular on Consistent Implementation of the Stipulation on the Three Determinations of the State Council and the Relevant Interpretations of the State Commission for Public Sector Reform and the Further Strengthening of the Pre-approval of Online Games and the Approval and Examination of Imported Online Games, or Circular 13. Circular 13 explicitly prohibits foreign investors from directly or indirectly engaging in online gaming business in China, including through variable interest entity structures, or VIE Structures. Foreign investors are not allowed to indirectly control or participate in PRC operating companies' online game operations, whether (a) by establishing other joint ventures, entering into contractual arrangements or providing technical support for such operating companies; or (b) in a disguised form such as by incorporating or directing user registration, user account management or game card consumption into online gaming platforms that are ultimately controlled or owned by foreign companies. Circular 13 reiterates that the GAPP is responsible for the examination and approval of the import and publication of online games and states that downloading from the internet is considered a publication activity, which is subject to approval from the GAPP. Violations of Circular 13 will result in severe penalties. For detailed analysis, see "Risk Factors—Risks Relating to Our Corporate Structure and Industry—We may be adversely affected by the complexity, uncertainties and changes in PRC regulation of internet business and companies."

Anti-fatigue Compliance System and Real-name Registration System

On April 15, 2007, in order to curb addictive online game-playing by minors, eight PRC government authorities, including the GAPP, the Ministry of Education, the Ministry of Public Security and the MIIT, jointly issued a circular requiring the implementation of an anti-fatigue compliance system and a real-name registration system by all PRC online game operators. Under the anti-fatigue compliance system, three hours or less of continuous playing by minors, defined as game players under 18 years of age, is considered to be "healthy", three to five hours is deemed "fatiguing", and five hours or more is deemed "unhealthy." Game operators are required

to reduce the value of in-game benefits to a game player by half if it discovers that the amount of a time a game player spends online has reached the "fatiguing" level, and to zero in the case of the "unhealthy" level.

To identify whether a game player is a minor and thus subject to the anti-fatigue compliance system, a real-name registration system should be adopted to require online game players to register their real identity information before playing online games. Pursuant to a notice issued by the relevant eight government authorities on August 3, 2011, online game operators must submit the identity information of game players to the National Citizen Identity Information Center, a subordinate public institution of the Ministry of Public Security, for verification as of October 1, 2011.

We have developed and implemented an anti-fatigue and compulsory real-name registration system in all our online games, and will cooperate with the National Citizen Identity Information Center to launch the identity verification system upon the issuance of relevant implementing rules. For game players who do not provide verified identity information, we assume that they are minors under 18 years of age. In order to comply with the anti-fatigue rules, we set up our system so that after three hours of playing our online games, minors only receive half of the virtual items or other in-game benefits they would otherwise earn, and after playing for more than five hours, minors would receive no in-game benefits. These restrictions could limit our ability to increase our online games business among minors. Furthermore, if these restrictions were expanded to apply to adult game players in the future, our online games business could be materially and adversely affected. See "Risk Factors—Risks Related to Our Corporate Structure and Our Industry—Intensified government regulation of the internet industry in China could restrict our ability to maintain or increase our user level or the level of user traffic to our YY platform.

Virtual Currency

On January 25, 2007, the Ministry of Public Security, the MOC, the MIIT and the GAPP jointly issued a circular regarding online gambling which has implications for the issuance and use of virtual currency. To curtail online games that involve online gambling while addressing concerns that virtual currency might be used for money laundering or illicit trade, the circular (a) prohibits online game operators from charging commissions in the form of virtual currency in connection with winning or losing of games; (b) requires online game operators to impose limits on use of virtual currency in guessing and betting games; (c) bans the conversion of virtual currency into real currency or property; and (d) prohibits services that enable game players to transfer virtual currency to other players. To comply with the relevant section of the circular that bans the conversion of virtual currency into real currency or property, in relation to YY Music, our virtual currency currently can only be used by users to exchange into virtual items to be used to show support for performers or gain access to privileges and special features in the channels which are services in nature instead of "real currency or property." Once the virtual currency is exchanged by users for virtual items or the relevant privileged services, the conversion transaction is completed and we immediately cancel the virtual item in our internal system. In the case of virtual items used as gifts to performers, we cancel the virtual items and record corresponding points for the benefit of the performers and the channel owners, which are then used as basis for the revenue-sharing calculation pursuant to arrangements among us, certain popular performers and channel owners.

In February 2007, 14 PRC regulatory authorities jointly issued a circular to further strengthen the oversight of internet cafes and online games. In accordance with the circular, the People's Bank of China, or PBOC, has the authority to regulate virtual currency, including: (a) setting limits on the aggregate amount of virtual currency that can be issued by online game operators and the amount of virtual currency that can be purchased by an individual; (b) stipulating that virtual currency issued by online game operators can only be used for purchasing virtual products and services within the online games and not for purchasing tangible or physical products; (c) requiring that the price for redemption of virtual currency shall not exceed the respective original purchase price; and (d) banning the trading of virtual currency.

On June 4, 2009, the MOC and the MOFCOM jointly issued a notice to strengthen the administration of online game virtual currency. The Virtual Currency Notice requires businesses that (a) issue online game virtual

currency (in the form of prepaid cards and/or pre-payment or prepaid card points), or (b) offer online game virtual currency transaction services to apply for approval from the MOC through its provincial branches within three months after the issuance of the notice. The Virtual Currency Notice prohibits businesses that issue online game virtual currency from providing services that would enable the trading of such virtual currency. Any business that fails to submit the requisite application will be subject to sanctions, including, without limitation, mandatory corrective measures and fines.

Under the Virtual Currency Notice, an online game virtual currency transaction service provider means a business providing platform services relating to trading of online game virtual currency among game users. The Virtual Currency Notice further requires an online game virtual currency transaction service provider to comply with relevant e-commerce regulations issued by the MOFCOM. According to the Guiding Opinions on Online Trading (Interim) issued by the MOFCOM on March 6, 2007, online platform services are trading services provided to online buyers and sellers through a computer information system operated by the service provider.

The Virtual Currency Notice regulates, among others, the amount of virtual currency a business can issue, the retention period of user records, the function of virtual currency and the return of unused virtual currency upon the termination of online services. It prohibits online game operators from distributing virtual items or virtual currency to players based on random selection through lucky draw, wager or lottery which involves cash or virtual currency directly paid by the players. The Virtual Currency Notice bans the issuance of virtual currency by game operators to game players through means other than purchases with legal currency. Any business that does not provide online game virtual currency transaction services is required to adopt technical measures to restrict the transfer of online game virtual currency among accounts of different game players.

In addition, the Online Game Measures promulgated in June 2010 further provide that (i) virtual currency may only be used to purchase services and products provided by the online service provider that issues the currency; (ii) the purpose of issuing virtual currency shall not be malicious appropriation of the user’s advance payment; (iii) the storage period of online gamers’ purchase record shall not be shorter than 180 days; (iv) the types, price and total amount of virtual currency shall be filed with the cultural administration department at the provincial level. The Online Game Measures stipulate that virtual currency service providers may not provide virtual currency transaction services to minors or for online games that fail to obtain the necessary approval or filings, and that such providers should keep transaction records, accounting records and other relevant information for its users for at least 180 days.

Online Music

On November 20, 2006, the MOC issued Several Suggestions of the MOC on the Development and Administration of Internet Music, or the Suggestions, which became effective on the same date. The Suggestions, among other things, reiterate the requirement for an internet service provider to obtain an Internet Culture Operation License to carry out any business relating to internet music products. In addition, foreign investors are prohibited from operating internet culture businesses. However, the laws and regulations on internet music products are still evolving, and there have not been any provisions clarifying whether music products will be regulated by the Suggestions or how such regulation would be carried out.

On August 18, 2009, the MOC promulgated the Notice on Strengthening and Improving the Content Review of Online Music, or the Online Music Notice. According to the Online Music Notice, only “internet culture operating entities” approved by the MOC may engage in the production, release, dissemination (including providing direct links to music products) and importation of online music products. The content of online music shall be reviewed by or filed with the MOC. Internet culture operating entities should establish a strict self-monitoring system of online music content and set up a special department in charge of such monitoring.

Guangzhou Huaduo holds a valid Internet Culture Operation License covering our provision of online music. More than 99% of the music offered on our websites is sung by grassroots performers along with recorded

music. If any music provided through our platform is found to lack necessary filings and/or approvals, we could be requested to cease providing such music or be subject to claims from third parties or penalties from the MOC or its local branches. See "Risk Factors—Risks Relating to Our Corporate Structure and Our Industry—If our PRC consolidated affiliated entities fail to obtain and maintain the requisite licenses and approvals required under the complex regulatory environment for internet-based businesses in China, our business, financial condition and results of operations may be materially and adversely affected." Moreover, the unauthorized posting of online music on our platform by third parties may expose us to the risk of administrative penalties and intellectual property infringement lawsuits. See "Risk Factors—Risks Relating to Our Business—We may be held liable for information or content displayed on, retrieved from or linked to our platform, or distributed to our users, and PRC authorities may impose legal sanctions on us, including, in serious cases, suspending or revoking the licenses necessary to operate our platform."

In 2011, the MOC greatly intensified its regulation of the provision of online music products. According to the series of Notices on Clearing Online Music Products that are in Violation of Relevant Regulations promulgated by the MOC since January 7, 2011, entities that provide any the following will be subject to relevant penalties or sanctions imposed by the MOC: (a) online music products or relevant services without obtaining corresponding qualifications, (b) imported online music products that have not passed the content review of the MOC or (c) domestically developed online music products that have not been filed with the MOC. Thus far, we believe that we have eliminated from our platform any online music products that may fall into the scope of those prohibited online music products thereunder.

Online Transmission of Audio-Visual Programs

The Measures for the Administration of Publication of Audio-Visual Programs through Internet or Other Information Network, or the Audio-Visual Measures, promulgated by the SARFT on July 6, 2004 and put into effect on October 11, 2004, apply to the activities relating to the opening, broadcasting, integration, transmission or download of audio-visual programs using internet or other information network. Under the Audio-Visual Measures, to engage in the business of transmitting audio-visual programs, a license issued by SARFT is required. Foreign invested enterprises are not allowed to carry out such business.

On April 13, 2005, the State Council promulgated the Certain Decisions on the Entry of the Non- state-owned Capital into the Cultural Industry. On July 6, 2005, five PRC governmental authorities, including the MOC, the SARFT, the GAPP, the CSRC and the MOFCOM, jointly adopted the Several Opinions on Canvassing Foreign Investment into the Cultural Sector. According to these regulations, non-state-owned capital and foreign investors are not allowed to engage in the business of transmitting audio-visual programs through information networks.

To further regulate the provision of audio-visual program services to the public via the internet, including through mobile networks, within the territory of the PRC, the SARFT and the MIIT jointly promulgated the Administrative Provisions on Internet Audio-Visual Program Service, or the Audio-Visual Program Provisions, on December 20, 2007, which came into effect on January 31, 2008. Providers of internet audio-visual program services are required to obtain a License for Online Transmission of Audio-Visual Programs issued by SARFT, or complete certain registration procedures with SARFT. In general, providers of internet audio-visual program services must be either state-owned or state-controlled entities, and the business to be carried out by such providers must satisfy the overall planning and guidance catalog for internet audio-visual program service determined by SARFT. In a press conference jointly held by SARFT and MIIT to answer questions relating to the Audio-Visual Program Provisions in February 2008, SARFT and MIIT clarified that providers of internet audio-visual program services who engaged in such services prior to the promulgation of the Audio-Visual Program Provisions are eligible to register their business and continue their operation of internet audio-visual program services so long as those providers did not violate the relevant laws and regulations in the past. On May 21, 2008, SARFT issued a Notice on Relevant Issues Concerning Application and Approval of License for the Online Transmission of Audio-Visual Programs, which further sets out detailed provisions concerning the

application and approval process regarding the License for Online Transmission of Audio-Visual Programs. The notice also states that providers of internet audio-visual program services that engaged in such services prior to the promulgation of the Audio-Visual Program Provisions are eligible to apply for the license so long as their violation of the laws and regulations is minor in scope and can be rectified in a timely manner and they have no records of violation during the last three months prior to the promulgation of the Audio-Visual Program Provisions. Further, on March 31, 2009, SARFT promulgated the Notice on Strengthening the Administration of the Content of Internet Audio-Visual Programs, which reiterates the pre-approval requirements for the audio-visual programs transmitted via the internet, including through mobile networks, where applicable, and prohibits certain types of internet audio-visual programs containing violence, pornography, gambling, terrorism, superstition or other similarly prohibited elements.

On April 1, 2010, the SARFT issued the Internet Audio-visual Program Services Categories (Provisional), or the Provisional Categories, which classified internet audio-visual program services into four categories.

Guangzhou Huaduo holds a valid License for Online Transmission of Audio-Visual Programs with the business classification of converging and play-on-demand service for certain kinds of audio-visual programs—literary, artistic and entertaining—as prescribed in the Provisional Categories.

Production of Radio and Television Programs

On July 19, 2004, the SARFT issued the Regulations on the Administration of Production of Radio and Television Programs, or the Radio and TV Programs Regulations, which become effective on August 20, 2004. The Radio and TV Programs Regulations require any entities engaging in the production of radio and television programs to obtain a license for such businesses from the SARFT or its provincial branches. Entities with the License for Production and Operation of Radio and TV Programs must conduct their business operations strictly in compliance with the approved scope of production and operations and these entities (except radio and TV stations) must not produce radio and TV programs regarding current political news or similar subjects.

Guangzhou Huaduo holds an effective License for Production and Operation of Radio and TV Programs, issued on October 8, 2011, covering the production, reproduction and publication of broadcasting plays, TV dramas, cartoons (excluding production), special subjects, special columns (excluding current political news category) and entertainment programs.

Regulation on Internet Bulletin Board Services

On November 6, 2000, the MIIT promulgated the Administrative Measures on Internet Bulletin Board Services, or BBS Measures, which required commercial internet information service providers which provide bulletin boards, discussion forums, chat rooms or similar services, or BBS services, to obtain specific approval from the competent telecommunications authorities. Commercial internet information service providers are also required to conspicuously display their ICP license numbers and the rules of the BBS and inform users of the possible legal liabilities and consequences for posting improper comments. Another notice issued by the MIIT in March 2001 further specified the qualifications and requirements for approval of BBS services and emphasized the principles of daily supervision on BBS services.

The above-stated administrative approval or filing requirement for BBS was cancelled on July 4, 2010.

Online Education Services

On July 5, 2000, the Ministry of Education promulgated the Measures for the Administration of Educational Websites and Online Schools. Accordingly, an entity that operates educational websites and online schools is required to obtain prior approval from the competent administrative educational authorities. Educational websites are defined as institutions which establish online information databases by collecting, editing and storing

educational information or establish online platform and search tools for educational purposes, and which provide public educational information to website visitors or users through the internet or educational TV stations. These measures also include specific provisions regarding the qualifications and procedures for obtaining the approval for operating educational websites. We currently offer some education-related services on our platform and are applying for the relevant necessary approvals.

Regulation on Advertising Business and Conditions on Foreign Investment

The SAIC is the primary governmental authority regulating advertising activities in China. Regulations that apply to advertising business primarily include:

- Advertisement Law of the People's Republic of China, promulgated by the Standing Committee of the National People's Congress on October 27, 1994 and effective since February 1, 1995;
- Administrative Regulations for Advertising, promulgated by the State Council on October 26, 1987 and effective since December 1, 1987; and
- Implementation Rules for the Administrative Regulations for Advertising, promulgated by the State Council on January 9, 1988 and amended on December 3, 1998, December 1, 2000 and November 30, 2004, respectively.

According to the above regulations, companies that engage in advertising activities must each obtain, from the SAIC or its local branches, a business license which specifically includes operating an advertising business in its business scope. An enterprise engaging in advertising business within the specifications in its business scope does not need to apply for an advertising operation license, provided that such enterprise is not a radio station, television station, newspaper or magazine publisher or any other entity otherwise specified in the relevant laws or administrative regulations. Enterprises conducting advertising activities without such a license may be subject to penalties, including fines, confiscation of advertising income and orders to cease advertising operations. The business license of an advertising company is valid for the duration of its existence, unless the license is suspended or revoked due to a violation of any relevant laws or regulations.

PRC advertising laws and regulations set certain content requirements for advertisements in China, 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. Advertisers, advertising agencies, and advertising distributors are required to ensure that the content of the advertisements they prepare or distribute is true and in complete compliance with applicable laws. In providing advertising services, advertising operators and advertising distributors must review the supporting documents provided by advertisers for 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, advertising distributors 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. Where serious violations occur, the SAIC or its local branches may revoke such offenders' licenses or permits for their advertising business operations.

Under the Administrative Regulations on Foreign-Invested Advertising Enterprises, promulgated in 2008, there is no longer any maximum foreign shareholding percentage restriction applicable to foreign-invested advertising enterprises. However, foreign investors are required to have at least three years prior experience of operating an advertising business outside of China as their main business before receiving approval to directly own a 100% interest in an advertising company in China. Foreign investors with at least two years prior experience of operating an advertising business outside China as their main business are allowed to establish a joint venture with domestic advertising enterprises to operate an advertising business in China.

Intellectual Property Rights

Software Registration

The State Council and the NCA have promulgated various rules and regulations and rules relating to protection of software in China. According to these rules and regulations, software owners, licensees and transferees may register their rights in software with the SCB or its local branches and obtain software copyright registration certificates. Although such registration is not mandatory under PRC law, software owners, licensees and transferees are encouraged to go through the registration process and registered software rights may be entitled to better protections. As of October 8, 2012, we had registered rights in 44 software programs in China.

Patents

The National People's Congress adopted the Patent Law of the People's Republic of China in 1984 and amended it in 1992, 2000 and 2008, respectively. A patentable invention, utility model or design must meet three conditions: novelty, inventiveness and practical applicability. Patents cannot be granted for scientific discoveries, rules and methods for intellectual activities, methods used to diagnose or treat diseases, animal and plant breeds or substances obtained by means of nuclear transformation. The Patent Office under the State Intellectual Property Office is responsible for receiving, examining and approving patent applications. A patent is valid for a twenty-year term for an invention and a ten-year term for a utility model or design, starting from the application date. Except under certain specific circumstances provided by law, any third party user must obtain consent or a proper license from the patent owner to use the patent, or else the use will constitute an infringement of the rights of the patent holder.

As of October 8, 2012, we had obtained three patents granted from, and 22 patent applications are under review by, the State Intellectual Property Office.

Copyright Law

The Copyright Law of the People's Republic of China, promulgated in 1990 and amended in 2001 and 2010, or the Copyright Law, and its related implementing regulations, promulgated in 2008, are the principal laws and regulations governing the copyright related matters. The amended Copyright law covers internet activities, products disseminated over the internet and software products, among the subjects entitled to copyright protections. Registration of copyright is voluntary, and is administrated by the China Copyright Protection Center.

To address copyright issues relating to the internet, on November 22, 2000, the PRC Supreme People's Court adopted the Interpretations on Some Issues Concerning Applicable Laws for Trial of Disputes over Internet Copyright, or the Interpretations, which were subsequently amended on December 23, 2003 and November 20, 2006. The Interpretations establish joint liability for internet service providers if they participate in, assist in or abet infringing activities committed by any other person through the internet, are aware of the infringing activities committed by their website users through the internet or fail to remove infringing content or take other action to eliminate infringing consequences after receiving a warning with evidence of such infringing activities from the copyright holder. In addition, the internet service providers are liable for copyright infringement if they knowingly upload, transmit or provide any methods, equipment or materials which are intended to bypass or disrupt circumvention technologies designed to protect the copyrights of other people. Upon request, the internet service providers shall provide copyright holders with the registration information of the users who are alleged to be guilty of copyright violations, provided that such copyright holders produce relevant evidence of identification, copyright ownership and infringement. Where an internet service provider takes measures to remove the alleged infringing content after receiving a warning from the relevant copyright holder with good evidence, the PRC courts would not support the claim of the alleged perpetrator of such copyright infringement against the internet service provider for breach of contract.

Under the Copyright Law and its implementation rules, anyone infringing upon the copyrights of others is subject to various civil liabilities, which include stopping the infringement, eliminating the damages, apologizing

to the copyright owners and compensating the copyright owners for such owners' actual and other losses resulting from such infringement. If the actual loss of the copyright owner is difficult to calculate, the income received by the offender as a result of the copyright infringement shall be deemed to be the actual loss; or if such income is in itself difficult to calculate, the relevant PRC court may decide the amount of the actual loss up to RMB500,000 for each infringement.

To address the problem of copyright infringement related to content posted or transmitted on the internet, the PRC National Copyright Administration and MIIT jointly promulgated the Measures for Administrative Protection of Copyright Related to Internet on April 29, 2005. These measures, which became effective on May 30, 2005, apply to acts of automatically providing services such as uploading, storing, linking or searching works, audio or video products, or other contents through the internet based on the instructions of internet users who publish contents on the internet, or the Internet Content Providers, without editing, amending or selecting any stored or transmitted content. When imposing administrative penalties upon the act which infringes upon any users' right of communication through information networks, the Measures for Imposing Copyright Administrative Penalties, promulgated in 2009, shall be applied.

Where a copyright holder finds that certain internet content infringes upon its copyright and sends a notice to the relevant internet information service operator, the relevant internet information service operator is required to (i) immediately take measures to remove the relevant contents, and (ii) retain all infringement notices for six months and to record the content, display time and IP addresses or the domain names related to the infringement for 60 days. After any content is removed by an internet information service operator according to the notice of a copyright holder, the content provider may deliver a counter-notice to both the internet information service operator and the copyright holder, stating that the removed content does not infringe upon the copyright of other parties. After the delivery of such counter-notice, the internet information service operator may immediately reinstate the removed contents and shall not bear administrative legal liability for such reinstatement.

An internet information service operator may be subject to cease-and-desist orders and other administrative penalties such as confiscation of illegal income and fines, if it is clearly aware of a copyright infringement through the internet or, although not aware of such infringement, it fails to take measures to remove relevant content upon receipt of the copyright owner's notice of infringement and, as a result, damages public interests. Where there is no evidence to indicate that an internet information service operator is clearly aware of the existence of copyright infringement, or the internet information service operator has taken measures to remove relevant contents upon receipt of the copyright owner's notice, the internet information service provider shall not bear the relevant administrative legal liabilities.

On May 18, 2006, the State Council issued the Protection of the Right of Communication through Information Network, which took effect on July 1, 2006. Under this regulation, an internet information service provider may be exempt from indemnification liabilities under the following circumstances:

- any internet information service provider that provides automatic internet access service upon instructions from its users or provides automatic transmission service for works, performances and audio-visual products provided by its users are not required to assume indemnification liabilities if (a) it has not chosen or altered the transmitted works, performance and audio-visual products and (b) it provides such works, performances and audio-visual products to the designated users and prevents any person other than such designated users from obtaining access.
- any internet information service provider that, for the sake of improving network transmission efficiency, automatically stores and provides to its own users the relevant works, performances and audio-visual products obtained from any other internet information service providers, are not required to assume the indemnification liabilities if (a) it has not altered any of the works, performance or audio-visual products that are automatically stored; (b) it has not affected such original internet information service provider in holding the information about where the users obtain the relevant works, performance and audio-visual products; and (c) when the original internet information service provider

revises, deletes or shields the works, performances and audio-visual products, it will automatically revise, delete or shield the same.

- any internet information service provider that provides its users with information memory space for such users to provide the works, performances and audio-visual products to the general public via an informational network are not required to assume the indemnification liabilities if (a) it clearly indicates that the information memory space is provided to the users and publicizes its own name, contact person and web address; (b) it has not altered the works, performance and audio-visual products that are provided by the users; (c) it is not aware of or has no reason to know that the works, performances and audio-visual products provided by the users infringe upon the copyrights of others; (d) it has not directly derived any economic benefit from the providing of the works, performances and audio-visual products by its users; and (e) after receiving a notice from the copyright holder, it promptly deletes the allegedly infringing works, performances and audio-visual products pursuant to the relevant regulation.

Since 2005, the NCA, together with certain other PRC governmental authorities, have jointly launched annual campaigns specifically aimed to crack down on internet copyright infringement and piracy in China; these campaigns normally last for three to four months every year. According to the Notice of 2010 Campaign to Crack Down on Internet Infringement and Piracy promulgated by the NCA, the Ministry of Public Security and the MIIT on July 19, 2010, the 2010 campaign mainly targeted internet audio and video programs, literature websites, online games, animation, software and art works related to Shanghai World Expo and Guangzhou Asian Games. During the 2010 campaign, starting from late July to the end of October 2010, the local branches of NCA focused on popular movies and TV series, newly published books, online games and animation, music and software and various illegal activities, including, for example, illegal uploading or transmission of a thirty party's works without proper license or permission, sales of pirated audio-video and software through e-commerce platforms, providing search links, information storage, web hosting or internet access services for third parties engaging in copyright infringement or piracy of copyrighted works and the infringement by use of mobile media. In serious cases, the operating permits of the websites engaging illegal activities were revoked, and such websites were ordered to shut down.

We have adopted measures to mitigate copyright infringement risks, including, for instance, establishing a routine reporting and registration system updated on a monthly basis.

Domain Name

In September 2002, the CNNIC issued the Implementing Rules for Domain Name Registration setting forth detailed rules for registration of domain names. On November 5, 2004, the MIIT promulgated the Measures for Administration of Domain Names for the Chinese Internet, or the Domain Name Measures. The Domain Name Measures regulate the registration of domain names, such as the first tier domain name ".cn." In February 2006, the CNNIC issued the Measures on Domain Name Dispute Resolution and relevant implementing rules, pursuant to which the CNNIC can authorize a domain name dispute resolution institution to decide disputes. As of October 8, 2012, we had registered 31 domain names, including YY.com, Duowan.com and Chinaduo.com.

Trademark

The PRC Trademark Law, adopted in 1982 and amended in 1993 and 2001, with its implementation rules adopted in 2002, protects registered trademarks. The Trademark Office of the SAIC handles trademark registrations and grants a protection term of ten years to registered trademarks. Trademark license agreements must be filed with the Trademark Office for record. As of October 8, 2012, we had registered 73 trademarks and had filed 77 trademark applications in China.

Internet Infringement

On December 26, 2009, the Standing Committee of National People's Congress promulgated the Tort Law of the People's Republic of China, or the Tort Law, which became effective on July 1, 2010. Under the Tort Law, an internet user or an internet service provider that infringes upon the civil rights or interests of others through using the internet assumes tort liability. If an internet user infringes upon the civil rights or interests of another through using the internet, the person being infringed upon has the right to notify and request the internet service provider whose internet services are facilitating the infringement to take necessary measures including the deletion, blocking or disconnection of an internet link. If, after being notified, the internet service provider fails to take necessary measures in a timely manner to end the infringement, it will be jointly and severally liable for any additional harm caused by its failure to act. According to the Tort Law, civil rights and interests include the personal rights and rights of property, such as the right to life, right to health, right to name, right to reputation, right to honor, right of portraiture, right of privacy, right of marital autonomy, right of guardianship, right to ownership, right to usufruct, right to security interests, copyright, patent right, exclusive right to use trademarks, right to discovery, right to equity interests and right of heritage, among others.

Regulation of Internet Content

The PRC government has promulgated measures relating to internet content through a number of governmental agencies, including the MIIT, the MOC and the GAPP. These measures specifically prohibit internet activities, such as the operation of online games, that result in the publication of any content which is found to contain, among others, propagate obscenity, gambling or violence, instigate crimes, undermine public morality or the cultural traditions of the PRC, or compromise state security or secrets. If an ICP license holder violates these measures, its ICP license may be revoked and its websites may be shut down by the relevant government agencies.

Moreover, according to the Notice on the Work of Purification of Online Games jointly issued by the MOC, the MIIT and other governmental authorities in June 2005, online games in China are required to be registered and filed as software products in accordance with the Administrative Measures on Software Products, promulgated in 2000. In addition, pursuant to the Notice on Enhancing the Content Review Work of Online Game Products promulgated by the MOC in 2004, imported online games are subject to content review by the MOC prior to being offered to Chinese internet users.

Information Security and Censorship

Internet content in China is regulated and restricted from a state security standpoint. The National People's Congress, China's national legislative body, enacted the Decisions on the Maintenance of Internet Security on December 28, 2000, that may subject persons to criminal liabilities in China for any attempt to: (i) gain improper entry to a computer or system of strategic importance; (ii) disseminate politically disruptive information; (iii) leak state secrets; (iv) spread false commercial information or (v) infringe upon intellectual property rights.

In 1997, the Ministry of Public Security issued the Administration Measures on the Security Protection of Computer Information Network with Internationally Connections, which prohibit using the internet in ways which, among others, result in a leakage of state secrets or a spread of socially destabilizing content. The Ministry of Public Security has supervision and inspection powers in this regard, and relevant local security bureaus may also have jurisdiction. If an ICP license holder violates these measures, the PRC government may revoke its ICP license and shut down its websites.

To comply with the above laws and regulations, we have established an internet information security department to implement measures on information filtering. For example, we have adopted a voice monitor system, and installed on our platform various alerts on sensitive words or abnormal activities of users, channels or groups. We also have a dedicated team that maintains 24-hour surveillance on the information posted on our

platform, with different categories for monitoring purposes, according to subject and content. We have also established and follow a strict review process and storage system of relevant records which, in combination with various information security measures, have effectively prevented the public dissemination of statutory prohibited information through our websites in the past. We intend to continue to further update our measurements and system and work closely with relevant authorities to avoid any violation of relevant laws and regulations in the future.

Privacy Protection

PRC laws and regulations do not prohibit internet content providers from collecting and analyzing their users' personal information if appropriate authorizations are obtained. We require our users to accept a user agreement whereby they agree to provide certain personal information to us. PRC laws and regulations prohibit internet content providers from disclosing any information transmitted by users through their networks to any third parties without their authorization unless otherwise permitted by law. If an internet content provider violates these regulations, the MIIT or its local bureaus may impose penalties and the internet content provider may be liable for damages caused to its users.

Regulation of Foreign Currency Exchange and Dividend Distribution

Foreign Currency Exchange. The core regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations, as amended in August 2008, or the FEA Regulations. Under the FEA Regulations, the Renminbi is freely convertible for current account items, including the distribution of dividends, interest payments, trade- and service-related foreign exchange transactions, but not for capital account items, such as direct investments, loans, repatriation of investments and investments in securities outside of China, unless the prior approval of the SAFE is obtained and prior registration with the SAFE is made. On August 29, 2008, SAFE promulgated Circular 142 to regulate the conversion of foreign currency into Renminbi by a foreign-invested enterprise by restricting the ways in which the converted Renminbi may be used. Circular 142 stipulates that the registered capital of a foreign-invested enterprise that has been settled in Renminbi converted from foreign currencies may only be used for purposes within the business scope approved by the applicable governmental authority and cannot be used for equity investments within the PRC. Meanwhile, the SAFE strengthened its oversight of the flow and use of the registered capital of a foreign-invested enterprise settled in Renminbi converted from foreign currencies. The use of such Renminbi capital may not be changed without the SAFE's approval, and may not in any case be repayment of Renminbi loans if the proceeds of such loans have not been used. Violations of Circular 142 may lead to severe penalties including heavy fines. As a result, Circular 142 may significantly limit our ability to transfer the net proceeds from this offering to our other PRC subsidiaries through Beijing Huanju Shidai, our wholly owned subsidiary in China, and thus may adversely affect our business expansion in China. We may not be able to convert the net proceeds into Renminbi to invest in or acquire any other PRC companies, or establish other VIEs in the PRC.

Dividend Distribution. The Foreign Investment Enterprise Law, promulgated in 1986 and amended in 2000, and the Administrative Rules under the Foreign Investment Enterprise Law, promulgated in 2001, are the key regulations governing distribution of dividends of foreign-invested enterprises.

Under these regulations, a wholly foreign-invested enterprise in China, or a WFOE, may pay dividends only out of its accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, a WFOE is required to allocate at least 10% of its accumulated profits each year, if any, to statutory reserve funds unless its reserves have reached 50% of the registered capital of the enterprises. These reserves are not distributable as cash dividends. The proportional ratio for withdrawal of rewards and welfare funds for employees shall be determined at the discretion of the WFOE. Profits of a WFOE shall not be distributed before the losses thereof before the previous accounting years have been made up. Any undistributed profit for the previous accounting years may be distributed together with the distributable profit for the current accounting year.

Circular 75. The SAFE issued Circular on Several Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and in Return Investments via Overseas Special Purpose Companies, or Circular No. 75, on October 21, 2005, which became effective on November 1, 2005. Under Circular 75, prior registration with the local SAFE branch is required for PRC residents to establish or to control an offshore company for the purposes of financing that offshore company with assets or equity interests in an onshore enterprise located in the PRC. An amendment to registration or filing with the local SAFE branch by such PRC resident is also required for the injection of equity interests or assets of an onshore enterprise in the offshore company or overseas funds raised by such offshore company, or any other material change involving a change in the capital of the offshore company.

Circular 75 applies retroactively. PRC residents who have established or acquired control of offshore companies that have made onshore investments in the PRC in the past were required to complete the relevant registration procedures with the local SAFE branch by March 31, 2006. Under the relevant rules, failure to comply with the registration procedures set forth in Circular 75 may lead to restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the increase of its registered capital, the payment of dividends and other distributions to its offshore parent or affiliate and the capital inflow from the offshore entity, and may also subject relevant PRC residents to penalties under PRC foreign exchange administration regulations. PRC residents who control our company from time to time are required to register with the SAFE in relation to their investments in us.

We have completed the foreign exchange registration of PRC resident shareholders of Guangzhou Huaduo, as required by Circular 75, for our financings that were completed before the end of 2010. The Circular 75 registration in relation to the issuance of common shares to Tiger Global Six YY Holdings was completed on February 6, 2012.

Stock Option Rules. The Administration Measures on Individual Foreign Exchange Control were promulgated by the PBOC on December 25, 2006, and their Implementation Rules, issued by the SAFE on January 5, 2007, became effective on February 1, 2007. Under these regulations, all foreign exchange matters involved in employee stock ownership plans and stock option plans participated in by onshore individuals, among others, require approval from the SAFE or its authorized branch. Furthermore, the Notices on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies, or the Stock Option Rules, were promulgated by SAFE on February 15, 2012, that replaced the Application Procedures of Foreign Exchange Administration for Domestic Individuals Participating in Employee Stock Ownership Plans or Stock Option Plans of Overseas Publicly-Listed Companies issued by SAFE on March 28, 2007. Pursuant to the Stock Option Rules, PRC residents who are granted shares or stock options by companies listed on overseas stock exchanges based on the stock incentive plans are required to register with SAFE or its local branches, and PRC residents participating in the stock incentive plans of overseas listed companies shall retain a qualified PRC agent, which could be a PRC subsidiary of such overseas publicly-listed company or another qualified institution selected by such PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plans on behalf of these participants. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, purchase and sale of corresponding stocks or interests, and fund transfer. In addition, the PRC agents are required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agents or the overseas entrusted institution or other material changes. The PRC agents shall, on behalf of the PRC residents who have the right to exercise the employee share options, apply to SAFE or its local branches for an annual quota for the payment of foreign currencies in connection with the PRC residents' exercise of the employee share options. The foreign exchange proceeds received by the PRC residents from the sale of shares under the stock incentive plans granted and dividends distributed by the overseas listed companies must be remitted into the bank accounts in the PRC opened by the PRC agents before distribution to such PRC residents. In addition, the PRC agents shall file each quarter the form for record-filing of information of the Domestic Individuals Participating in the Stock Incentive Plans of Overseas Listed Companies with SAFE or its local branches.

We and our PRC citizen employees who have been granted share options, restricted shares or restricted share units, or PRC optionees, will be subject to the Stock Option Rules when our company becomes an overseas listed company upon the completion of this offering. If we or our PRC optionees fail to comply with the Individual Foreign Exchange Rule and the Stock Option Rules, we and/or our PRC optionees may be subject to fines and other legal sanctions. See "Risk Factors—Risks Relating to Doing Business in China—PRC regulations relating to offshore investment activities by PRC residents may limit our PRC subsidiaries' ability to increase their registered capital or distribute profits to us or otherwise expose us to liability and penalties under PRC law."

In addition, the State Administration for Taxation has issued circulars concerning employee share options, under which our employees working in the PRC who exercise share options will be subject to PRC individual income tax. Our PRC subsidiaries have obligations to file documents related to employee share options with relevant tax authorities and to withhold individual income taxes of those employees who exercise their share options. If our employees fail to pay or if we fail to withhold their income taxes as required by relevant laws and regulations, we may face sanctions imposed by the PRC tax authorities or other PRC government authorities.

Regulation on Tax

PRC Enterprise Income Tax

The PRC enterprise income tax is calculated based on the taxable income determined under the applicable EIT Law and its implementation rules. On March 16, 2007, the National People's Congress of China enacted the New EIT Law, which became effective on January 1, 2008. On December 6, 2007, the State Council promulgated the implementation rules to the New EIT Law, which also became effective on January 1, 2008. The New EIT Law imposes a uniform enterprise income tax rate of 25% on all resident enterprises in China, including foreign-invested enterprises and domestic enterprises, unless they qualify for certain exceptions, and terminates most of the tax exemptions, reductions and preferential treatment available under the previous tax laws and regulations. According to the New EIT Law and relevant regulations, subject to the approval of competent tax authorities, the income tax of an enterprise that has been determined to be a high and new technology enterprise shall be reduced to a preferential rate of 15%.

Moreover, under the New EIT Law, enterprises organized under the laws of jurisdictions outside China with their "de facto management bodies" located within China may be considered PRC resident enterprises and are therefore subject to PRC enterprise income tax at the rate of 25% on their worldwide income.

Although we do not believe that our company should be treated as a PRC resident enterprise for PRC tax purposes, substantial uncertainty exists as to whether we will be deemed to be such by the relevant authorities. In the event that we are considered a PRC resident enterprise, we would be subject to the PRC enterprise income tax at the rate of 25% on our worldwide income. See "Risk Factors—Risks Relating to Doing Business in China—Under the PRC enterprise income tax law, we may be classified as a PRC "resident enterprise," which could result in unfavorable tax consequences to us and our shareholders and have a material adverse effect on our results of operations and the value of your investment."

In addition, although the New EIT Law provides that dividend income between "qualified resident enterprises" is exempted income, and the Implementation Rules refer to "qualified resident enterprises" as enterprises with "direct equity interest", it is unclear whether dividends we receive from our PRC subsidiaries are eligible for exemption.

PRC Business Tax

Pursuant to applicable PRC tax regulations, any entity or individual conducting business in the service industry is generally required to pay a business tax at the rate of 5% on the revenues generated from providing such services. However, if the services provided are related to technology development and transfer, such

business tax may be exempted subject to the approval of relevant tax authorities. In addition, online game operating business is subject to 3.3% business tax and surcharges pursuant to applicable PRC tax regulations.

Value Added Tax

On January 1, 2012, the Chinese State Council officially launched a pilot value-added tax ("VAT") reform program ("Pilot Program"), applicable to businesses in selected industries. Businesses in the Pilot Program would pay VAT instead of business tax. The Pilot Program initially applied only to transportation industry and "modern service industries" ("Pilot Industries") in Shanghai and would be expanded to eight trial regions (including Beijing and Guangdong province) and nationwide if conditions permit. The Pilot Industries in Shanghai included industries involving the leasing of tangible movable property, transportation services, research and development and technical services, information technology services, cultural and creative services, logistics and ancillary services, certification and consulting services. Revenues generated by advertising services, a type of "cultural and creative services", are subject to the VAT tax rate of 6%. According to official announcements made by competent authorities in Beijing and Guangdong province, Beijing launched the same Pilot Program on September 1, 2012, and Guangdong province is launching it on November 1, 2012. In Beijing and Guangdong province, where we have operations, we will pay the pilot VAT instead of business taxes for our advertising activities, and for any other parts of our business that are deemed by the local tax authorities to belong to Pilot Industries.

Cultural Development Fee

According to applicable PRC tax regulations or rules, advertising service providers are generally required to pay a cultural development fee at the rate of 3% on the revenues (a) which are generated from providing advertising services and (b) which are also subject to the business tax.

Dividends Withholding Tax

Under the Old EIT Law that was effective prior to January 1, 2008, dividends paid to foreign investors by foreign-invested enterprises, such as dividends paid to us by Beijing Huanju Shidai or Guangzhou Huanju Shidai, our PRC subsidiaries, were exempt from PRC withholding tax. We are a Cayman Islands holding company and substantially all of our income may come from dividends we receive from our subsidiaries located in the PRC. Pursuant to the New EIT Law and its implementation rules, dividends generated after January 1, 2008 and distributed to us by our PRC subsidiaries are subject to withholding tax at a rate of 10%.

As uncertainties remain regarding the interpretation and implementation of the New EIT Law and its implementation rules, we cannot assure you that, if we are deemed a PRC resident enterprise, any dividends to be distributed by us to our non-PRC shareholders and ADS holders would not be subject to any PRC withholding tax. See "Risk Factors—Risks Relating to Doing Business in China—Under the PRC enterprise income tax law, we may be classified as a PRC "resident enterprise," which could result in unfavorable tax consequences to us and our shareholders and have a material adverse effect on our results of operations and the value of your investment."

Labor Laws and Social Insurance

The principle laws that govern employment include:

- Labor Law of the People's Republic of China, promulgated by the Standing Committee of the National People's Congress on July 5, 1994, effective since January 1, 1995 and amended on August 27, 2009; and
- Labor Contract Law of the People's Republic of China, promulgated by the Standing Committee of the National People's Congress on June 29, 2007 and effective since January 1, 2008.

According to the Labor Law and Labor Contract Law, employers must execute written labor contracts with full-time employees. All employers must compensate their employees with wages equal to at least the local minimum wage standards. All employers are required to establish a system for labor safety and sanitation, strictly comply with state rules and standards and provide employees with workplace safety training. Violations of the PRC Labor Contract Law and the PRC Labor Law may result in the imposition of fines and other administrative penalties. For serious violations, criminal liability may arise.

In addition, employers in China are required to provide employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, work-related injury insurance, medical insurance and housing funds.

We have caused all of our full-time employees to enter into written labor contracts with us and have provided and currently provide our employees with the proper welfare and employment benefits.

New M&A Regulations and Overseas Listings

On August 8, 2006, six PRC governmental agencies jointly promulgated the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the New M&A Rule, which became effective on September 8, 2006. The New M&A Rule requires offshore special purpose vehicles formed to pursue overseas listing of equity interests in PRC companies and controlled directly or indirectly by PRC companies or individuals to obtain the approval of the Chinese Securities Regulatory Commission, or the CSRC, prior to the listing and trading of such special purpose vehicle's securities on any stock exchange overseas.

The application of the M&A Rules remains unclear. Based on the understanding on the current PRC laws, rules and regulations and the M&A Rules of our PRC Legal Counsel, Zhong Lun Law Firm, prior approval from the CSRC is not required under the M&A Rules for the listing and trading of our ADSs on the Nasdaq Global Market because (a) our PRC subsidiaries, Beijing Huanju Shidai and Guangzhou Huanju Shidai, are foreign-invested enterprises established by foreign enterprises, (b) we did not acquire any equity interest or assets of a PRC domestic company owned by PRC companies or individuals as defined under the M&A Rules, and (c) there is no provision that clearly classifies the contractual arrangements among our PRC subsidiary, Beijing Huanju Shidai, our PRC consolidated affiliated entities and their shareholders as a transaction regulated by the M&A Rules. However, as there has been no official interpretation or clarification of the M&A Rules, there is uncertainty as to how this regulation will be interpreted or implemented.

Considering the uncertainties that exist with respect to the issuance of new laws, regulations or interpretation and implementing rules, the opinion of Zhong Lun Law Firm, summarized above, is subject to change. If the CSRC or another PRC regulatory agency subsequently determines that prior CSRC approval was required, we may face regulatory actions or other sanctions from the CSRC or other PRC regulatory agencies. For more information and discussion on this, see "Risk Factors—Risks Relating to Doing Business in China—The approval of the China Securities Regulatory Commission may be required in connection with this offering and, if required, we cannot assure you that we will be able to obtain such approval."

Table of Contents

MANAGEMENT

Directors and Executive Officers

The following table sets forth information regarding our executive officers and directors as of the date of this prospectus.

Directors and Executive Officers	Age	Position/Title
Jun Lei	41	Chairman of the Board and Director
David Xueling Li	38	Chief Executive Officer and Director
Qin Liu	38	Director
Alexander Barrett Hartigan	35	Director
Jenny Hong Wei Lee	39	Director
Tony Bin Zhao	40	Director and Chief Technology Officer
Eric He	51	Chief Financial Officer
Jin Cao	38	General Manager of Website Department
Rongjie Dong	34	General Manager of Games Department

Mr. Jun Lei is our co-founder and has been our chairman since our inception. From October 1998 to December 2007, Mr. Lei served as the chief executive officer of Kingsoft Corporation, a China-based software and online games company listed on the Stock Exchange of Hong Kong, and has recently been appointed as Chairman of its board of directors. From January 1992 to October 1998, Mr. Lei served in various capacities at Kingsoft including as general manager and software developer. From April 2000 to March 2005, Mr. Lei co-founded and served as chairman of Joyo.com which, during his tenure, was sold to Amazon, becoming Amazon China. Since November 2003, Mr. Lei has served on the board of directors of Wuhan University. In addition, Mr. Lei is active in private investments and currently serves as a director or advisor in several privately held companies that he founded or invested in. Mr. Lei received his bachelor's degree in computer science from Wuhan University in 1991.

Mr. David Xueling Li is our co-founder and has been our chief executive officer since our inception. Mr. Li is primarily responsible for our overall management, major decision-making and strategic planning, including research and development. Before founding our company, Mr. Li worked at Netease.com, Inc from July 2003 to April 2005 and served as its chief editor. In 2000, Mr. Li founded CFP.cn, a website that provided a copyright trading platform for journalists and amateur photographers. Mr. Li received a bachelor's degree in philosophy from Renmin University of China in 1997.

Mr. Qin Liu has been a director of our company since June 2008. Mr. Liu has been a director of Morningside China TMT Fund I, L.P. since its formation in 2008, where he is primarily responsible for managing early-stage investments in the internet, wireless, media, entertainment and consumer services sectors in China. He also serves as a director in several non-public portfolio companies of the fund. From 2000 through 2008, Mr. Liu worked at Morningside IT Management Services (Shanghai) Co., Ltd. and established its print media business and served as publisher of The Bund, an upscale lifestyle weekly publication. Mr. Liu received a master's degree in business administration, or MBA, from China Europe International Business School in 1999 and a bachelor's degree in electrical engineering from Beijing Science & Technology University in 1993.

Mr. Alexander Hartigan has been our director since August 2008. Since 2006, Mr. Hartigan has been the managing director of Steamboat Ventures Asia, L.P., where he manages investments in the technology, media and consumer sectors in China. He currently serves as a director in several non-public portfolio companies of Steamboat Ventures Asia, L.P. Mr. Hartigan has over 10 years of experience in the venture capital industry. Prior to joining Steamboat Ventures Asia, L.P., Mr. Hartigan served as a principal at Panasonic Ventures from 1999 through 2003. Mr. Hartigan received an MBA degree from Harvard Business School in 2005 and a bachelor's degree in government from Georgetown University in 1998.

Ms. Jenny Hong Wei Lee has served as our director since December 2009. Ms. Lee is a director of Hisoft Technology International Limited, a leading China-based provider of outsourced information technology and research and development services, and 21Vianet Group, Inc., a leading China-based carrier-neutral Internet data center services provider; both companies are listed on the Nasdaq Global Market. Ms. Lee is a managing director of Granite Global Ventures III L.L.C., and is also a general partner of Granite Global Ventures III L.P. and GGV III Entrepreneurs Fund L.P. From 2002 to 2005, Ms. Lee served as a vice president of JAFCO Asia. Ms. Lee received her bachelor's degree in electrical engineering in 1994 and master's degree in engineering in 1995 from Cornell University. Ms. Lee also has an MBA degree from Kellogg School of Management at Northwestern University in 2001.

Mr. Tony Bin Zhao has been the chief technology officer of our company since 2008. He has served as a director since December 2009. Prior to joining us, he founded NeoTasks, LLC in November 2004 and served as its chairman and chief technology officer until 2008. From July to October 2004, he was a senior consultant at Tencent.com. From July 1997 to July 2004, he served as a senior engineer at WebEx Communications Inc. and was responsible for the establishment of audio/video session and backend servers. From 1995 to 1997, he worked as the manager of software department at Beijing Sunstep Technologies Limited. He also founded Beijing Dacheng Infrastructure Projects Consulting Limited in 1994. Mr. Zhao received a bachelor's degree in radio and electronics from Peking University in 1992.

Mr. Eric He has been our chief financial officer since August 2011. He currently also serves as an independent director of Yangxun Computer Technology (Shanghai) Co. Ltd. and Acorn International, Inc., an NYSE-listed company. Prior to joining us, Mr. He served as the chief financial officer of Giant Interactive Group, Inc., an NYSE-listed company, from March 2007 to August 2011. He served as the chief strategy officer of Ninetowns Internet Technology Group from 2004 to 2007. From 2002 to 2004, he served as a private equity investment director for AIG Global Investment Corp (Asia) Ltd. Mr. He received a bachelor's degree in accounting from National Taipei University and an MBA degree from the Wharton School of Business at the University of Pennsylvania. Mr. He is a Certified Public Accountant and Chartered Financial Analyst in the United States.

Mr. Jin Cao has been the vice president of Guangzhou Duowan since 2008 and is currently the general manager of our website department. From June 2005 to October 2008, he served as the president of NeoTasks Inc. From January 2000 to February 2006, he served as the chief representative of FATWIRE Corp. From August 1995 to August 1997, he was a senior programmer for the China Aviation and Space Authority (CASA). He founded niba.com, an online video streaming company, in 2006. Mr. Cao received a bachelor's degree in industrial engineering from Tianjin University in 1995 and a master's degree in industrial engineering from University of Cincinnati in 1999.

Mr. Rongjie Dong has been the president of the technology department of Guangzhou Huaduo since October 2006 and is currently the general manager of our games department. Prior to joining us, he served as product manager and head of the technology department of 163.com from 2000 to 2006. Mr. Dong received his bachelor's degree in computer hardware from Beijing Information Engineering Institute (now known as Beijing Information Science and Technology University) in 1999.

Employment Agreements

We have entered into employment agreements with our senior executive officers. We may terminate a senior executive officer's employment for cause at any time without remuneration for certain acts of the officer, such as being convicted of any criminal conduct, any act of gross or willful misconduct or any serious, willful,

grossly negligent or persistent breach of any employment agreement provision, or engaging in any conduct which may make the continued employment of such officer detrimental to our company. We may also terminate a senior executive officer's employment by giving three months' prior written notice. A senior executive officer may terminate his or her employment at any time by giving three months' written notice, provided that such notice may only be given by the officer any time after the third anniversary of his or her employment.

Each senior executive officer has agreed to hold all information, know-how and records in any way connected with the business of our company, including, without limitation, all formulae, designs, specifications, drawings, data, operations and testing procedures, manuals and instructions and all customer and supplier lists, sales information, business plans and forecasts and all technical or other expertise and all computer software of our company, in strict confidence during and after his or her employment. Each officer also agrees that we shall own all the intellectual property developed by such officer during his or her employment.

Board of Directors

Our board of directors currently consists of six directors. additional independent directors will join the board upon the effectiveness of our registration statement on Form F-1, of which this prospectus is a part. A director is not required to hold any shares in our company to qualify to serve as a director. A director may vote with respect to any contract, proposed contract, or arrangement in which he or she is materially interested. A director may exercise all the powers of the company to borrow money, mortgage its business, property and uncalled capital, and issue debentures or other securities whenever money is borrowed or as security for any obligation of the company or of any third party.

Under the investors' rights agreement and our memorandum and articles of association currently in effect, for as long as Morningside China TMT Fund I, L.P. and Favor Star Limited, Steamboat Ventures Asia, L.P., Granite Global Ventures III L.P. and GGV III Entrepreneurs Fund L.P. and Tiger Global Six YY Holdings each holds a number of shares of our company, each of them has the right to appoint one director to our board of directors. Such shareholders' right to appoint directors will automatically terminate upon the completion of this offering. Among our existing directors, Mr. Liu was jointly appointed by Favor Star Limited and Morningside China TMT Fund I, L.P., Mr. Hartigan was appointed by Steamboat Ventures Asia, L.P., Ms. Lee was jointly appointed by Granite Global Ventures III L.P. and GGV III Entrepreneurs Fund L.P.

Committees of the Board of Directors

Prior to the completion of this offering, we intend to establish an audit committee, a compensation committee and a corporate governance and nominating committee under the board of directors. We intend to adopt a charter for each of the three committees prior to the completion of this offering. Each committee's members and functions are described below.

***Audit Committee*.** Our audit committee will consist of Messrs. , , and , and will be chaired by Mr. . Mr. and Mr. satisfy the "independence" requirements of Rule 5605(c)(2) of the Listing Rules of the Nasdaq Global Market and meet the independence standards under Rule 10A-3 under the Securities Exchange Act of 1934, as amended. We have determined that Mr. qualifies as an "audit committee financial expert." The audit committee will oversee our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee will be responsible for, among other things:

- selecting the independent registered public accounting firm and pre-approving all auditing and non-auditing services permitted to be performed by the independent registered public accounting firm;

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- reviewing with the independent registered public accounting firm any audit problems or difficulties and management's response;
- reviewing and approving all proposed related party transactions, as defined in Item 404 of Regulation S-K under the Securities Act;
- discussing the annual audited financial statements with management and the independent registered public accounting firm;
- reviewing major issues as to the adequacy of our internal controls and any special audit steps adopted in light of any material control deficiencies;
- annually reviewing and reassessing the adequacy of our audit committee charter;
- meeting separately and periodically with management and the independent registered public accounting firm; and
- reporting regularly to the board.

***Compensation Committee*.** Our compensation committee will consist of Messrs. , and , and will be chaired by Mr. . Mr. and Mr. satisfy the "independence" requirements of Rule 5605(c)(2) of the Listing Rules of the Nasdaq Global Market. The compensation committee will assist the board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. Our directors may not be present at any committee meeting during which their compensation is deliberated upon. The compensation committee will be responsible for, among other things:

- reviewing the total compensation package for our executive officers and making recommendations to the board with respect to it;
- approving and overseeing the total compensation package for our executives other than the three most senior executives;
- reviewing the compensation of our directors and making recommendations to the board with respect to it; and
- periodically reviewing and approving any long-term incentive compensation or equity plans, programs or similar arrangements, annual bonuses, and employee pension and welfare benefit plans.

***Corporate Governance and Nominating Committee*.** Our nominating committee will consist of Messrs. , , and , and will be chaired by Mr. . Mr. and Mr. satisfy the "independence" requirements of Rule 5605(c)(2) of the Listing Rules of the Nasdaq Global Market. The nominating committee will assist the board in selecting individuals qualified to become our directors and in determining the composition of the board and its committees. The nominating committee will be responsible for, among other things:

- recommending nominees to the board for election or re-election to the board, or for appointment to fill any vacancy on the board;
- reviewing annually with the board the current composition of the board with regards to characteristics such as independence, age, skills, experience and availability of service to us;

- selecting and recommending to the board the names of directors to serve as members of the audit committee and the compensation committee, as well as of the nominating committee itself; and
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.

Duties of Directors

Under Cayman Islands law, our directors have a common law duty of loyalty to act honestly in good faith with a view to our best interests. Our directors also have a duty to exercise the skill they actually possess and such care and diligence that a reasonably prudent person would exercise in comparable circumstances. In fulfilling their duty of care to us, our directors must ensure compliance with our second amended and restated memorandum and articles of association. You should refer to "Description of Share Capital—Differences in Corporate Law" for additional information on our standard of corporate governance under Cayman Islands law.

Terms of Directors and Officers

Our officers are elected by and serve at the discretion of the board. Our directors are not subject to a term of office and hold office until such time as they are removed from office by special resolution or the unanimous written resolution of all shareholders. A director will be removed from office automatically if, among other things, the director (1) becomes bankrupt or makes any arrangement or composition with his creditors; or (2) dies or is found by our company to be of unsound mind.

Compensation of Directors and Executive Officers

For the fiscal year ended December 31, 2011, we paid an aggregate of approximately RMB2.8 million (US$0.4 million) in cash to our executive officers, and we did not pay any cash compensation to our non-executive directors. For details on the share incentive grants to our officers and directors, see "—Share Incentive Plans."

Share Incentive Plans

We have adopted two share incentive plans, namely, the 2009 Scheme and the 2011 Plan. The purpose of these two share incentive plans is to attract and retain the best available personnel by linking the personal interests of the members of the board, officers, employees and consultants to the success of our business and by providing such individuals with an incentive for outstanding performance to generate superior returns for our shareholders. As of September 30, 2012, options to purchase 17,870,425 common shares, 53,000,732 restricted shares and 24,103,621 restricted share units were outstanding under the 2009 Scheme and 2011 Plan. As of September 30, 2012, 14,839,242 restricted shares, granted to management outside of the 2009 Scheme and the 2011 Plan, were outstanding.

2009 Employee Equity Incentive Scheme

We adopted the 2009 Scheme in December 2009. In September 2011, YY Inc. (a) assumed all the rights and obligations of Duowan Entertainment Corp. under all share-based compensation previously issued by Duowan Entertainment Corp., including under the relevant award agreement and under the 2009 Scheme, if applicable, and (b) undertook to issue its own common shares upon the exercise of any share-based compensation awards previously issued by Duowan Entertainment Corp., subject to compliance with the terms and conditions of the relevant award agreements and the 2009 Scheme, if applicable.

Under the 2009 Scheme, the maximum number of shares in respect of which options or restricted shares may be granted is 118,166,946.

The following paragraphs summarize the terms of the 2009 Scheme.

Types of Awards. The following briefly describe the principal features of the various awards that may be granted under the 2009 Scheme.

- *Options.* Options provide for the right to purchase a specified number of our common shares at a specified price and usually will become exercisable at the discretion of our plan administrator in one or more installments after the grant date. The option exercise price may be paid, subject to the discretion of the plan administrator, in cash or check, in our common shares which have been held by the option holder for such period of time as may be required to avoid adverse accounting consequences, in other property with value equal to the exercise price, through a broker-assisted cashless exercise, or by any combination of the foregoing.
- *Restricted Shares.* A restricted share award is the grant of our common shares which are subject to certain restrictions and may be subject to risk of forfeiture. Unless otherwise determined by our plan administrator, a restricted share is nontransferable and may be forfeited or repurchased by us upon termination of employment or service during a restricted period. Our plan administrator may also impose other restrictions on the restricted shares, such as limitations on the right to vote or the right to receive dividends.

Plan Administration. Our board or a committee of one or more members of our board duly authorized for the purpose of the 2009 Scheme can act as the plan administrator.

Award Agreement. Options or restricted shares granted under the 2009 Scheme are evidenced by an award agreement that sets forth the terms, conditions and limitations for each grant.

Option Exercise Price. The exercise price in respect of any option shall be fixed by reference to the date upon which the option (or the relevant part thereof) is granted, and shall be, at the election of the plan administrator, (a) the latest valuation price per share certified by a third party valuer prior to the date of grant of the relevant option (or relevant part thereof) or (b) the latest price per share at which we have issued any shares prior to the date of grant of the relevant option (or relevant part thereof).

Eligibility. We may grant awards to our employees, officers and directors or consultants to our members.

Term of the Awards. The 2009 Scheme shall be valid and effective for a period of ten years from the date of effectiveness. The term of each option or restricted share grant shall be ten years from the date of the grant.

Vesting Schedule. In general, the plan administrator determines the vesting schedule, which is set forth in the award agreement.

Transfer Restrictions. Awards for options or restricted shares may not be transferred in any manner by the award holders and may be exercised only by such holders, subject to limited exceptions. Restricted shares may not be transferred during the period of restriction.

Termination. The plan administrator may at any time terminate the operation of the 2009 Scheme.

Prior to the adoption of the 2009 Scheme, we granted certain share options to our employees pursuant to certain share option agreements which carried substantially the same terms and conditions with those stipulated in the 2009 Scheme.

2011 Share Incentive Plan

We adopted the 2011 Plan in September 2011.

Under the 2011 Plan, the maximum number of shares in respect of which options or restricted shares may be granted is 43,000,000.

The following paragraphs summarize the terms of the 2011 Plan.

Types of Awards. The following briefly describe the principal features of the various awards that may be granted under the 2011 Plan.

- *Options*. Options provide for the right to purchase a specified number of our common shares at a specified price and usually will become exercisable at the discretion of our plan administrator in one or more installments after the grant date. The option exercise price may be paid, subject to the discretion of the plan administrator, in cash or check, in our common shares which have been held by the option holder for such period of time as may be required to avoid adverse accounting consequences, in other property with value equal to the exercise price, through a broker-assisted cashless exercise, or by any combination of the foregoing.

- *Restricted Shares*. A restricted share award is the grant of our common shares which are subject to certain restrictions and may be subject to risk of forfeiture. Unless otherwise determined by our plan administrator, a restricted share is nontransferable and may be forfeited or repurchased by us upon termination of employment or service during a restricted period. Our plan administrator may also impose other restrictions on the restricted shares, such as limitations on the right to vote or the right to receive dividends.

- *Restricted Share Units*. A restricted share unit award is the grant of the right to receive a common share at a future date and may be subject to forfeiture. Our plan administrator has the discretion to set performance objectives or other vesting criteria that will determine the number or value of restricted share units to be granted. Unless otherwise determined by our plan administrator, a restricted share unit is nontransferable and may be forfeited or repurchased by us upon termination of employment or service during a restricted period. Our plan administrator, at the time of grant, specifies the dates on which the restricted share units become fully vested.

Plan Administration. Our board or a committee of one or more members of our board duly authorized for the purpose of the 2011 Plan can act as the plan administrator.

Award Agreement. Options or restricted shares granted under the 2011 Plan are evidenced by an award agreement that sets forth the terms, conditions and limitations for each grant.

Option Exercise Price. The exercise price in respect of any option shall be determined by the plan administrator and set forth in the award agreement which may be a fixed or variable price related to the fair market value of the shares. The exercise price per share subject to an option may be amended or adjusted in the absolute discretion of the plan administrator, the determination of which shall be final, binding and conclusive.

Eligibility. We may grant awards to our employees, consultants or directors.

Term of the Awards. The 2011 Plan shall be valid and effective for a period of ten years from the date of effectiveness. The term of each option or restricted share grant shall be ten years from the date of the grant.

Vesting Schedule. In general, the plan administrator determines the vesting schedule, which is set forth in the award agreement.

Transfer Restrictions. Awards for options or restricted shares may not be transferred in any manner by the award holders and may be exercised only by such holders, subject to limited exceptions. Restricted shares may not be transferred during the period of restriction.

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Termination. The plan administrator may at any time terminate the operation of the 2011 Plan.

The following table summarizes, as of September 30, 2012, the outstanding options granted to our executive officers, directors and other individuals as a group.

	Common Shares Underlying Options Awarded	Exercise Price (US$/Share)	Date of Grant	Date of Expiration
Rongjie Dong	*	0.004898	January 1, 2008	December 31, 2016
	*	0.005510	January 1, 2008	December 31, 2017
	*	0.006735	January 1, 2009	December 31, 2018
Other Individuals as a Group	1,137,290	—	January 1, 2008	December 31, 2015
	3,189,231	0.005510	January 1, 2008	December 31, 2017
	5,415,334	0.006735	January 1, 2009	December 31, 2018
Total	17,870,425			

* The aggregate number of common shares underlying the outstanding options held by this individual is less than 1% of our total outstanding shares.

The following table summarizes, as of September 30, 2012, the outstanding restricted shares granted to our executive officers, directors and other individuals as a group.

Name	Restricted Shares Granted	Date of Grant
Tony Bin Zhao	*	February 1, 2010
	*	January 1, 2011
Jin Cao	*	February 1, 2010
Rongjie Dong	*	January 1, 2010
Jun Lei	14,839,242(1)	February 23, 2010
Other Individuals as a Group	18,383,197	January 1, 2010
	16,060,000	July 1, 2010
	500,000	October 1, 2010
	7,050,200	January 1, 2011
Total	67,839,974	

* The aggregate number of common shares underlying the outstanding restricted shares held by each of these individuals is less than 1% of our total outstanding shares.

(1) These common shares were issued to Mr. Lei in February 2010 and are included in the number of outstanding common shares as of the date of this prospectus. These common shares are subject to a service condition with a two-year vesting period remaining, and the service condition will be fully satisfied in February 2014 if Mr. Lei remains a director of our company until then.

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The following table summarizes, as of September 30, 2012, the outstanding restricted share units granted to our executive officers, directors and other individuals as a group.

Name	Common Shares Underlying Restricted Share Units Granted	Date of Grant	Vesting Schedule
Tony Bin Zhao	*	March 31, 2012	4 years[(1)]
Eric He	*	September 16, 2011	5 years[(2)]
Other Individuals as a Group	4,722,300	September 16, 2011	16-18 quarters[(3)]
	1,618,000	January 1, 2012	4 years[(4)]
	3,431,021	March 31, 2012	2-4 years[(5)]
	533,000	July 15, 2012	4 years[(6)]
	6,149,300	September 1, 2012	4 years[(7)]
	650,000	September 30, 2012	4 years[(8)]
Total	24,103,621		

* The aggregate number of common shares underlying the outstanding restricted share units, or RSUs, held by each of these individuals is less than 1% of our total outstanding shares.

(1) These RSUs were granted on March 31, 2012 and were scheduled to vest starting January 1, 2012.

(2) These RSUs were granted on September 16, 2011 and were scheduled to vest starting August 15, 2011.

(3) These RSUs were granted on September 16, 2011 and were scheduled to vest starting July 1, 2011.

(4) These RSUs were granted on January 1, 2012 and were scheduled to vest starting January 1, 2012.

(5) These RSUs were granted on March 31, 2012, among which 1,975,921 common shares underlying RSUs were scheduled to vest starting January 1, 2012 and 1,504,200 common shares underlying RSUs were scheduled to vest starting February 1, 2012.

(6) These RSUs were granted on July 15, 2012 and were scheduled to vest starting July 1, 2012.

(7) These RSUs were granted on September 1, 2012, among which 2,050,000 common shares underlying RSUs were scheduled to vest starting July 1, 2012 and 4,101,300 common shares underlying RSUs were scheduled to vest starting August 1, 2012.

(8) These RSUs were granted on September 30, 2012, among which 20,000 common shares underlying the RSUs were scheduled to vest starting February 1, 2012 and 630,000 common shares underlying the RSUs were scheduled to vest starting August 1, 2012.

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PRINCIPAL AND SELLING SHAREHOLDERS

The following table sets forth information concerning the beneficial ownership of our common shares as of the date of this prospectus, assuming the planned conversion of all of our series A, B, C-1 and C-2 preferred shares into 359,424,310 Class B common shares, by:

- each of our directors and executive officers;
- each person known to us to beneficially own more than 5% of our common shares; and
- each selling shareholder.

We will adopt a dual class common share structure immediately upon the completion of this offering. The calculations in the table below assume that there are common shares outstanding as of the date of this prospectus, including Class B common shares convertible from our outstanding preferred shares and Class A common shares to be sold by us in this offering in the form of ADSs, outstanding immediately after the completion of this offering, and that the underwriters do not exercise their over-allotment option.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days, including through the exercise of any option, warrant or other right, vesting of restricted share units or the conversion of any other security. These shares, however, are not included in the computation of the percentage ownership of any other person.

	Common Shares Beneficially Owned Prior to This Offering[1]		Class A Common Shares Being Sold in This Offering[2]		Class A Common Shares Beneficially Owned After This Offering[3]		Class B Common Shares Beneficially Owned After This Offering[4]		Voting Power After This Offering[5]
	Number	%	Number	%	Number	%	Number	%	%
Directors and Executive Officers:*									
Jun Lei[6]	215,241,483	23.8							
David Xueling Li[7]	215,241,483	23.8							
Qin Liu[8]	178,513,370	19.8							
Alexander Barrett Hartigan[9]	110,527,830	12.2							
Jenny Hong Wei Lee[10]	80,833,340	9.0							
Tony Bin Zhao[11]	19,684,180	2.2							
Eric He	—	—							
Jin Cao[12]	9,205,890	1.0							
Rongjie Dong[13]	9,851,118	1.1							
All directors and executive officers as a group	839,098,694	91.6							
Principal and Selling Shareholders:									
Top Brand Holdings Limited[14]	215,241,483	23.8							
YYME Limited[15]	215,241,483	23.8							
Morningside China TMT Fund I, L.P.[16]	113,575,140	12.6							
Steamboat Ventures Asia, L.P.[17]	110,527,830	12.2							
Granite Global Ventures III L.P.[18]	79,539,740	8.8							
Tiger Global Six YY Holdings[19]	76,710,648	8.5							
Favor Star Limited[20]	64,938,230	7.2							

Notes:

* Except for Mr. Jun Lei, Mr. Qin Liu, Mr. Alexander Barrett Hartigan, Ms. Jenny Hong Wei Lee, Mr. Tony Bin Zhao and Mr. Rongjie Dong, the business address of our directors and executive officers is c/o Building 3-08, Yangcheng Creative Industry Zone, No. 309 Huangpu Avenue Middle, Tianhe District, Guangzhou, 510655, PRC.

(1) The number of common shares outstanding in calculating the percentages for each listed person or group includes the common shares underlying the options held by such person or group exercisable, or restricted shares or restricted share units that will become vested, within 60 days of the date of this prospectus. Percentage of beneficial ownership of each listed person or group prior to this offering is based on (i) 902,765,224 common shares outstanding as of the date of this prospectus, including 359,424,310 common shares convertible from our outstanding preferred shares, and (ii) the number of common shares underlying options exercisable by such person or group, or restricted shares or restricted share units that will become vested, within 60 days of the date of this prospectus.

(2) For each person and group included in this column, percentage ownership is calculated by dividing the number of shares to be converted into Class A common shares and sold by the selling shareholders at the time of this offering, by the sum of , being the total number of Class A common shares to be sold by us and the selling shareholders in this offering, assuming the underwriters do not exercise their over-allotment option.

(3) For each person and group included in this column, percentage ownership is calculated by dividing the number of Class A common shares beneficially owned by such person or group, including shares that such person or group has the right to acquire within 60 days of the date of this prospectus, by , being the sum of the total number of Class A common shares outstanding immediately after the completion of this offering, and the number of Class A common shares that such person or group has the right to acquire within 60 days of the date of this prospectus.

(4) For each person and group in this column, percentage ownership is calculated by dividing the number of Class B common shares beneficially owned by such person or group by , being the total number of Class B common shares outstanding immediately after the completion of this offering.

(5) For each person or group included in this column, the percentage of total voting power represents voting power based on both Class A and Class B common shares held by such person or group with respect to all of our outstanding Class A and Class B common shares as one class. Each holder of Class A common shares is entitled to one vote per share. Each holder of our Class B common shares is entitled to ten votes per share on all matters requiring a shareholders' vote. Our Class B common shares are convertible at any time by the holder into Class A common shares on a one-for-one basis, whereas Class A common shares are not convertible into Class B common shares under any circumstances.

(6) Representing 215,241,483 common shares held by Top Brand Holdings Limited, a BVI company wholly owned and controlled by Mr. Lei. Among these common shares, 14,839,242 common shares are subject to a service condition with a two-year vesting period remaining, and the service condition will be fully satisfied in February 2014 if Mr. Lei remains a director of our company until then. The business address of Mr. Lei is Juanshitiandi Tower A, 12th Floor, Chaoyang District, Beijing 100102, PRC.

(7) Representing 215,241,483 common shares held by YYME Limited, a BVI company wholly owned and controlled by Mr. Li.

(8) Representing 10,450,230 common shares and 54,488,000 series A preferred shares held by Favor Star Limited and 81,612,930 series A preferred shares, 20,414,870 series B preferred shares, 1,547,420 series C-1 preferred shares and 9,999,920 series C-2 preferred shares held by Morningside China TMT Fund I, L.P. Mr. Liu is a director of our company jointly appointed by Morningside China TMT Fund I, L.P. and Favor Star Limited. The business address of Mr. Liu is No. 5, Lane 249, Anfu Road, Shanghai 200031, PRC.

(9) Representing 81,658,990 series B preferred shares, 3,869,040 series C-1 preferred shares and 24,999,800 series C-2 preferred shares held by Steamboat Ventures Asia, L.P. Mr. Hartigan is a director of our company appointed by Steamboat Ventures Asia, L.P. The business address of Mr. Hartigan is c/o Unit 1002-1004, One Corporate Ave, 222 Hu Bin Road, Shanghai 200021, PRC.

(10) Representing 10,659,950 series C-1 preferred shares and 68,879,790 series C-2 preferred shares held by Granite Global Ventures III L.P. and 173,460 series C-1 preferred shares and 1,120,140 series C-2 preferred shares held by GGV III Entrepreneurs Fund L.P. Ms. Lee is a director of our company appointed by Granite Global Ventures III L.P. and GGV III Entrepreneurs Fund L.P. The business address of Ms. Lee is Unit 3501-3504, Two IFC, 8 Century Avenue, Pudong District, Shanghai 200120, PRC.

(11) Representing 1,915,800 common shares underlying the restricted shares that became fully vested as of the date of this prospectus held by Mr. Tony Bin Zhao and 17,768,380 common shares held by YY TZ Limited, a BVI company. YY TZ Limited is ultimately wholly owned by a trust established for the benefit of Mr. Zhao's family. Mr. Zhao is deemed to hold the investment power over the trust. The business address of Mr. Zhao is 601-3-161, Tianfu Road, Tianhe District, Guangzhou City, Guangdong Province, PRC. The business address of YY TZ Limited is c/o Tony Bin Zhao, Building 3-08, Yangcheng Creative Industry Zone, No. 309 Huangpu Avenue Middle, Tianhe District, Guangzhou 510655, PRC.

(12) Representing 1,277,200 common shares underlying the restricted shares that became fully vested as of the date of this prospectus held by Mr. Jin Cao and 7,928,690 common shares held by CJ Entertainment Limited, a British Virgin Islands company. CJ Entertainment Limited is ultimately wholly owned by a trust established for the benefit of Mr. Cao's family. Mr. Cao is deemed to hold the investment power over the trust. The business address of CJ Entertainment Limited is c/o Jin Cao, Building 3-08, Yangcheng Creative Industry Zone, No. 309 Huangpu Avenue Middle, Tianhe District, Guangzhou, 510655, PRC.

(13) Representing 9,851,118 common shares underlying the restricted shares and options that became fully vested as of the date of this prospectus held by Green Leaf Global Limited, a BVI company wholly owned and controlled by Mr. Dong. The business address of Green Leaf Global Limited is c/o Rongjie Dong, 4th floor, Youhua Business Center, Yingbin North Road, Xiangzhou District, Zhuhai 519080, PRC.

(14) Representing 215,241,483 common shares held by Top Brand Holdings Limited, a British Virgin Islands company wholly owned and controlled by Mr. Lei. The business address of Top Brand Holdings Limited is c/o Jun Lei, Juanshitiandi Tower A, 12th Floor, Chaoyang District, Beijing 100102, PRC. Among these common shares, 14,839,242 common shares are subject to a service condition with a two-year vesting period, and the service condition will be fully satisfied in February 2014 if Mr. Lei remains a director of our company until then.

(15) Representing 215,241,483 common shares held by YYME Limited, a British Virgin Islands company wholly owned and controlled by Mr. Li. The business address of YYME Limited is c/o David Xueling Li, Building 3-08, Yangcheng Creative Industry Zone, No. 309 Huangpu Avenue Middle, Tianhe District, Guangzhou, 510655, PRC.

(16) Representing 81,612,930 series A preferred shares, 20,414,870 series B preferred shares, 1,547,420 series C-1 preferred shares and 9,999,920 series C-2 preferred shares held by Morningside China TMT Fund I, L.P. Morningside China TMT Fund I, L.P. is controlled by Morningside China TMT GP, L.P., its general partner. Morningside China TMT GP, L.P. is in turn controlled by TMT General Partner Ltd., its general partner. Qin Liu and Jianming Shi, directors of TMT General Partner Ltd., have beneficial interest in TMT General Partner Ltd. and are deemed to share the voting and investment power over such shares held by TMT General Partner Ltd. The business address of Morningside China TMT Fund I, L.P. is 22/F, Hang Lung Center, 2-20 Paterson Street, Causeway Bay, Hong Kong.

(17) Representing 81,658,990 series B preferred shares, 3,869,040 series C-1 preferred shares and 24,999,800 series C-2 preferred shares held by Steamboat Ventures Asia, L.P. Steamboat Ventures Asia, L.P. is controlled by Steamboat Ventures Asia Manager, L.P., its general partner, which is in turn controlled by Steamboat Ventures Asia GP, Ltd., its general partner. Steamboat Ventures Asia GP, Ltd. is controlled by John Ball, who is deemed to hold the voting and investment power over such shares held by Steamboat Ventures Asia GP, Ltd. The business address of Steamboat Ventures Asia, L.P. is c/o Walkers SPV Limited, P.O. Box 908GT, Mary Street George Town, Grand Cayman, Cayman Islands.

(18) Representing 10,659,950 series C-1 preferred shares and 68,879,790 series C-2 preferred shares held by Granite Global Ventures III L.P. Granite Global Ventures III L.P. is controlled by Granite Global Ventures L.L.C., its sole general partner. Scott Bonham, Hany Nada, Glenn Soloman, Thomas Ng, Jixun Foo, Hongwei Jenny Lee, Jessie Jin and Fumin Zhuo are managing directors of Granite Global Ventures L.L.C. and are deemed to share the voting and investment power over such shares held by Granite Global Ventures L.L.C. The business address of Granite Global Ventures III L.P. is 2494 Sand Hill Road, Suite 100, Menlo Park, CA 94025, USA.

(19) Representing 76,710,648 common shares held by Tiger Global Six YY Holdings. Tiger Global Six YY Holdings is ultimately controlled by Charles P. Coleman III. The registered address of Tiger Global Six YY Holdings is Twenty Seven, Cybercity, Ebene, Mauritius.

(20) Representing 10,450,230 common shares and 54,488,000 series A preferred shares held by Favor Star Limited. Favor Star Limited is wholly owned by Morningside Technology Investments Limited, which is in turn wholly owned by Morningside CyberVentures Holdings Limited. The ultimate beneficial owner of Morningside CyberVentures Holdings Limited is a family trust established by and for the benefit of Mdm. Chan Tan Ching Fen, who is deemed to hold the voting and investment power over such shares held by Morningside CyberVentures Holdings Limited. The business address of Favor Star Limited is 2nd Floor, Le Prince de Galles, 3-5 Avenue des Citronniers, MC 98000 Monaco.

As of the date of this prospectus, none of our outstanding common shares on an as converted basis is held by record holders in the United States. None of our shareholders has informed us that it is affiliated with a registered broker-dealer or is in the business of underwriting securities. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company. See “Description of Share Capital—History of Securities Issuances” for a description of issuances of our common shares and preferred shares that have resulted in significant changes in ownership held by our major shareholders.

RELATED PARTY TRANSACTIONS

Contractual Arrangements

Please see “Corporate History and Structure” for a description of the contractual arrangements among Beijing Huanju Shidai, Beijing Tuda and the shareholders of Beijing Tuda and the contractual arrangements among Beijing Huanju Shidai, Guangzhou Huaduo and the shareholders of Guangzhou Huaduo.

Transactions with Affiliates

In July 2010, Guangzhou Huaduo entered into a loan agreement with Zhuhai Daren and the shareholders of Zhuhai Daren, pursuant to which Guangzhou Huaduo agreed to provide interest-free loans of up to RMB2.0 million in the aggregate to Zhuhai Daren. The amount and timing of drawdown on the loan is at Zhuhai Daren’s option. Guangzhou Huaduo holds 30% equity interest in Zhuhai Daren. Zhuhai Daren borrowed RMB1.5 million in 2010 from Guangzhou Huaduo and RMB0.5 million (US$0.1 million) in 2011. As of June 30, 2012, Zhuhai Daren had repaid part of the loan but still owed us RMB1.4 million (US$0.2 million); this outstanding amount is scheduled to be repaid during the year 2012, and we expect it to be fully repaid by December 31, 2012.

Guangzhou Huaduo and Zhuhai Daren have entered into an oral arrangement under which they cooperate with respect to the operation of Daren Farm, an online game developed by Zhuhai Daren, and share revenues generated by the game. In addition, in January 2009, Guangzhou Huaduo and Zhuhai Daren entered into a cooperation agreement, under which Guangzhou Huaduo and Zhuhai Daren agreed to cooperate with respect to the operation of Daren Qipai, another online game developed by Zhuhai Daren. Under the agreement, Guangzhou Huaduo agreed to promote, and provide the users with access to, Daren Qipai on its website. Zhuhai Daren agreed to provide services relating to research, development, upgrade and maintenance of Daren Qipai. In the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, the aggregate online game revenues sharing from Zhuhai Daren was RMB0.8 million, RMB1.7 million, RMB4.5 million (US$0.7 million) and RMB2.9 million (US$0.5 million), respectively.

In 2010 and 2011, Guangzhou Huaduo and Guangzhou Shanghang Information Technical Co., Ltd., or Guangzhou Shanghang, entered into certain server co-location agreements, under which Guangzhou Shanghang provides Guangzhou Huaduo with bandwidth and server co-location services in different cities in China. In addition, Guangzhou Huaduo and Guangzhou Shanghang entered into two content delivery network acceleration service agreements, under which Guangzhou Shanghang provides content delivery network acceleration services to Guangzhou Huaduo. Guangzhou Shanghang is 28% owned by Mr. Jun Lei, our co-founder and chairman, including approximately 7% beneficially owned by Mr. David Xueling Li, our chief executive officer and director. In the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, the bandwidth costs Guangzhou Huaduo paid to Guangzhou Shanghang were zero, RMB1.8 million, RMB22.0 million (US$3.5 million) and RMB6.0 million (US$0.9 million), respectively.

Kingsoft, through third party advertising agencies, has in the past placed advertisements on Duowan.com and we expect that Kingsoft may continue to do so in the future. We indirectly derived revenues through such third party advertising agencies from Kingsoft in each of the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, none of which were in material amounts. Mr. Jun Lei, our co-founder and chairman, is currently chairman, non-executive director and minority shareholder of Kingsoft.

In January 2011, Guangzhou Huaduo entered into an agreement to invest RMB1.0 million in Zhuhai Qi Ao Yacht Club Co., Ltd., or Zhuhai Qi Ao, which was 100% owned by Mr. Lei. Zhuhai Qi Ao provides professional services and facilities for yacht owners in China. As of December 31, 2011, we and Mr. Lei owned 10.0% and 90.0% of Zhuhai Qi Ao, respectively. As of June 30, 2012, we have disposed of our 10.0% equity interest in Zhuhai Qi Ao in exchange for a payment of RMB1.0 million (US$0.2 million) from Mr. Lei.

In February 2011, Guangzhou Huaduo entered into an agreement to invest RMB2.5 million in Zhuhai JinShan Kuaikuai Technology Co., Ltd., or JinShan Kuaikuai, which was 100% indirectly owned by Kingsoft. Upon such investment, we own and Kingsoft indirectly owns 20.8% and 62.5% of JinShan KuaiKuai, respectively, with the remaining 16.7% equity interest owned by a third party. JinShan Kuai Kuai provides online game technological research services in China.

In November 2011, Guangzhou Huaduo entered into a loan agreement with Zhuhai Lequ Technology Co., Ltd., pursuant to which Guangzhou Huaduo was to provide an interest-free loan to Zhuhai Lequ Technology Co., Ltd. In March 2012, Beijing Tuda invested RMB1 million in, and held a 76.9% equity interest in, Zhuhai Lequ Technology Co., Ltd. As of June 30, 2012, Zhuhai Lequ Technology Co., Ltd.'s outstanding loan under this loan agreement was RMB0.5 million (US$0.1 million). We expect the loan to be fully repaid by December 31, 2012. We have also agreed to reduce our equity holding in Zhuhai Lequ Technology Co., Ltd. to 6.7% by transferring 70.2% of its equity interest we currently hold to its founders as soon as practicable.

In July 2012, we sold our equity interest in Shenzhen Yingpeng Information Technology Company Limited to Xiaomi Corporation for a cash consideration of RMB2.0 million (US$0.3 million). Mr. Lei Jun, our co-founder and chairman, is currently chairman of Xiaomi Corporation.

Investors' Rights Agreement and Right of First Refusal and Co-Sale Agreement

See "Description of Share Capital—Investors' Rights Agreement and Right of First Refusal and Co-Sale Agreement."

Employment Agreements

See "Management—Employment Agreements."

Share Incentives

See "Management—Share Incentive Plans."

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DESCRIPTION OF SHARE CAPITAL

We were incorporated as an exempted company with limited liability under the Companies Law of the Cayman Islands on July 22, 2011. Our affairs are currently governed by our amended and restated memorandum and articles of association and the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, which we refer to as the Companies Law below.

As of the date hereof, our authorized share capital consists of 4,640,575,690 common shares with a par value of US$0.00001 each and 359,424,310 preferred shares with a par value of US$0.00001 each, of which 136,100,930 preferred shares are designated as series A preferred shares, 102,073,860 preferred shares are designated as series B preferred shares, 16,249,870 preferred shares are designated as series C-1 preferred shares and 104,999,650 preferred shares are designated as series C-2 preferred shares. As of the date of this prospectus, there are 543,340,914 common shares, 136,100,930 series A preferred shares, 102,073,860 series B preferred shares, 16,249,870 series C-1 preferred shares and 104,999,650 series C-2 preferred shares issued and outstanding.

We plan to adopt our second amended and restated memorandum and articles of association, which will become effective upon the completion of this offering. Our second amended and restated memorandum and articles of association will provide that, upon the closing of this offering, we will have two classes of shares, the Class A common shares and Class B common shares. The following are summaries of material provisions of our second amended and restated memorandum and articles of association and the Companies Law insofar as they relate to the material terms of our common shares. You should read the form of our second amended and restated memorandum and articles of association, which have been filed as exhibits to the registration statement of which this prospectus is a part.

Common Shares

The following discussion primarily concerns our common shares and the rights of holders of common shares. Upon the closing of this offering, our common shares will be divided into Class A common shares and Class B common shares. Holders of Class A common shares and Class B common shares will have the same rights except for voting and conversion rights. The holders of ADSs will not be treated as our shareholders and will be required to surrender their ADSs for cancellation and withdrawal from the depositary facility in which the Class A common shares are held in accordance with the provisions of the deposit agreement in order to exercise shareholders' rights in respect of the Class A common shares. The depositary will agree, so far as it is practical, to vote or cause to be voted the amount of Class A common shares represented by ADSs in accordance with the non-discretionary written instructions of the holders of such ADSs. See "Description of American Depositary Shares—Voting Rights."

All of our outstanding common shares are fully paid and non-amenable. Certificates representing our common shares are issued in the registered form. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their common shares.

General meetings may be called only by the chairman of our board of directors or a majority of our board of directors and may not be called by any other person.

Meetings

Shareholders' meetings may be convened by a majority of our board of directors or chairman. Advance notice of at least ten calendar days is required for the convening of our annual general meeting and any other general meeting of our shareholders. A quorum required for a meeting of shareholders consists of at least two shareholders present or by proxy, representing not less than one-third in nominal value of the total issued voting shares in our company.

Notwithstanding that a meeting is called by shorter notice than that mentioned above, but, subject to the Companies Law, it will be deemed to have been duly called, if it is so agreed (a) in the case of a meeting called

as an annual general meeting by all of our shareholders entitled to attend and vote at the meeting; and (b) in the case of any other meeting, by a majority in number of the shareholders holding not less than 95% in nominal value of the issued shares giving that right.

No business other than the appointment of a chairman may be transacted at any general meeting unless a quorum is present at the commencement of business. However, the absence of a quorum will not preclude the appointment of a chairman. If present, the chairman of our board of directors shall be the chairman presiding at any shareholders' meetings.

A corporation being a shareholder shall be deemed for the purpose of our second amended and restated articles of association to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting or at any relevant general meeting of any class of our shareholders. Such duly authorized representative shall be entitled to exercise the same powers on behalf of the corporation that he represents as that corporation could exercise if it were our individual shareholder.

The quorum for a separate general meeting of the holders of a separate class of shares is described in "—Modification of Rights" below.

Our second amended and restated articles of association do not allow our shareholders to approve matters to be determined at shareholders' meetings by way of written resolutions without a meeting.

Voting Rights

In respect of all matters requiring a shareholders' vote, each Class A common share is entitled to one vote, and each Class B common share is entitled to ten votes, voting together as one class. Voting at any shareholders' meeting, or on a poll, is by show of hands of shareholders who are present in person or by proxy (or, in the case of a shareholder being a corporation, by its duly authorized representative) for each fully paid share of which such shareholders hold.

No shareholder shall be entitled to vote or be reckoned in a quorum, in respect of any share, unless such shareholder is duly registered as our shareholder and all calls or installments due by such shareholder to us have been paid.

If a clearing house (or its nominee(s)) or a central depositary entity, being a corporation, is our shareholder, it may authorize such person or persons as it thinks fit to act as its representative(s) at any meeting or at any meeting of any class of shareholders provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision is entitled to exercise the same powers on behalf of the clearing house or central depositary entity (or its nominee(s)) as if such person was the registered holder of our shares held by that clearing house or central depositary entity (or its nominee(s)) including the right to vote individually in a show of hands.

While there is nothing under the laws of the Cayman Islands which specifically prohibits or restricts the creation of cumulative voting rights for the election of directors of our company, it is not a concept that is accepted as a common practice in the Cayman Islands, and our company has made no provisions in our second amended and restated articles of association to allow cumulative voting for such elections.

Conversion

Each Class B common share is convertible into one Class A common share at any time by the holder thereof. Class A common shares are not convertible into Class B common shares under any circumstances. Upon

any transfer of Class B common shares by a holder to any person or entity which is not an affiliate of such holder and which is not any of our founders or any affiliates of our founders, such Class B common shares shall be automatically and immediately converted into the equivalent number of Class A common shares. In addition, if at any time, Messrs. David Xueling Li, Jun Lei, Tony Bin Zhao and Jin Cao and their affiliates collectively beneficially own less than 5% of the total number of the issued and outstanding common shares, each issued and outstanding Class B common share will be automatically and immediately converted into one Class A common share, and we will not issue any Class B common shares thereafter. Furthermore, if at any time more than 50% of the ultimate beneficial ownership of any holder of Class B common shares (other than our founders or our founders' affiliates) changes, each such Class B common share will be automatically and immediately converted into one Class A common share.

Variations of rights of shares

All or any of the rights attached to any class of shares may be varied either with the written consent of the holders of a majority of the issued shares of that class or with the sanction of an ordinary resolution passed at a general meeting of the holders of the shares of that class.

Calls on Shares and Forfeiture of Shares

Subject to our second amended and restated memorandum and articles of association which will become effective upon the completion of this offering and to the terms of allotment, our directors may from time to time make such calls upon the members in respect of any amounts unpaid on the shares held by them. The shares that have been called upon and remain unpaid on the specified time are subject to forfeiture.

Protection of Minority Shareholders

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and regarding which the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having its share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and to report thereon in such manner as the Grand Court of the Cayman Islands shall direct.

Any of our shareholders may petition the Grand Court of the Cayman Islands which may make a winding up order if the Grand Court of the Cayman Islands is of the opinion that it is just and equitable that we should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of our affairs in the future, (b) an order requiring us to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained we have omitted to do, (c) an order authorizing civil proceedings to be brought in our name and on our behalf by the shareholder petitioner on such terms as the Grand Court of the Cayman Islands may direct, or (d) an order providing for the purchase of the shares of any of our shareholders by other shareholders or us and, in the case of a purchase by us, a reduction of our capital accordingly.

Generally, claims against us must be based on the general laws of contract or tort applicable in the Cayman Islands or individual rights as shareholders as established by our second amended and restated articles of association.

Pre-Emption Rights

There are no pre-emption rights applicable to the issue of new shares under either Cayman Islands law or our second amended and restated memorandum and articles of association.

Liquidation Rights

Subject to any future shares which are issued with specific rights, (a) if we are wound up and the assets available for distribution among our shareholders are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed pari passu among those shareholders in proportion to the amount paid up at the commencement of the winding up on the shares held by them, respectively, and (b) if we are wound up and the assets available for distribution among the shareholders as such are insufficient to repay the whole of the paid-up capital, those assets shall be distributed so that, as nearly as may be, the losses shall be borne by the shareholders in proportion to the capital paid up at the commencement of the winding up on the shares held by them, respectively.

If we are wound up (whether the liquidation is voluntary or by the court), the liquidator may with the sanction of our special resolution and any other sanction required by the Companies Law, divide among our shareholders in specie or kind the whole or any part of our assets (whether or not they shall consist of property of the same kind) and may, for such purpose, set such value as the liquidator deems fair upon any property to be divided and may determine how such division shall be carried out as between the shareholders or different classes of shareholders. The liquidator may also vest the whole or any part of these assets in trustees upon such trusts for the benefit of the shareholders as the liquidator shall think fit, but so that no shareholder will be compelled to accept any assets, shares or other securities upon which there is a liability.

The consideration received by each holder of a Class A common share and a holder of a Class B common share will be the same in any liquidation event.

Modification of Rights

Alterations to our second amended and restated memorandum and articles of association may only be made by special resolution, meaning a majority of not less than two-thirds of votes cast at a shareholders' meeting.

If at any time, our share capital is divided into different classes of shares, all or any of the special rights attached to any class of shares may, subject to the provisions of the Companies Law, be varied with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class. Consequently, the rights of any class of shares cannot be detrimentally altered without a majority of two-thirds of the vote of all of the shares in that class. The provisions of our second amended and restated articles of association relating to general meetings shall apply similarly to every such separate general meeting, but so that the quorum for the purposes of any such separate general meeting or at the adjourned meeting shall be a person or persons together holding (or represented by proxy) on the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class, that every holder of shares of the class shall be entitled on a poll to one vote for every such share held by such holder and that any holder of shares of that class present in person or by proxy may demand a poll.

The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* with such existing class of shares.

Alteration of Capital

We may from time to time by ordinary resolution in accordance with the Companies Law alter the conditions of our second amended and restated memorandum of association to:

- increase our capital by such sum, to be divided into shares of such amounts, as the resolution shall prescribe;
- consolidate and divide all or any of our share capital into shares of larger amounts than our existing shares;

- cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law;
- sub-divide our shares or any of them into shares of smaller amount than is fixed by our second amended and restated memorandum of association, subject nevertheless to the Companies Law, so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such subdivision, one or more of the shares may have any such preferred or other special rights over, or may have such deferred rights or be subject to any such restrictions as compared with the others, as we have power to attach to unissued or new shares; and
- divide shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares, attach to the shares respectively any preferential, deferred, qualified or special rights, privileges, conditions or such restrictions that in the absence of any such determination in a general meeting may be determined by our directors.

We may, by special resolution, subject to any confirmation or consent required by the Companies Law, reduce our share capital or any capital redemption reserve in any manner authorized by law.

Transfer of Shares

Subject to any applicable restrictions set forth in our second amended and restated articles of association, including, for example, the board of directors' discretion to refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve, or any share issued under share incentive plans for employees upon which a restriction on transfer imposed thereby still subsists, or a transfer of any share to more than four joint holders, any of our shareholders may transfer all or any of his or her shares by an instrument of transfer in the usual or common form or in a form prescribed by the Nasdaq Global Market or in another form that our directors may approve.

Our directors may decline to register any transfer of any share which is not paid up or on which we have a lien. Our directors may also decline to register any transfer of any share unless:

- the instrument of transfer is lodged with us and is accompanied by the certificate for the shares to which it relates and such other evidence as our directors may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is in respect of only one class of share;
- the instrument of transfer is properly stamped (in circumstances where stamping is required); and
- fee of such maximum sum as the Nasdaq Global Market may determine to be payable or such lesser sum as our directors may from time to time require is paid to us in respect thereof.

If our directors refuse to register a transfer, they shall, within three months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, after compliance with any notice requirement of the Nasdaq Global Market, be suspended and the register closed at such times and for such periods as our directors may from time to time determine; provided, however, that the registration of transfers shall not be suspended nor the register closed for more than 30 days in any year as our directors may determine.

Register of Members

In accordance with Section 48 of the Companies Law, the register of members is prima facie evidence of the registered holder or member of shares of a company. Therefore, a person becomes a registered holder or member

of shares of the company only upon entry being made in the register of members. Our directors will maintain one register of members, at the office of Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands, which provides us with corporate administrative services. We will perform the procedures necessary to register the shares in the register of members as required in "PART III—Distribution of Capital and Liability of Members of Companies and Associations" of the Companies Law, and will ensure that the entries on the register of members are made without any delay.

The depositary will be included in our register of members as the only holder of the common shares underlying the ADSs in this offering. The shares underlying the ADSs are not shares in bearer form, but are in registered form and are "non-negotiable" or "registered" shares in which case the shares underlying the ADSs can only be transferred on the books of the company in accordance with Section 166 of the Companies Law.

In the event that we fail to update our register of members, the recourse of investors is directly to the depositary under the terms of the deposit agreement, which is governed by New York law. The depositary will have recourse against us under the terms of the deposit agreement, and also will hold a share certificate evidencing the depositary as the registered holder of shares underlying the ADSs. Further, Section 46 of the Companies Law provides for recourse to be available to our investors in case we fail to update our register of members. In the event we fail to update our register of member, the depositary, as the aggrieved party, may apply for an order with the courts of the Cayman Islands for the rectification of the register.

Share Repurchases

We are empowered by the Companies Law and our second amended and restated articles of association to purchase our own shares, subject to certain restrictions. Our directors may only exercise this power on our behalf, subject to the Companies Law, our second amended and restated memorandum and articles of association and to any applicable requirements imposed from time to time by the Nasdaq Global Market, the Securities and Exchange Commission, or the SEC, or by any other recognized stock exchange on which our securities are listed.

Dividends

Subject to the Companies Law, our company in a general meeting or our directors may declare dividends in any currency to be paid to our shareholders. Dividends may be declared and paid out of our profits, realized or unrealized, or from any reserve set aside from profits which our directors determine is no longer needed. Our board of directors may also declare and pay dividends out of the share premium account or any other fund or account that can be authorized for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provides, (a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated for this purpose as paid up on that share and (b) all dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

Our directors may also pay interim dividends, whenever our financial position, in the opinion of our directors, justifies such payment.

Our directors may deduct from any dividend or bonus payable to any shareholder all sums of money (if any) presently payable by such shareholder to us on account of calls or otherwise.

No dividend or other money payable by us on or in respect of any share shall bear interest against us.

In respect of any dividend proposed to be paid or declared on our share capital, our directors may resolve and direct that (a) such dividend be satisfied wholly or in part in the form of an allotment of shares credited as

fully paid up, provided that our shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof if our directors so determine) in cash in lieu of such allotment or (b) the shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as our directors may think fit. Our shareholders may, upon the recommendation of our directors, by ordinary resolution resolve in respect of any particular dividend that, notwithstanding the foregoing, a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend interest or other sum payable in cash to the holder of shares may be paid by check or warrant sent by mail addressed to the holder at his registered address, or addressed to such person and at such addresses as the holder may direct. Every check or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the check or warrant by the bank on which it is drawn shall constitute a good discharge to us.

All dividends unclaimed for one year after having been declared may be invested or otherwise made use of by our board of directors for the benefit of our company until claimed. Any dividend unclaimed after a period of six years from the date of declaration of such dividend shall be forfeited and reverted to us.

Whenever our directors have resolved that a dividend be paid or declared, our directors may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe for our securities or securities of any other company. Where any difficulty arises with regard to such distribution, our directors may settle it as they think expedient. In particular, our directors may issue fractional certificates, ignore fractions altogether or round the same up or down, fix the value for distribution purposes of any such specific assets, determine that cash payments shall be made to any of our shareholders upon the footing of the value so fixed in order to adjust the rights of the parties, vest any such specific assets in trustees as may seem expedient to our directors, and appoint any person to sign any requisite instruments of transfer and other documents on behalf of the persons entitled to the dividend, which appointment shall be effective and binding on our shareholders.

Untraceable Shareholders

We are entitled to sell any shares of a shareholder who is untraceable, provided that:

- all checks or warrants in respect of dividends of such shares, not being less than three in number, for any sums payable in cash to the holder of such shares have remained un-cashed for a period of 12 years prior to the publication of the advertisement and during the three months referred to in the third bullet point below;
- we have not during that time received any indication of the whereabouts or existence of the shareholder or person entitled to such shares by death, bankruptcy or operation of law; and
- we, if so required by the rules of the Nasdaq Global Market, have caused an advertisement to be published in newspapers in accordance with such applicable rules giving notice of our intention to sell these shares, and a period of three months (or such shorter period as permitted under the applicable rules) has elapsed since such advertisement.

The net proceeds of any such sale shall belong to us, and when we receive these net proceeds we shall become indebted to the former shareholder for an amount equal to such net proceeds.

Inspection of Books and Records

Holders of our common shares will have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records. However, we will provide our shareholders with annual audited financial statements. See “Where You Can Find Additional Information.”

History of Securities Issuances

On July 22, 2011, YY Inc. was established. On September 6, 2011, YY Inc. entered into a share exchange agreement with then shareholders of Duowan BVI, under the terms of which YY Inc. issued one preferred or common share in exchange for each of the preferred or common share that these shareholders held in Duowan BVI. As a result of the share exchange, YY Inc. became our group's ultimate holding company.

The following is a summary of our securities issuance of Duowan BVI during the past three years, which were outstanding prior to the share exchange between Duowan BVI and YY Inc.

Common Shares, Preferred Shares and Warrant Grants

In December 2009, Duowan BVI issued to Granite Global Ventures III L.P., GGV III Entrepreneurs Fund L.P., Steamboat Ventures Asia, L.P. and Morningside China TMT Fund I, L.P. 21,755, 354, 7,896 and 3,158 series C-1 preferred shares to for considerations of US$0.9 million , US$13.9 thousands, US$0.3 million and US$0.1 million, respectively, and 140,571, 2,286, 51,020 and 20,408 series C-2 preferred shares for considerations of US$6,9 million, US$0.1 million, US$2.5 million and US$1.0 million, respectively.

In July 2010, Duowan BVI effected a 1:490 share split. After the share split, it issued 13,369,813 and 29,678,483 common shares to Messrs. David Xueling Li and Jun Lei, respectively, in exchange for their agreeing to enter into certain employment agreements and restricted share agreements with Duowan BVI.

In August 2010, Duowan BVI issued 17,768,380 and 7,928,690 common shares to Messrs. Tony Bin Zhao and Jin Cao pursuant to their exercises of the warrants.

In January 2011, Duowan BVI issued to Tiger Global Six YY Holdings 25,570,216 common shares for consideration of US$25.0 million and a warrant to purchase 25,570,216 common shares for consideration of US$25.0 million. In February 2011, Duowan BVI issued to Tiger Global Six YY Holdings additional 25,570,216 common shares for consideration of US$25.0 million. In July 2011, Duowan BVI issued to Tiger Global Six YY Holdings 25,570,216 common shares pursuant to its exercise of the warrant.

In August 2011, Morningside Technology Investments Limited transferred 10,450,230 common shares to Favor Star Limited and ceased to be a shareholder of Duowan BVI.

Option and Restricted Share Grants

Duowan BVI has granted options to purchase its common shares and restricted shares to certain of our directors, executive officers and employees and consultants, some under our 2009 Scheme, for their past and future services. As of September 30, 2012, there were, in the aggregate, 17,870,425 of our common shares underlying our outstanding options, 53,000,732 restricted shares and 24,103,621 restricted share units outstanding under the 2009 Scheme and the 2011 Plan. As of September 30, 2012, 14,839,242 restricted shares, granted to management outside of the 2009 Scheme and the 2011 Plan, were outstanding. See "Management—Share Incentive Plans."

As part of our preparations in anticipation of this offering, YY Inc. was established in July 2011 and one subscriber share with a par value of US$0.01 was allotted and issued to Mr. David Xueling Li. In August 2011, YY Inc. divided its share capital of US$50,000 into 4,640,575,690 common shares of a par value of US$0.00001 each, and 359,424,310 preferred shares of a par value of US$0.00001 each, of which 136,100,930 shares were designated series A preferred shares, 102,073,860 shares were designated series B preferred shares, 16,249,870 shares were designated series C-1 preferred shares, and 104,999,650 shares were designated series C-2 preferred shares, and at the same time, issued a total of 4,640,575,690 common shares in exchange for the existing common shares of Duowan BVI, as well as 136,100,930 series A preferred shares, 102,073,860 series B preferred shares, 16,249,870 series C-1 preferred shares and 104,999,650 series C-2 preferred shares in exchange for all the common and preferred shares previously held in Duowan BVI.

Investors' Rights Agreement and Right of First Refusal and Co-Sale Agreement

In connection with our issuance of series A, B, C-1 and C-2 preferred shares, we and all our shareholders entered into an investors' rights agreement and a right of first refusal and co-sale agreement in August 2011. The investors' rights agreement was entered into by and among YY Inc., its subsidiaries and affiliated Chinese entities, certain directors and executive officers, namely Mr. David Xueling Li, Mr. Jun Lei, Mr. Tony Bin Zhao and Mr. Jin Cao, Favor Star Limited, Morningside China TMT Fund I, L.P., Steamboat Ventures Asia, L.P., Granite Global Ventures III L.P., GGV III Entrepreneurs Fund L.P. and Tiger Global Six YY Holdings.

Under the investors' rights agreement and our amended and restated memorandum and articles of association, our series A, B, C-1 and C-2 preferred shareholders are entitled to registration rights and certain preferential rights, including non-cumulative dividend rights, liquidation preference, veto rights on certain corporate matters, right of first refusal and co-sale right in the event that any of our founders proposes to sell, pledge or otherwise transfer any shares of us and our company does not fully exercise its right of first refusal. Except for the registration rights, all preferred shareholders' rights will automatically terminate upon the completion of this offering.

Registration Rights

Pursuant to our investors' rights agreement, we have granted certain registration rights to our shareholders. As of the date of this prospectus, there were 446,585,188 shares entitled to registration rights pursuant to the investors' rights agreement. Set forth below is a description of the registration rights granted under the agreement.

***Demand Registration Rights*.** At any time following the date that is earlier of (i) three years following August 19, 2008 and (ii) six months following the effective date of the registration statement of which this prospectus is a part, upon a written request from the holders of at least 25% of the registrable securities held by our preferred shareholders, we shall file a registration statement on a form other than Form F-3 covering the offer and sale of the registrable securities held by the requesting shareholders and other holders of registrable securities who choose to participate in the offering, if the offering covers at least 20% of the then outstanding registrable securities or if the reasonable anticipated offering price to the public, net of selling expenses, would exceed US$10.0 million. Registrable securities include, among others, our common shares not previously sold to the public and common shares issued or issued upon conversion of the preferred shares.

However, we are not obligated to proceed with a demand registration if we have, within any six-month period, already effected a registration under the Securities Act pursuant to the exercise of the holders' demand registration rights. We have the right to defer filing of a registration statement for up to 90 days if our board of directors determines in good faith that the filing of a registration statement would be materially detrimental to us, but we cannot exercise the deferral right more than once in any 12-month period.

***Form F-3 Registration Rights*.** When we are eligible for registration on Form F-3, upon a written request from any holders of the registrable securities held by our preferred shareholders, we shall file a registration statement on Form F-3 covering the offer and sale of the registrable securities.

We are not obligated to effect a Form F-3 registration, among other things, if we have, within any six-month period, already effected a registration under the Securities Act pursuant to the exercise of the holders' Form F-3 registration rights, or the dollar amount of securities to be sold is of an aggregate price to the public of less than US$1.0 million. We have the right to defer filing of a registration statement for up to 90 days if our board of directors, including a majority of the directors appointed by the preferred shareholders and Tiger Global Six YY Holdings, determines in good faith that the filing of a registration statement would be materially detrimental to us, but we cannot exercise the deferral right more than once in any 12-month period.

***Piggyback Registration Rights*.** If we propose to file a registration statement for a public offering of our common shares on a form that would be suitable only for registrable securities, we must offer holders of

registrable securities an opportunity to include in that registration all or any part of their registrable securities. The underwriters of any underwritten offering have the right to limit the number of shares with registration rights to be included in the registration statement, subject to certain limitations.

Expenses of Registration**.** We will pay all expenses relating to any demand, Form F-3, or piggyback registration.

Termination of Obligations**.** We shall have no obligation to effect any demand, Form F-3, or piggyback registration (a) five years after the completion of this offering, (b) if, in the opinion of counsel to us satisfactory to the holder, all such registrable securities proposed to be sold by a holder may then be sold under Rule 144 or another similar exemption under the Securities Act in one transaction without exceeding the volume limitations thereunder or (c) upon a liquidation event.

Differences in Corporate Law

The Companies Law of the Cayman Islands is modeled after that of the United Kingdom but does not follow recent United Kingdom statutory enactments. In addition, the Companies Law differs from laws applicable to United States corporations and their shareholders. Set forth below is a summary of the significant differences between the provisions of the Companies Law applicable to us and the laws applicable to companies incorporated in the United States and their shareholders.

Mergers and Similar Arrangements**.** The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company; and (b) a "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies in the consolidated company. A merger of two or more constituent companies under Cayman Islands law requires a plan of merger or consolidation to be approved by the directors of each constituent company and (a) authorization by a special resolution of the members of each constituent company and (b) such other authorization, if any, as may be specified in such constituent company's articles of association.

A merger between a Cayman parent company and its Cayman subsidiary or subsidiaries does not require authorization by a resolution of shareholders. For this purpose a subsidiary is a company of which at least 90% of the votes cast at its general meeting are held by the parent company.

The consent of each holder of a fixed or floating security interest over a constituent company is required unless this requirement is waived by a court in the Cayman Islands.

Save in certain circumstances, a dissentient shareholder of a Cayman constituent company is entitled to payment of the fair value of his shares upon dissenting to a merger or consolidation. The exercise of appraisal rights will preclude the exercise of any other rights save for the right to seek relief on the grounds that the merger or consolidation is void or unlawful. In addition, there are statutory provisions that facilitate the reconstruction and amalgamation of companies, provided that the arrangement is approved by a majority in number of each class of shareholders and creditors (representing 75% by value) with whom the arrangement is to be made, and who must, in addition, represent three-fourths in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in person or by proxy at a meeting, or meetings, convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved, the court can be expected to approve the arrangement if it determines that:

- the statutory provisions as to the required majority vote have been met;

- the shareholders have been fairly represented at the meeting in question and the statutory majority are acting bona fide without coercion of the minority to promote interests adverse to those of the class;
- the arrangement is such that it may be reasonably approved by an intelligent and honest man of that class acting in respect of his interest; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Law.

When a takeover offer is made and accepted by holders of 90% of the shares within four months, the offeror may, within a two-month period commencing on the expiration of such four-month period, require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed in the case of an offer which has been so approved unless there is evidence of fraud, bad faith or collusion.

If an arrangement and reconstruction is thus approved, the dissenting shareholder would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of Delaware corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

***Shareholder Proposals*.** Cayman Islands laws do not provide shareholders with an express right to put any proposal before the annual meeting of shareholders. By contrast, in keeping with common law, Delaware corporations generally afford shareholders an opportunity to make proposals and nominations provided that they comply with the notice provisions in the certificate of incorporation or bylaws. A special meeting may be called by the board of directors or any other person authorized to do so in the certificate of incorporation or bylaws, but shareholders may be precluded from calling special meetings. With respect to shareholder proposals, Cayman Islands law is essentially the same as Delaware law. The Cayman Islands Companies Law does not provide shareholders with an express right to put forth any proposal before the annual meeting of the shareholders. However, depending on what is stipulated in a company's articles of association, shareholders in an exempted Cayman Islands company may make proposals in accordance with the relevant notice provisions. For shares that are represented by ADSs, the depositary in many cases may be the only shareholder. In such cases, only the depositary has the direct right to requisition a shareholders' meeting. However, unless otherwise provided in the deposit agreement, the holders of the ADSs generally do not have the right to petition the depositary to requisition a shareholders' meeting or to put forth shareholder proposals through the depositary.

Shareholders' Suits. In principle, we will normally be the proper plaintiff and a derivative action may not be brought by a minority shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, exceptions to the foregoing principle apply in circumstances in which:

- a company is acting or proposing to act illegally or beyond the scope of its authority;
- the act complained of, although not beyond the scope of the company's authority, could be effected duly if authorized by more than a simple majority vote which has not been obtained; or
- those who control the company are perpetrating a "fraud on the minority."

***Corporate Governance*.** Cayman Islands laws do not restrict transactions with directors but a director of a Cayman Islands company is in the position of a fiduciary with respect to the company and a director is required to exercise a duty of care, a duty to act *bona fide* in the best interests of the company, a duty not to make a profit based on his or her position as director (unless the company permits him to do so) and a duty not to put himself in a position where the interests of the company conflict with his or her personal interest or his or her duty to a third party. A director of a Cayman Islands company also owes to the company a duty to act with skill and care. Under our second amended and restated memorandum and articles of association, subject to any separate

requirement for audit committee approval under the applicable rules of the Nasdaq Global Market or unless disqualified by the chairman of the relevant board meeting, so long as a director discloses the nature of his interest in any contract or arrangement which he is interested in, such a director may vote in respect of any contract or proposed contract or arrangement in which such director is interested and may be counted in the quorum at such a meeting.

Indemnification**.** Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime.

Under our second amended and restated memorandum and articles of association, we may indemnify our directors, officers or any trustee acting in relation to the affairs of our company against all actions, proceedings, costs, charges, losses, damages and expenses which they may incur or sustain by reason of their acting as our directors, officers or trustee, except for any matters in respect of any fraud or dishonesty which may attach to any of the said persons.

We intend to enter into indemnification agreements with our directors and executive officers to indemnify them to the fullest extent permitted by applicable law and our second amended and restated articles of association, from and against all costs, charges, expenses, liabilities and losses incurred in connection with any litigation, suit or proceeding to which such director is or is threatened to be made a party, witness or other participant.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling us under the foregoing provisions, we have been advised that in the opinion of the Securities and Exchange Commission, or the SEC, such indemnification is against public policy as expressed in the Securities Act and therefore is unenforceable.

DESCRIPTION OF AMERICAN DEPOSITARY SHARES

American Depositary Shares

Deutsche Bank Trust Company Americas, as depositary, will register and deliver the ADSs. Each ADS will represent ownership of Class A common shares deposited with the office in Hong Kong of Deutsche Bank AG, Hong Kong Branch, as custodian for the depositary. Each ADS will also represent ownership of any other securities, cash or other property which may be held by the depositary. The depositary's corporate trust office at which the ADSs will be administered is located at 60 Wall Street, New York, NY 10005, USA. The principal executive office of the depositary is located at 60 Wall Street, New York, NY 10005, USA.

The Direct Registration System, or DRS, is a system administered by The Depository Trust Company, or DTC, pursuant to which the depositary may register the ownership of uncertificated ADSs, which ownership shall be evidenced by periodic statements issued by the depositary to the ADS holders entitled thereto.

We will not treat ADS holders as our shareholders and accordingly, you, as an ADS holder, will not have shareholder rights. Cayman Islands law governs shareholder rights. The depositary will be the holder of the Class A common shares underlying your ADSs. As a holder of ADSs, you will have ADS holder rights. A deposit agreement among us, the depositary and you, as an ADS holder, and the beneficial owners of ADSs sets out ADS holder rights as well as the rights and obligations of the depositary. The laws of the State of New York govern the deposit agreement and the ADSs.

The following is a summary of the material provisions of the deposit agreement. For more complete information, you should read the entire deposit agreement and the form of American Depositary Receipt. For directions on how to obtain copies of those documents, see "Where You Can Find Additional Information."

Holding the ADSs

How will you hold your ADSs?

You may hold ADSs either (1) directly (a) by having an American Depositary Receipt, or ADR, which is a certificate evidencing a specific number of ADSs, registered in your name, or (b) by holding ADSs in DRS, or (2) indirectly through your broker or other financial institution. If you hold ADSs directly, you are an ADS holder. This description assumes you hold your ADSs directly. If you hold the ADSs indirectly, you must rely on the procedures of your broker or other financial institution to assert the rights of ADS holders described in this section. You should consult with your broker or financial institution to find out what those procedures are.

Dividends and Other Distributions

How will you receive dividends and other distributions on the shares?

The depositary has agreed to pay to you the cash dividends or other distributions it or the custodian receives on Class A common shares or other deposited securities, after deducting its fees and expenses. You will receive these distributions in proportion to the number of Class A common shares your ADSs represent as of the record date (which will be as close as practicable to the record date for our Class A common shares) set by the depositary with respect to the ADSs.

- ***Cash.*** The depositary will convert any cash dividend or other cash distribution we pay on the Class A common shares or any net proceeds from the sale of any Class A common shares, rights, securities or other entitlements into U.S. dollars if it can do so on a reasonable basis, and can transfer the U.S. dollars to the United States. If that is not possible or lawful or if any government approval is needed and cannot be obtained, the deposit agreement allows the depositary to distribute the foreign currency only to those ADS holders to whom it is possible to do so. It will hold the foreign currency it cannot convert for the account of the ADS holders who have not been paid and such funds will be held in a segregated account. It will not invest the foreign currency and it will not be liable for any interest.

- Before making a distribution, any taxes or other governmental charges, together with fees and expenses of the depositary, that must be paid, will be deducted. See “Taxation.” It will distribute only whole U.S. dollars and cents and will round fractional cents to the nearest whole cent. *If the exchange rates fluctuate during a time when the depositary cannot convert the foreign currency, you may lose some or all of the value of the distribution.*
- ***Shares.*** The depositary may distribute additional ADSs representing any Class A common shares we distribute as a dividend or free distribution to the extent reasonably practicable and permissible under law. The depositary will only distribute whole ADSs. It will try to sell Class A common shares which would require it to deliver a fractional ADS and distribute the net proceeds in the same way as it does with cash. If the depositary does not distribute additional ADSs, the outstanding ADSs will also represent the new Class A common shares. The depositary may sell a portion of the distributed Class A common shares sufficient to pay its fees and expenses in connection with that distribution.
- ***Elective Distributions in Cash or Shares.*** If we offer holders of our Class A common shares the option to receive dividends in either cash or shares, the depositary, after consultation with us and having received timely notice as described in the deposit agreement of such elective distribution by us, has discretion to determine to what extent such elective distribution will be made available to you as a holder of the ADSs. We must first instruct the depositary to make such elective distribution available to you and furnish it with satisfactory evidence that it is legal to do so. The depositary could decide it is not legal or reasonably practical to make such elective distribution available to you, or it could decide that it is only legal or reasonably practical to make such elective distribution available to some but not all holders of the ADSs. In such case, the depositary shall, on the basis of the same determination as is made in respect of the Class A common shares for which no election is made, distribute either cash in the same way as it does in a cash distribution, or additional ADSs representing Class A common shares in the same way as it does in a share distribution. The depositary is not obligated to make available to you a method to receive the elective dividend in shares rather than in ADSs. There can be no assurance that you will be given the opportunity to receive elective distributions on the same terms and conditions as the holders of Class A common shares.
- ***Rights to Purchase Additional Shares.*** If we offer holders of our Class A common shares any rights to subscribe for additional shares or any other rights, the depositary may after consultation with us and having received timely notice as described in the deposit agreement of such distribution by us, make these rights available to you. We must first instruct the depositary to make such rights available to you and furnish the depositary with satisfactory evidence that it is legal to do so. If the depositary decides it is not legal and practical to make the rights available but that it is practical to sell the rights, the depositary will use reasonable efforts to sell the rights and distribute the net proceeds in the same way as it does with cash. The depositary will allow rights that are not distributed or sold to lapse. In that case, you will receive no value for them.

  If the depositary makes rights available to you, it will exercise the rights and purchase the shares on your behalf. The depositary will then deposit the shares and deliver ADSs to you. It will only exercise rights if you pay it the exercise price and any other charges the rights require you to pay.

  U.S. securities laws may restrict transfers and cancellation of the ADSs represented by shares purchased upon exercise of rights. For example, you may not be able to trade these ADSs freely in the United States. In this case, the depositary may deliver restricted depositary shares that have the same terms as the ADSs described in this section except for changes needed to put the necessary restrictions in place.
- ***Other Distributions.*** Subject to receipt of timely notice, as described in the deposit agreement, from us with the request to make any such distribution available to you, and provided the depositary has determined such distribution is lawful and reasonably practicable and feasible and in accordance with the terms of the deposit agreement, the depositary will send to you anything else we distribute on deposited securities by any means it thinks is legal, fair and practical. If it cannot make the distribution

in that way, the depositary has a choice: it may decide to sell what we distributed and distribute the net proceeds in the same way as it does with cash; or, it may decide to hold what we distributed, in which case ADSs will also represent the newly distributed property. However, the depositary is not required to distribute any securities (other than ADSs) to you unless it receives satisfactory evidence from us that it is legal to make that distribution. The depositary may sell a portion of the distributed securities or property sufficient to pay its fees and expenses in connection with that distribution.

The depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any ADS holders. We have no obligation to register ADSs, shares, rights or other securities under the Securities Act. We also have no obligation to take any other action to permit the distribution of ADSs, shares, rights or anything else to ADS holders. This means that you may not receive the distributions we make on our shares or any value for them if it is illegal or impractical for us to make them available to you.

Deposit, Withdrawal and Cancellation

How are ADSs issued?

The depositary will deliver ADSs if you or your broker deposit Class A common shares or evidence of rights to receive Class A common shares with the custodian. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will register the appropriate number of ADSs in the names you request and will deliver the ADSs to or upon the order of the person or persons entitled thereto.

Except for Class A common shares deposited by us in connection with this offering, no shares will be accepted for deposit during a period of 180 days after the date of this prospectus. The 180-day lock-up period is subject to adjustment under certain circumstances as described in the section entitled "Shares Eligible for Future Sale— Lock-up Agreements."

How do ADS holders cancel an American Depositary Share?

You may turn in your ADSs at the depositary's corporate trust office or by providing appropriate instructions to your broker. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will deliver the Class A common shares and any other deposited securities underlying the ADSs to you or a person you designate at the office of the custodian. Or, at your request, risk and expense, the depositary will deliver the deposited securities at its corporate trust office, if feasible.

How do ADS holders interchange between Certificated ADSs and Uncertificated ADSs?

You may surrender your ADR to the depositary for the purpose of exchanging your ADR for uncertificated ADSs. The depositary will cancel that ADR and will send you a statement confirming that you are the owner of uncertificated ADSs. Alternatively, upon receipt by the depositary of a proper instruction from a holder of uncertificated ADSs requesting the exchange of uncertificated ADSs for certificated ADSs, the depositary will execute and deliver to you an ADR evidencing those ADSs.

Voting Rights

How do you vote?

You may instruct the depositary to vote the Class A common shares or other deposited securities underlying your ADSs. *Otherwise, you could exercise your right to vote directly if you withdraw the Class A common shares. However, you may not know about the meeting sufficiently enough in advance to withdraw the Class A common shares.*

If we ask for your instructions and upon timely notice from us by regular, ordinary mail delivery, or by electronic transmission, as described in the deposit agreement, the depositary will notify you of the upcoming

vote and arrange to deliver our voting materials to you. The materials will (1) describe the matters to be voted on and (2) explain how you may instruct the depositary to vote the Class A common shares or other deposited securities underlying your ADSs as you direct, including an express indication that such instruction may be given or deemed given in accordance with the second to last sentence of this paragraph if no instruction is received, to the depositary to give a discretionary proxy to a person designated by us. For instructions to be valid, the depositary must receive them in writing on or before the date specified. The depositary will try, as far as practical, subject to the laws of the Cayman Islands and the provisions of our memorandum and articles of association, to vote or to have its agents vote the Class A common shares or other deposited securities as you instruct. The depositary will only vote or attempt to vote as you instruct. If we timely requested the depositary to solicit your instructions but no instructions are received by the depositary from an owner with respect to any of the deposited securities represented by the ADSs of that owner on or before the date established by the depositary for such purpose, the depositary shall deem that owner to have instructed the depositary to give a discretionary proxy to a person designated by us with respect to such deposited securities, and the depositary shall give a discretionary proxy to a person designated by us to vote such deposited securities. However, no such instruction shall be deemed given and no such discretionary proxy shall be given with respect to any matter if we inform the depositary we do not wish such proxy given, substantial opposition exists or the matter materially and adversely affects the rights of holders of the Class A common shares.

We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote the Class A common shares underlying your ADSs. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions. *This means that you may not be able to exercise your right to vote and you may have no recourse if the Class A common shares underlying your ADSs are not voted as you requested.*

Advance notice of at least ten clear days is required for the convening of our annual general meeting and any other general meeting of our shareholders. In order to give you a reasonable opportunity to instruct the depositary as to the exercise of voting rights relating to deposited securities, if we request the depositary to act, we will try to give the depositary notice of any such meeting and details concerning the matters to be voted upon more than 30 business days in advance of the meeting date.

Fees and Expenses

As an ADS holder, you will be required to pay the following service fees to the depositary bank:

Service	Fees
• Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property	Up to US$0.05 per ADS issued
• Cancellation of ADSs, including the case of termination of the deposit agreement	Up to US$0.05 per ADS cancelled
• Distribution of cash dividends or other cash distributions	Up to US$0.05 per ADS held
• Distribution of ADSs pursuant to share dividends, free share distributions or exercise of rights.	Up to US$0.05 per ADS held
• Distribution of securities other than ADSs or rights to purchase additional ADSs	A fee equivalent to the fee that would be payable if securities distributed to you had been Class A common shares and the Class A common shares had been deposited for issuance of ADSs
• Depositary services	Up to US$0.05 per ADS held on the applicable record date(s) established by the depositary bank
• Transfer of ADRs	U.S. $1.50 per certificate presented for transfer

As an ADS holder, you will also be responsible to pay certain fees and expenses incurred by the depositary bank and certain taxes and governmental charges (in addition to any applicable fees, expenses, taxes and other governmental charges payable on the deposited securities represented by any of your ADSs) such as:

- Fees for the transfer and registration of Class A common shares charged by the registrar and transfer agent for the Class A common shares in the Cayman Islands (i.e., upon deposit and withdrawal of Class A common shares).
- Expenses incurred for converting foreign currency into U.S. dollars.
- Expenses for cable, telex and fax transmissions and for delivery of securities.
- Taxes and duties upon the transfer of securities, including any applicable stamp duties, any stock transfer charges or withholding taxes (i.e., when Class A common shares are deposited or withdrawn from deposit).
- Fees and expenses incurred in connection with the delivery or servicing of Class A common shares on deposit.
- Fees and expenses incurred in connection with complying with exchange control regulations and other regulatory requirements applicable to Class A common shares, deposited securities, ADSs and ADRs.
- Any applicable fees and penalties thereon.

The depositary fees payable upon the issuance and cancellation of ADSs are typically paid to the depositary bank by the brokers (on behalf of their clients) receiving the newly issued ADSs from the depositary bank and by the brokers (on behalf of their clients) delivering the ADSs to the depositary bank for cancellation. The brokers in turn charge these fees to their clients. Depositary fees payable in connection with distributions of cash or securities to ADS holders and the depositary services fee are charged by the depositary bank to the holders of record of ADSs as of the applicable ADS record date.

The depositary fees payable for cash distributions are generally deducted from the cash being distributed or by selling a portion of distributable property to pay the fees. In the case of distributions other than cash (i.e., share dividends, rights), the depositary bank charges the applicable fee to the ADS record date holders concurrent with the distribution. In the case of ADSs registered in the name of the investor (whether certificated or uncertificated in direct registration), the depositary bank sends invoices to the applicable record date ADS holders. In the case of ADSs held in brokerage and custodian accounts (via DTC), the depositary bank generally collects its fees through the systems provided by DTC (whose nominee is the registered holder of the ADSs held in DTC) from the brokers and custodians holding ADSs in their DTC accounts. The brokers and custodians who hold their clients' ADSs in DTC accounts in turn charge their clients' accounts the amount of the fees paid to the depositary banks.

In the event of refusal to pay the depositary fees, the depositary bank may, under the terms of the deposit agreement, refuse the requested service until payment is received or may set off the amount of the depositary fees from any distribution to be made to the ADS holder.

Deutsche Bank Trust Company Americas, as depositary, has agreed to reimburse us for a portion of certain expenses we incur that are related to establishment and maintenance of the ADR program, including investor relations expenses. There are limits on the amount of expenses for which the depositary will reimburse us, but the amount of reimbursement available to us is not related to the amounts of fees the depositary collects from investors. Further, the depositary has agreed to reimburse us certain fees payable to the depositary by holders of ADSs. Neither the depositary nor we can determine the exact amount to be made available to us because (i) the number of ADSs that will be issued and outstanding, (ii) the level of service fees to be charged to holders of ADSs and (iii) our reimbursable expenses related to the program are not known at this time.

Payment of Taxes

You will be responsible for any taxes or other governmental charges payable on your ADSs or on the deposited securities represented by any of your ADSs. The depositary may refuse to register any transfer of your ADSs or allow you to withdraw the deposited securities represented by your ADSs until such taxes or other charges are paid. It may apply payments owed to you or sell deposited securities represented by your ADSs to pay any taxes owed and you will remain liable for any deficiency. If the depositary sells deposited securities, it will, if appropriate, reduce the number of ADSs to reflect the sale and pay to you any net proceeds, or send to you any property, remaining after it has paid the taxes. You agree to indemnify us, the depositary, the custodian and each of our and their respective agents, directors, employees and affiliates for, and hold each of them harmless from, any claims with respect to taxes (including applicable interest and penalties thereon) arising from any tax benefit obtained for you.

Reclassifications, Recapitalizations and Mergers

If we:	Then:
Change the nominal or par value of our Class A common shares	The cash, shares or other securities received by the depositary will become deposited securities.
Reclassify, split up or consolidate any of the deposited securities	Each ADS will automatically represent its equal share of the new deposited securities.
Distribute securities on the Class A common shares that are not distributed to you or recapitalize, reorganize, merge, liquidate, sell all or substantially all of our assets, or take any similar action	The depositary may distribute some or all of the cash, shares or other securities it received. It may also deliver new ADSs or ask you to surrender your outstanding ADRs in exchange for new ADRs identifying the new deposited securities.

Amendment and Termination

How may the deposit agreement be amended?

We may agree with the depositary to amend the deposit agreement and the form of ADR without your consent for any reason. If an amendment adds or increases fees or charges, except for taxes and other governmental charges or expenses of the depositary for registration fees, facsimile costs, delivery charges or similar items, including expenses incurred in connection with foreign exchange control regulations and other charges specifically payable by ADS holders under the deposit agreement, or materially prejudices a substantial existing right of ADS holders, it will not become effective for outstanding ADSs until 30 days after the depositary notifies ADS holders of the amendment. *At the time an amendment becomes effective, you are considered, by continuing to hold your ADSs, to agree to the amendment and to be bound by the ADRs and the deposit agreement as amended*.

How may the deposit agreement be terminated?

The depositary will terminate the deposit agreement if we ask it to do so, in which case the depositary will give notice to you at least 90 days prior to termination. The depositary may also terminate the deposit agreement if the depositary has told us that it would like to resign and we have not appointed a new depositary within 90 days. In such case, the depositary must notify you at least 30 days before termination.

After termination, the depositary and its agents will do the following under the deposit agreement but nothing else: collect distributions on the deposited securities, sell rights and other property and deliver Class A common shares and other deposited securities upon cancellation of ADSs after payment of any fees, charges, taxes or other governmental charges. Six months or more after termination, the depositary may sell any remaining deposited

securities by public or private sale. After that, the depositary will hold the money it received on the sale, as well as any other cash it is holding under the deposit agreement, for the *pro rata* benefit of the ADS holders that have not surrendered their ADSs. It will not invest the money and has no liability for interest. The depositary's only obligations will be to account for the money and other cash. After termination, our only obligations will be to indemnify the depositary and to pay fees and expenses of the depositary that we agreed to pay.

Books of Depositary

The depositary will maintain ADS holder records at its depositary office. You may inspect such records at such office during regular business hours but solely for the purpose of communicating with other holders in the interest of business matters relating to the ADSs and the deposit agreement.

The depositary will maintain facilities in New York to record and process the issuance, cancellation, combination, split-up and transfer of ADRs.

These facilities may be closed from time to time, to the extent not prohibited by law or if any such action is deemed necessary or advisable by the depositary or us, in good faith, at any time or from time to time because of any requirement of law, any government or governmental body or commission or any securities exchange on which the ADRs or ADSs are listed, or under any provision of the deposit agreement or provisions of, or governing, the deposited securities, or any meeting of our shareholders or for any other reason.

Limitations on Obligations and Liability

Limits on our Obligations and the Obligations of the Depositary; Limits on Liability to Holders of ADSs

The deposit agreement expressly limits our obligations and the obligations of the depositary. It also limits our liability and the liability of the depositary. We and the depositary:

- are only obligated to take the actions specifically set forth in the deposit agreement without gross negligence or willful misconduct;
- are not liable if either of us is prevented or delayed by law or circumstances beyond our control from performing our obligations under the deposit agreement, including, without limitation, requirements of any present or future law, regulation, governmental or regulatory authority or share exchange of any applicable jurisdiction, any present or future provisions of our memorandum and articles of association, on account of possible civil or criminal penalties or restraint, any provisions of or governing the deposited securities or any act of God, war or other circumstances beyond our control as set forth in the deposit agreement;
- are not liable if either of us exercises, or fails to exercise, discretion permitted under the deposit agreement;
- are not liable for the inability of any holder of ADSs to benefit from any distribution on deposited securities that is not made available to holders of ADSs under the terms of the deposit agreement, or for any indirect, special, consequential or punitive damages for any breach of the terms of the deposit agreement;
- have no obligation to become involved in a lawsuit or other proceeding related to the ADSs or the deposit agreement on your behalf or on behalf of any other party;
- may rely upon any documents we believe in good faith to be genuine and to have been signed or presented by the proper party;
- disclaim any liability for any action/inaction in reliance on the advice or information of legal counsel, accountants, any person presenting Class A common shares for deposit, holders and beneficial owners

(or authorized representatives) of ADSs, or any person believed in good faith to be competent to give such advice or information;

- disclaim any liability for inability of any holder to benefit from any distribution, offering, right or other benefit made available to holders of deposited securities but not made available to holders of ADSs; and
- disclaim any liability for any indirect, special, punitive or consequential damages.

The depositary and any of its agents also disclaim any liability for any failure to carry out any instructions to vote, the manner in which any vote is cast or the effect of any vote or failure to determine that any distribution or action may be lawful or reasonably practicable or for allowing any rights to lapse in accordance with the provisions of the deposit agreement, the failure or timeliness of any notice from us, the content of any information submitted to it by us for distribution to you or for any inaccuracy of any translation thereof, any investment risk associated with the acquisition of an interest in the deposited securities, the validity or worth of the deposited securities, the credit-worthiness of any third party, or for any tax consequences that may result from ownership of ADSs, Class A common shares or deposited securities.

In the deposit agreement, we and the depositary agree to indemnify each other under certain circumstances.

Requirements for Depositary Actions

Before the depositary will issue, deliver or register a transfer of an ADS, make a distribution on an ADS, or permit withdrawal of Class A common shares, the depositary may require:

- payment of stock transfer or other taxes or other governmental charges and transfer or registration fees charged by third parties for the transfer of any Class A common shares or other deposited securities and payment of the applicable fees, expenses and charges of the depositary;
- satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and
- compliance with regulations it may establish, from time to time, consistent with the deposit agreement, including presentation of transfer documents.

The depositary may refuse to issue and deliver ADSs or register transfers of ADSs generally when the register of the depositary or our transfer books are closed or at any time if the depositary or we think it is necessary or advisable to do so.

Your Right to Receive the Shares Underlying Your ADSs

You have the right to cancel your ADSs and withdraw the underlying Class A common shares at any time except:

- when temporary delays arise because: (1) the depositary has closed its transfer books or we have closed our transfer books; (2) the transfer of Class A common shares is blocked to permit voting at a shareholders' meeting; or (3) we are paying a dividend on our Class A common shares;
- when you owe money to pay fees, taxes and similar charges; or
- when it is necessary to prohibit withdrawals in order to comply with any laws or governmental regulations that apply to ADSs or to the withdrawal of Class A common shares or other deposited securities.

This right of withdrawal may not be limited by any other provision of the deposit agreement.

Pre-release of ADSs

The deposit agreement permits the depositary to deliver ADSs before deposit of the underlying Class A common shares. This is called a pre-release of the ADSs. The depositary may also deliver Class A common shares upon cancellation of pre-released ADSs (even if the ADSs are cancelled before the pre-release transaction has been closed out). A pre-release is closed out as soon as the underlying Class A common shares are delivered to the depositary. The depositary may receive ADSs instead of Class A common shares to close out a pre-release. The depositary may pre-release ADSs only under the following conditions: (1) before or at the time of the pre-release, the person to whom the pre-release is being made represents to the depositary in writing that it or its customer (a) owns the Class A common shares or ADSs to be deposited, (b) assigns all beneficial rights, title and interest in such Class A common shares or ADSs to the depositary for the benefit of the owners, (c) will not take any action with respect to such Class A common shares or ADSs that is inconsistent with the transfer of beneficial ownership, (d) indicates the depositary as owner of such Class A common shares or ADSs in its records, and (e) unconditionally guarantees to deliver such Class A common shares or ADSs to the depositary or the custodian, as the case may be; (2) the pre-release is fully collateralized with cash or other collateral that the depositary considers appropriate; and (3) the depositary must be able to close out the pre-release on not more than five business days' notice. Each pre-release is subject to further indemnities and credit regulations as the depositary considers appropriate. In addition, the depositary will limit the number of ADSs that may be outstanding at any time as a result of pre-release to 30% of the aggregate number of ADSs then outstanding, although the depositary may disregard the limit from time to time, if it thinks it is appropriate to do so, including (1) due to a decrease in the aggregate number of ADSs outstanding that causes existing pre-release transactions to temporarily exceed the limit stated above or (2) where otherwise required by market conditions.

Direct Registration System

In the deposit agreement, all parties to the deposit agreement acknowledge that the DRS and Profile Modification System, or Profile, will apply to uncertificated ADSs upon acceptance thereof to DRS by DTC. DRS is the system administered by DTC pursuant to which the depositary may register the ownership of uncertificated ADSs, which ownership shall be evidenced by periodic statements issued by the depositary to the ADS holders entitled thereto. Profile is a required feature of DRS which allows a DTC participant, claiming to act on behalf of an ADS holder, to direct the depositary to register a transfer of those ADSs to DTC or its nominee and to deliver those ADSs to the DTC account of that DTC participant without receipt by the depositary of prior authorization from the ADS holder to register such transfer.

In connection with and in accordance with the arrangements and procedures relating to DRS/Profile, the parties to the deposit agreement understand that the depositary will not verify, determine or otherwise ascertain that the DTC participant which is claiming to be acting on behalf of an ADS holder in requesting registration of transfer and delivery described in the paragraph above has the actual authority to act on behalf of the ADS holder (notwithstanding any requirements under the Uniform Commercial Code). In the deposit agreement, the parties agree that the depositary's reliance on, and compliance with, instructions received by the depositary through the DRS/Profile System and in accordance with the deposit agreement, shall not constitute negligence or bad faith on the part of the depositary.

SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of this offering, we will have ADSs outstanding, representing Class A common shares, or approximately % of our outstanding common shares. All of the ADSs sold in this offering will be freely transferable by persons other than our "affiliates" without restriction or further registration under the Securities Act. Sales of substantial amounts of our ADSs in the public market could adversely affect prevailing market prices of our ADSs. Prior to this offering, there has been no public market for our common shares or the ADSs, and while application has been made for the ADSs to be listed on the Nasdaq Global Market, we cannot assure you that a regular trading market will develop in the ADSs. We do not expect that a trading market will develop for our common shares not represented by the ADSs.

Lock-Up Agreements

The selling shareholders, our directors, executive officers, our other existing shareholders and certain of our option and restricted shares holders have agreed, subject to some exceptions, not to transfer or dispose of, directly or indirectly, any of our common shares, in the form of ADSs or otherwise, or any securities convertible into or exchangeable or exercisable for our common shares, in the form of ADSs or otherwise, for a period of 180 days after the date of this prospectus. After the expiration of the 180-day period, the common shares or ADSs held by the selling shareholders, our directors, executive officers and our existing shareholders may be sold subject to the restrictions under Rule 144 under the Securities Act or by means of registered public offerings.

The 180-day restricted period is subject to adjustment under certain circumstances. If (1) during the last 17 days of the 180-day restricted period, we issue an earnings release or material news or a material event relating to us occurs; or (2) prior to the expiration of the 180-day restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 180-day period, the restrictions will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event.

Rule 144

All of or common shares outstanding prior to this offering are "restricted shares" as that term is defined in Rule 144 under the Securities Act and may be sold publicly in the United States only if they are subject to an effective registration statement under the Securities Act or pursuant to an exemption from the registration requirements. Under Rule 144 as currently in effect, a person who has beneficially owned our restricted shares for at least six months is generally entitled to sell the restricted securities without registration under the Securities Act beginning 90 days after the date of this prospectus, subject to certain additional restrictions.

Our affiliates may sell within any three-month period a number of restricted shares that does not exceed the greater of the following:

- 1% of the then outstanding common shares, in the form of ADSs or otherwise, which will equal approximately common shares immediately after this offering; or
- the average weekly trading volume of our common shares in the form of ADSs or otherwise, on the Nasdaq Global Market, during the four calendar weeks preceding the date on which notice of the sale is filed with the SEC.

Affiliates who sell restricted securities under Rule 144 may not solicit orders or arrange for the solicitation of orders, and they are also subject to notice requirements and the availability of current public information about us.

Persons who are not our affiliates are only subject to one of these additional restrictions, the requirement of the availability of current public information about us, and this additional restriction does not apply if they have beneficially owned our restricted shares for more than one year.

Rule 701

In general, under Rule 701 of the Securities Act as currently in effect, each of our employees, consultants or advisors who purchases our common shares from us in connection with a compensatory stock or option plan or other written agreement relating to compensation is eligible to resell such common shares 90 days after we become a reporting company under the Exchange Act in reliance on Rule 144, but without compliance with some of the restrictions, including the holding period, contained in Rule 144.

Registration Rights

Upon completion of this offering, certain holders of our common shares or their transferees will be entitled to request that we register their shares under the Securities Act, following the expiration of the lock-up agreements described above. See "Description of Share Capital—Registration Rights."

TAXATION

The following summary of material Cayman Islands, PRC and United States federal income tax consequences of an investment in our ADSs or common shares is based upon laws and relevant interpretations thereof in effect as of the date of this prospectus, all of which are subject to change. This summary does not deal with all possible tax consequences relating to an investment in our ADSs or common shares, such as all possible tax consequences under state, local and other tax laws, although discussions of local tax laws in China are included. To the extent that the discussion relates to matters of Cayman Islands tax law, it represents the opinion of Conyers Dill & Pearman, our Cayman Islands counsel. To the extent that the discussion relates to matters of PRC tax law, it represents the opinion of Zhong Lun Law Firm, our PRC legal counsel, and to the extent that the discussion states definitive legal conclusions under United States federal income tax law as to the material United States federal income tax consequences of an investment in our ADSs or common shares, and subject to the qualifications herein, it represents the opinion of Skadden, Arps, Slate, Meagher & Flom LLP, our special United States counsel.

Cayman Islands Taxation

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or after execution brought within the jurisdiction of, the Cayman Islands. There are no exchange control regulations or currency restrictions in the Cayman Islands.

Pursuant to Section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, we have obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to us or our operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on our shares, debentures or other obligations.

The undertaking for us is for a period of twenty years from August 2, 2011.

People's Republic of China Taxation

Under the existing tax laws in the PRC, we are qualified as a non-resident enterprise. We are a holding company incorporated in the Cayman Islands; our holding company indirectly holds 100% of the equity interests in our PRC subsidiaries through Duowan BVI, NeoTask and NeoTask Limited. Our business operations are principally conducted through our PRC subsidiaries and our PRC consolidated affiliated entities. The PRC Enterprise Income Tax Law and its implementation rules, both of which became effective on January 1, 2008, provide that China-sourced income of foreign enterprises, such as dividends paid by a PRC subsidiary to its overseas parent that is not a PRC resident enterprise and has no establishment in the PRC, will normally be subject to PRC withholding tax at a rate of 10%.

If the PRC tax authorities determine that YY Inc., our Cayman Islands holding company, is a PRC resident enterprise for enterprise income tax purposes, our world-wide income could be subject to PRC tax at a rate of 25%, which could materially reduce our net income. In addition, we will also be subject to PRC enterprise income tax reporting obligations. Furthermore, although dividends paid by one PRC tax resident to another PRC tax resident should qualify as "tax-exempt income" under the PRC Enterprise Income Tax Law, we cannot assure you that dividends by our PRC subsidiaries to our Cayman holding company will not be subject to a 10% withholding tax, as the PRC foreign exchange control authorities, which enforce the withholding tax on dividends, and the PRC tax authorities have not yet issued guidance with respect to the processing of outbound remittances to entities that are treated as resident enterprises for PRC enterprise income tax purposes. In addition, ADS holders may be subject to PRC withholding tax on dividends payable by us and gains realized on the sale or other disposition of ADSs or common shares, if the PRC tax authorities determine that our Cayman Islands

holding company is a PRC resident enterprise for enterprise income tax purposes. See “Risk Factors—Risks Relating to Doing Business in China—Under the PRC enterprise income tax law, we may be classified as a PRC “resident enterprise,” which could result in unfavorable tax consequences to us and our shareholders and have a material adverse effect on our results of operations and the value of your investment.”

Material United States Federal Income Tax Considerations

The following is a summary of the material United States federal income tax considerations relating to the acquisition, ownership, and disposition of our ADSs or common shares by a U.S. holder (as defined below) that acquires our ADSs or common shares in this offering and holds our ADSs or common shares as “capital assets” (generally, property held for investment) under the United States Internal Revenue Code of 1986, as amended (the “Code”). This summary is based upon existing United States federal income tax law, which is subject to differing interpretations or change, possibly with retroactive effect. This summary does not discuss all aspects of United States federal income taxation that may be important to particular investors in light of their individual investment circumstances, including investors subject to special tax rules (for example, financial institutions, insurance companies, broker-dealers, traders in securities that have elected the mark-to-market method of accounting for their securities, partnerships and their partners, and tax-exempt organizations (including private foundations)), holders who are not U.S. holders, holders who own (directly, indirectly, or constructively) 10% or more of our voting stock, investors that will hold their ADSs or common shares as part of a straddle, hedge, conversion, constructive sale, or other integrated transaction for United States federal income tax purposes, or investors that have a functional currency other than the United States dollar, all of whom may be subject to tax rules that differ significantly from those summarized below. In addition, except to the extent described below, this summary does not discuss any non-United States, state, or local tax considerations. Each U.S. holder is urged to consult its tax advisors regarding the United States federal, state, local, and non-United States income and other tax considerations of an investment in our ADSs or common shares.

General

For purposes of this summary, a “U.S. holder” is a beneficial owner of our ADSs or common shares that is, for United States federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation (or other entity treated as a corporation for United States federal income tax purposes) created in, or organized under the law of, the United States or any state thereof or the District of Columbia, (iii) an estate the income of which is includible in gross income for United States federal income tax purposes regardless of its source, or (iv) a trust (A) the administration of which is subject to the primary supervision of a United States court and which has one or more United States persons who have the authority to control all substantial decisions of the trust or (B) that has otherwise elected to be treated as a United States person.

If a partnership (or other entity treated as a partnership for United States federal income tax purposes) is a beneficial owner of our ADSs or common shares, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. Partnerships holding our ADSs or common shares and partners in such partnerships are urged to consult their tax advisors regarding an investment in our ADSs or common shares.

For United States federal income tax purposes, U.S. holders of ADSs will be treated as the beneficial owners of the underlying shares represented by the ADSs. Accordingly, deposits or withdrawals of common share for ADSs will not be subject to United States federal income tax.

Passive Foreign Investment Company Considerations

A non-United States corporation, such as our company, will be classified as a “passive foreign investment company,” or “PFIC”, for United States federal income tax purposes, if, in the case of any particular taxable year, either (i) 75% or more of its gross income for such year consists of certain types of “passive” income or (ii) 50%

or more of its average quarterly assets (as determined on the basis of fair market value) during such year produce or are held for the production of passive income. For this purpose, cash is categorized as a passive asset and the company's unbooked intangibles associated with active business activities may generally be classified as active assets. We will be treated as owning our proportionate share of the assets and earning our proportionate share of the income of any other corporation in which we own, directly or indirectly, more than 25% (by value) of the stock.

Although the law in this regard is unclear, we treat Guangzhou Huaduo and Beijing Tuda as being owned by us for United States federal income tax purposes, not only because we exercise effective control over the operation of such entities but also because we are entitled to substantially all of their economic benefits, and, as a result, we consolidate their operating results in our consolidated financial statements. Assuming that we are the owner of Guangzhou Huaduo and Beijing Tuda for United States federal income tax purposes, based upon our current income and assets (taking into account the proceeds from this offering) and projections as to the value of our ADSs and common shares following the offering, we do not presently expect to be classified as a PFIC for the current taxable year or the foreseeable future.

While we do not expect to become a PFIC in the current or future taxable years, the determination of whether we will be or become a PFIC will depend in part upon the value of our goodwill and other unbooked intangibles (which will depend upon the market value of our ADSs or common shares). In estimating the value of our goodwill and other unbooked intangibles, we have taken into account our anticipated market capitalization following the close of this offering. Among other matters, if market capitalization is less than anticipated or subsequently declines, we may be classified as a PFIC for the current or future taxable years. It is also possible that the Internal Revenue Service (the "IRS") may challenge our classification or valuation of our goodwill and other unbooked intangibles, which may result in our company being, or becoming classified as, a PFIC for the current or one or more future taxable years.

The determination of whether we will be or become a PFIC will also depend, in part, on the composition of our income and assets, which will be affected by how, and how quickly, we use our liquid assets and the cash raised in this offering. Under circumstances where we determine not to deploy significant amounts of cash for active purposes or not to treat Beijing Tuda or Guangzhou Huaduo as owned by us for United States federal income tax purposes, our risk of being classified as a PFIC may substantially increase. Because there are uncertainties in the application of the relevant rules and PFIC status is a factual determination made annually after the close of each taxable year, there can be no assurance that we will not be a PFIC for the current taxable year or any future taxable year. Our special United States counsel expresses no opinion with respect to our PFIC status and also expresses no opinion with respect to our expectations regarding our PFIC status. If we were classified as a PFIC for any year during which a U.S. holder held our ADSs or common shares, we generally would continue to be treated as a PFIC for all succeeding years during which such U.S. holder held our ADSs or common shares.

The discussion below under "Dividends" and "Sale or Other Disposition of ADSs or Common Shares" is written on the basis that we will not be classified as a PFIC for United States federal income tax purposes. The United States federal income tax rules that apply if we are classified as a PFIC for the current taxable year or any subsequent taxable year are generally discussed below under "Passive Foreign Investment Company Rules."

Dividends

Subject to the PFIC rules discussed below, any cash distributions (including the amount of any tax withheld to reflect PRC withholding taxes) paid on our ADSs or common shares out of our current or accumulated earnings and profits, as determined under United States federal income tax principles, will generally be includible in the gross income of a U.S. holder as dividend income on the day actually or constructively received by the U.S. holder, in the case of common shares, or by the Depositary, in the case of ADSs. Because we do not intend to determine our earnings and profits on the basis of United States federal income tax principles, any

distribution paid will generally be reported as a “dividend” for United States federal income tax purposes. For taxable years beginning before January 1, 2013, a non-corporate recipient of dividend income will generally be subject to tax on dividend income from a “qualified foreign corporation” at a reduced United States federal tax rate rather than the marginal tax rates generally applicable to ordinary income provided that certain holding period requirements are met.

A non-United States corporation (other than a corporation that is classified as a PFIC for the taxable year in which the dividend is paid or the preceding taxable year) will generally be considered to be a qualified foreign corporation (a) if it is eligible for the benefits of a comprehensive tax treaty with the United States which the Secretary of Treasury of the United States determines is satisfactory for purposes of this provision and which includes an exchange of information program, or (b) with respect to any dividend it pays on stock (or ADSs in respect of such stock) which is readily tradable on an established securities market in the United States. Although no assurances may be given, our ADSs are expected to be readily tradable on the Nasdaq Global Market, which is an established securities market in the United States. Thus, we believe that dividends we pay on our ADSs will meet the conditions required for the reduced tax rate. Since we do not expect that our common shares will be listed on established securities markets, it is unclear whether dividends that we pay on our common shares that are not backed by ADSs currently meet the conditions required for these reduced tax rates. There can be no assurance that our ADSs will be considered readily tradable on an established securities market in later years.

In the event that we are deemed to be a PRC “resident enterprise” and are liable to pay tax under PRC Enterprise Income Tax Law, we should be eligible for the benefits of the United States-PRC income tax treaty, which the Secretary of Treasury of the United States has determined is satisfactory for purposes of clause (a) above and which includes an exchange of information provision. If we are eligible for such benefits, dividends we pay on our common shares, regardless of whether such shares are represented by the ADSs, would generally be eligible for the reduced rate of taxation applicable to qualified dividend income whether or not such shares are readily tradable on an established securities market in the United States. Dividends received on the ADSs or common shares will not be eligible for the dividends received deduction allowed to corporations. Each U.S. holder is advised to consult its tax advisors regarding the availability of the lower capital gains rate applicable to qualified dividend income for any dividends we pay with respect to the common shares.

Dividends will generally be treated as passive income from foreign sources for United States foreign tax credit purposes and will generally constitute passive category income. In the event that we are deemed to be a PRC “resident enterprise” under PRC Enterprise Income Tax Law, a U.S. holder may be subject to PRC withholding taxes on dividends paid on our ADSs or common share. A U.S. holder may be eligible, subject to a number of complex limitations, to claim a foreign tax credit in respect of any foreign withholding taxes imposed on dividends received on ADSs or common shares. A U.S. holder who does not elect to claim a foreign tax credit for foreign tax withheld, may instead claim a deduction, for United States federal income tax purposes, in respect of such withholdings, but only for a year in which such U.S. holder elects to do so for all creditable foreign income taxes. The rules governing the foreign tax credit are complex. Each U.S. holder is advised to consult its tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Sale or Other Disposition of ADSs or Common Shares

Subject to the PFIC rules discussed below, a U.S. holder will generally recognize capital gain or loss upon the sale or other disposition of ADSs or common shares in an amount equal to the difference between the amount realized upon the disposition and the U.S. holder’s adjusted tax basis in such ADSs or common shares. Any capital gain or loss will be long-term if the ADSs or common shares have been held for more than one year and will generally be United States source gain or loss for United States foreign tax credit purposes. The deductibility of a capital loss may be subject to limitations. In the event that we are treated as a PRC “resident enterprise” under PRC Enterprise Income Tax Law and gain from the disposition of the ADSs or common shares is subject to tax in the PRC, a U.S. holder that is eligible for the benefits of the income tax treaty between the United States and the PRC may elect to treat the gain as PRC source income. Each U.S. holder is advised to consult their tax

advisors regarding the tax consequences if a foreign tax is imposed on a disposition of our ADSs or common shares, including the availability of the foreign tax credit under their particular circumstances.

Passive Foreign Investment Company Rules

If we are classified as a PFIC for any taxable year during which a U.S. holder holds our ADSs or common shares, and unless the U.S. holder makes a mark-to-market election (as described below), the U.S. holder will generally be subject to special tax rules that have a penalizing effect, regardless of whether we remain a PFIC, on (i) any excess distribution that we make to the U.S. holder (which generally means any distribution paid during a taxable year to a U.S. holder that is greater than 125% of the average annual distributions paid in the three preceding taxable years or, if shorter, the U.S. holder's holding period for the ADSs or common shares), and (ii) any gain realized on the sale or other disposition, including, under certain circumstances, a pledge, of ADSs or common shares. Under the PFIC rules:

- such excess distribution and/or gain will be allocated ratably over the U.S. holder's holding period for the ADSs or common shares;
- such amount allocated to the current taxable year and any taxable years in the U.S. holder's holding period prior to the first taxable year in which we are classified as a PFIC, or pre-PFIC year, will be taxable as ordinary income;
- such amount allocated to each prior taxable year, other than a pre-PFIC year, will be subject to tax at the highest tax rate in effect applicable to the U.S. holder for that year; and
- an interest charge generally applicable to underpayments of tax will be imposed on the tax attributable to each prior taxable year, other than a pre-PFIC year.

If we are a PFIC for any taxable year during which a U.S. holder holds our ADSs or common shares and any of our non-United States subsidiaries is also a PFIC, such U.S. holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules. Each U.S. holder is advised to consult its tax advisors regarding the application of the PFIC rules to any of our subsidiaries.

As an alternative to the foregoing rules, a U.S. holder of "marketable stock" in a PFIC may make a mark-to-market election with respect to our ADSs, provided that the ADSs are regularly traded on the Nasdaq Global Market. Although no assurances may be given, we anticipate that our ADSs should qualify as being regularly traded. If a mark-to-market election is made, the U.S. holder will generally (i) include as ordinary income for each taxable year that we are a PFIC the excess, if any, of the fair market value of ADSs held at the end of the taxable year over the adjusted tax basis of such ADSs and (ii) deduct as an ordinary loss the excess, if any, of the adjusted tax basis of the ADSs over the fair market value of such ADSs held at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. The U.S. holder's adjusted tax basis in the ADSs would be adjusted to reflect any income or loss resulting from the mark-to-market election.

If a U.S. holder makes a mark-to-market election in respect of a corporation classified as a PFIC and such corporation ceases to be classified as a PFIC, the U.S. holder will not be required to take into account the mark-to-market gain or loss described above during any period that such corporation is not classified as a PFIC.

We do not intend to provide information necessary for U.S. holders to make qualified electing fund elections, which, if available, would result in tax treatment different from (and generally less adverse than) the general tax treatment for PFICs described above.

If a U.S. holder owns our ADSs or common shares during any taxable year that we are a PFIC, such holder is required to file an annual report containing such information as the United States Treasury Department may require and may be required to file an annual IRS Form 8621. Each U.S. holder is advised to consult its tax

advisors regarding the potential tax consequences to such holder if we are or become classified as a PFIC, including the possibility of making a mark-to-market election.

Information Reporting and Backup Withholding

Certain U.S. holders are required to report information to the Internal Revenue Service relating to an interest in “specified foreign financial assets,” including shares issued by a non-United States corporation, for any year in which the aggregate value of all specified foreign financial assets exceeds US$50,000 (or a higher dollar amount prescribed by the Internal Revenue Service), subject to certain exceptions (including an exception for shares held in custodial accounts maintained with a United States financial institution). These rules also impose penalties if a U.S. holder is required to submit such information to the Internal Revenue Service and fails to do so.

In addition, U.S. holders may be subject to information reporting to the Internal Revenue Service with respect to dividends on and proceeds from the sale or other disposition of our ADSs or common shares. Each U.S. holder is advised to consult with its tax advisor regarding the application of the United States information reporting rules to their particular circumstances.

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UNDERWRITING

Subject to the terms and conditions of the underwriting agreement, we and the selling shareholders have agreed to sell, and the underwriters named below, through , as representatives of the underwriters, have severally and not jointly agreed to purchase from us and the selling shareholders, the following respective number of ADSs at a public offering price less the underwriting discounts and commissions set forth on the cover page of this prospectus:

Underwriters	Number of ADSs
Morgan Stanley & Co. International plc	
Deutsche Bank Securities Inc.	
Citigroup Global Markets Inc.	
Pacific Crest Securities LLC	
Piper Jaffray & Co.	
Total	

The underwriting agreement provides that the obligations of the several underwriters to purchase the ADSs offered hereby are subject to certain conditions precedent and that the underwriters will purchase all of the ADSs offered by this prospectus, other than those covered by the over-allotment option described below, if any of these ADSs are purchased. If an underwriter defaults, the underwriting agreement provides that the underwriting commitments of the non-defaulting underwriters may be increased or the underwriting agreement may be terminated, depending on the circumstances.

We have been advised by the representatives of the underwriters that the underwriters propose to offer the ADSs to the public at the public offering price set forth on the cover of this prospectus and to dealers at a price that represents a concession not in excess of its underwriting commitment of US$ per ADS under the public offering price. The underwriters may allow, and these dealers may re-allow, a concession of not more than US$ per ADS to other dealers. After the initial public offering, the offering price, concession or any other terms of the offering may be changed. The offering of the ADSs by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part.

We and the selling shareholders have granted to the underwriters an option, exercisable not later than 30 days after the date of this prospectus, to purchase up to additional ADSs at the public offering price less the underwriting discounts and commissions set forth on the cover page of this prospectus. The underwriters may exercise this option only to cover over-allotments, if any, made in connection with the sale of ADSs offered by this prospectus. To the extent that the underwriters exercise this option, each of the underwriters will severally become obligated, subject to the conditions set forth in the underwriting agreement, to purchase approximately the same percentage of these additional ADSs as the number of ADSs to be purchased by it in the above table bears to the total number of ADSs in such table. If any additional ADSs are purchased, the underwriters will offer the additional ADSs on the same terms as those on which the ADSs are being offered.

The underwriting discounts and commissions per ADS are equal to the public offering price per ADS less the amount paid by the underwriters to us and the selling shareholders per ADS. The underwriting discounts and commissions are % of the initial public offering price. We and the selling shareholders have agreed to pay the underwriters the following discounts and commissions, assuming either no exercise or full exercise by the underwriters of the underwriters' over-allotment option:

		Total fees	
	Fee per ADS	Without exercise of over-allotment option	With full exercise of over-allotment option
Discounts and commissions paid by us.	US$	US$	US$
Discounts and commissions paid by the selling shareholders.	US$	US$	US$

We and the selling shareholders will pay the fees and expenses we incur in connection with this offering, excluding underwriting discounts and commissions, which we estimate to be approximately $. See “Expenses Related to This Offering.”

We and the selling shareholders have agreed to indemnify the underwriters against some specified types of liabilities, including liabilities under the Securities Act, and to contribute to payments the underwriters may be required to make in respect of any of these liabilities if indemnification is not available.

We, each of our officers and directors, all of our existing shareholders and option holders, have agreed not to, directly or indirectly, offer, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant for the sale of, lend or otherwise dispose of, or enter into any swap or other transaction that is designed to, or could be expected to, result in the disposition of any of our ADSs or common shares or other securities convertible into or exchangeable or exercisable for our ADSs or common shares or derivatives of our ADSs or common shares (whether any such swap or transaction is to be settled by delivery of securities, in cash, or otherwise), owned by these persons prior to this offering or ADSs or common shares issuable upon exercise of options or warrants held by these persons for a period of 180 days after the date of this prospectus without the prior written consent of the representatives. This consent may be given at any time without public notice. Transfers or dispositions can be made during the lock-up period in the case of gifts or for estate planning purposes where the donee signs a lock-up agreement. We have entered into a similar agreement with the representatives of the underwriters except that without such consent we may grant options and sell shares pursuant to the 2009 Scheme.

The 180-day lock-up periods as described above are subject to adjustment only under the following circumstances. If (1) during the last 17 days of the 180-day lock-up period, (a) we release earnings results or (b) material news or a material event relating to us occurs, or (2) prior to the expiration of the 180-day lock-up period, we announce that we will release earnings results during the 16-day period following the last day of the 180-day lock-up period, then, in each case, the 180-day lock-up period will be extended until the expiration of the 18-day period beginning on the date of our release of the earnings results or the occurrence of material news or a material event relating to us, unless the representatives, on behalf of the underwriters, waive this extension in writing.

In addition, through a letter agreement, we have agreed to instruct Deutsche Bank Trust Company Americas, as depositary, not to accept any deposit of any common shares or issue any ADSs for 180 days after the date of this prospectus unless we consent to such deposit or issuance, and not to provide consent without the prior written consent of the representatives of the underwriters. The foregoing does not affect the right of ADS holders to cancel their ADSs and withdraw the underlying common shares.

We have applied to list our ADSs on the Nasdaq Global Market under the symbol “YY.”

The underwriters do not expect sales to discretionary accounts to exceed 5% of the total number of ADSs offered.

In connection with the offering, the underwriters may purchase and sell our ADSs in the open market. These transactions may include short sales, purchases to cover positions created by short sales and stabilizing transactions.

Short sales involve the sale by the underwriters of a greater number of ADSs than they are required to purchase in the offering. Covered short sales are sales made in an amount not greater than the underwriters’ over-allotment option. The underwriters may close out any covered short position by either exercising their over-allotment option or purchasing ADSs in the open market. In determining the source of ADSs to close out the covered short position, the underwriters will consider, among other things, the price of ADSs available for purchase in the open market as compared to the price at which they may purchase ADSs through the over-allotment option.

Naked short sales are any sales in excess of the over-allotment option. The underwriters must close out any naked short position by purchasing ADSs in the open market. A naked short position is more likely to be created if underwriters are concerned that there may be downward pressure on the price of the ADSs in the open market prior to the completion of the offering.

Stabilizing transactions consist of various bids for or purchases of our ADSs made by the underwriters in the open market prior to the completion of the offering.

The underwriters may impose a penalty bid. This occurs when a particular underwriter repays to the other underwriters a portion of the underwriting discount received by it because the representatives of the underwriters have repurchased ADSs sold by or for the account of that underwriter in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions may have the effect of preventing or slowing a decline in the market price of our ADSs. In addition, these purchases, along with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of our ADSs. As a result, the price of our ADSs may be higher than the price that might otherwise exist in the open market. Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our ADSs. These transactions may be effected on the Nasdaq Global Market, in the over-the-counter market or otherwise. Neither we nor any underwriters make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

A prospectus in electronic format is being made available on Internet websites maintained by one or more of the lead underwriters of this offering and may be made available on websites maintained by other underwriters. Other than the prospectus in electronic format, the information on any underwriter's website and any information contained in any other website maintained by an underwriter is not part of this prospectus or the registration statement of which this prospectus forms a part.

Prior to this offering, there has been no public market for our ADSs. Consequently, the initial public offering price of our ADSs will be determined by negotiation among us and the representatives of the underwriters. Among the primary factors that will be considered in determining the public offering price are:

(a) prevailing market conditions;

(b) our financial condition and results of operations in recent periods;

(c) the present stage of our development;

(d) the market capitalizations and stages of development of other companies that we and the representatives of the underwriters believe to be comparable to our business; and

(e) the history of, and the prospects for, our Company and the industry in which we compete.

The underwriters and their respective affiliates are full-service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the us and the selling shareholders, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their

customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of us and the selling shareholders.

The address of Morgan Stanley & Co. International plc is 25 Cabot Square, Canary Wharf, London E14 4QA, United Kingdom. Morgan Stanley & Co. International plc expects to make offers and sales in the United States through its registered broker-dealer in the United States, Morgan Stanley & Co. LLC. The address of Deutsche Bank Securities Inc. is 60 Wall Street, New York, New York 10005, United States. The address of Citigroup Global Markets Inc. is 388 Greenwich Street, New York, New York 10013, United States. The address of Pacific Crest Securities LLC is 111 SW Fifth Avenue, 42nd Floor, Portland, Oregon 97204, United States. The address of Piper Jaffray & Co. is 800 Nicollet Mall, Suite 800, Minneapolis, Minnesota 55402, United States.

No action may be taken in any jurisdiction other than the United States that would permit a public offering of the ADSs or the possession, circulation or distribution of this prospectus in any jurisdiction where action for that purpose is required. Accordingly, the ADSs may not be offered or sold, directly or indirectly, and neither the prospectus nor any other offering material or advertisements in connection with the ADSs may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

Cayman Islands

This prospectus does not constitute an invitation or offer to the public in the Cayman Islands of the ADSs, whether by way of sale or subscription. The underwriters have not offered or sold, and will not offer or sell, directly or indirectly, any ADSs in the Cayman Islands.

Hong Kong

The ADSs may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), or (ii) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a “prospectus” within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the ADSs may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to ADSs which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder.

People’s Republic of China

This prospectus has not been and will not be circulated or distributed in the PRC, and ADSs may not be offered or sold, and will not be offered or sold to any person for re-offering or resale, directly or indirectly, to any resident of the PRC except pursuant to applicable laws and regulations of the PRC.

Japan

The ADSs have not been and will not be registered under the Financial Instruments and Exchange Law of Japan, and ADSs will not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to any exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or

invitation for subscription or purchase, of our ADSs may not be circulated or distributed, nor may our ADSs be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore, or SFA, (ii) to a relevant person or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to compliance with conditions set forth in the SFA.

Where our ADSs are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor as defined in Section 4A of the SFA) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor; shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the ADSs under Section 275 of the SFA, except: (1) to an institutional investor (for corporations under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is or will be given for the transfer; or (3) where the transfer is by operation of law.

Australia

This document has not been lodged with the Australian Securities & Investments Commission and is only directed to certain categories of exempt persons. Accordingly, if you receive this document in Australia:

(a) you confirm and warrant that you are either:

   a. a "sophisticated investor" under section 708(8)(a) or (b) of the Corporations Act 2001 (Cth) of Australia, or the Corporations Act;

   b. a "sophisticated investor" under section 708(8)(c) or (d) of the Corporations Act and that you have provided an accountant's certificate to the company which complies with the requirements of section 708(8)(c)(i) or (ii) of the Corporations Act and related regulations before the offer has been made;

   c. a person associated with the company under section 708(12) of the Corporations Act; or

   d. "professional investor" within the meaning of section 708(11)(a) or (b) of the Corporations Act, and to the extent that you are unable to confirm or warrant that you are an exempt sophisticated investor, associated person or professional investor under the Corporations Act any offer made to you under this document is void and incapable of acceptance.

(b) you warrant and agree that you will not offer any of the ADSs issued to you pursuant to this document for resale in Australia within 12 months of those ADSs being issued unless any such resale offer is exempt from the requirement to issue a disclosure document under section 708 of the Corporations Act.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State") an offer to the public of any shares which are the subject of the

offering contemplated by this prospectus may not be made in that Relevant Member State, once the prospectus has been approved by the competent authority in such Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that an offer to the public in that Relevant Member State of any shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(c) by the underwriters to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than "qualified investors" as defined in the Prospectus Directive) subject to obtaining the prior consent of the representatives for any such offer; or

(d) in any other circumstances falling within Article 3(2) of the Prospectus Directive; provided that no such offer of shares shall result in a requirement for the publication by us or any representative of a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

Any person making or intending to make any offer of shares within the EEA should only do so in circumstances in which no obligation arises for us or any of the underwriters to produce a prospectus for such offer. Neither we nor the underwriters have authorized, nor do they authorize, the making of any offer of shares through any financial intermediary, other than offers made by the underwriters which constitute the final offering of shares contemplated in this prospectus.

For the purposes of this provision, and your representation below, the expression an "offer to the public" in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares to be offered so as to enable an investor to decide to purchase any shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

Each person in a Relevant Member State who receives any communication in respect of, or who acquires any shares under, the offer of shares contemplated by this prospectus will be deemed to have represented, warranted and agreed to and with us and each underwriter that:

(a) it is a "qualified investor" within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and

(b) in the case of any shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) the shares acquired by it in the offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than "qualified investors" (as defined in the Prospectus Directive), or in circumstances in which the prior consent of the representatives has been given to the offer or resale; or (ii) where shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those shares to it is not treated under the Prospectus Directive as having been made to such persons.

In addition, in the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are "qualified investors" (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, or the Order, and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is only available to, and will be engaged in with, relevant persons.

Notice to Investors in Switzerland

This document, as well as any other offering or marketing material relating to the ADSs which are the subject of the offering contemplated by this prospectus, neither constitutes a prospectus pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations nor a simplified prospectus as such term is understood pursuant to article 5 of the Swiss Federal Act on Collective Investment Schemes. Neither the ADSs nor the shares underlying the ADSs will be listed on the SIX Swiss Exchange and, therefore, the documents relating to the ADSs, including, but not limited to, this document, do not claim to comply with the disclosure standards of the listing rules of SIX Swiss Exchange and corresponding prospectus schemes annexed to the listing rules of the SIX Swiss Exchange.

The ADSs are being offered in Switzerland by way of a private placement, i.e., to a small number of selected investors only, without any public offer and only to investors who do not purchase the ADSs with the intention to distribute them to the public. The investors will be individually approached from time to time. This document, as well as any other offering or marketing material relating to the ADSs, is confidential and it is exclusively for the use of the individually addressed investors in connection with the offer of the ADSs in Switzerland and it does not constitute an offer to any other person. This document may only be used by those investors to whom it has been handed out in connection with the offering described herein and may neither directly nor indirectly be distributed or made available to other persons without our express consent. It may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in or from Switzerland.

Notice to Investors in the Dubai International Financial Centre

This document relates to an Exempt Offer, as defined in the Offered Securities Rules module of the DFSA Rulebook, or the OSR, in accordance with the Offered Securities Rules of the Dubai Financial Services Authority. This document is intended for distribution only to Persons, as defined in the OSR, of a type specified in those rules. It must not be delivered to, or relied on by, any other Person. The Dubai Financial Services Authority has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The Dubai Financial Services Authority has not approved this document nor taken steps to verify the information set out in it, and has no responsibility for it. The ADSs to which this document relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the ADSs offered should conduct their own due diligence on the ADSs. If you do not understand the contents of this document you should consult an authorized financial adviser.

Kingdom of Saudi Arabia

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering or private placement of the ADSs in the Kingdom of Saudi Arabia, or possession or distribution of any offering materials in relation thereto. Our ADSs may only be offered and sold in the Kingdom of Saudi Arabia through persons authorized to do so in accordance of Part 5 (Exempt Offers) of the Offers of Securities Regulations dated 20/8/1425 AH corresponding to 4/10/2004 (as amended), or the Regulations, and in accordance with Part 5 (Exempt Offers) Article 16(a)(3) of the Regulations, the ADSs will be offered to no more than 60 offerees in the

Kingdom of Saudi Arabia with each such offeree paying an amount not less than Saudi Riyals one million or an equivalent amount in another currency. Investors are informed that Article 19 of the Regulations places restrictions on secondary market activity with respect to our ADSs. Any resale or other transfer, or attempted resale or other transfer, made other than in compliance with the above-stated restrictions shall not be recognized by us. Prospective purchasers of our ADSs should conduct their own due diligence on the accuracy of the information relation to the ADSs. Investors should consult an authorized financial adviser if they do not understand the contents of this prospectus.

State of Kuwait

Our ADSs have not been authorized or licensed for offering, marketing or sale in the State of Kuwait, or Kuwait. The distribution of this prospectus and the offering, marketing and sale of the ADSs in Kuwait is restricted by law unless a license is obtained from the Kuwaiti Ministry of Commerce and Industry in accordance with Law No. 31 of 1990, and the various Ministerial Regulations issued pursuant thereto. Persons into whose possession this prospectus comes are required by us and the underwriters to inform themselves about and to observe such restrictions. Investors in Kuwait who approach us or any of the underwriters to obtain copies of this prospectus are required by us and the underwriters to keep such prospectus confidential and not to make copies thereof nor distribute the same to any other person in Kuwait and are also required to observe the restrictions provided for in all jurisdictions with respect to offering, marketing and the sale of the ADSs.

United Arab Emirates

This prospectus is not intended to constitute an offer, sale or delivery of shares or other securities under the laws of the United Arab Emirates, or the UAE. The ADSs have not been and will not be registered under Federal Law No. 4 of 2000 Concerning the Emirates Securities and Commodities Authority and the Emirates Security and Commodity Exchange, or with the UAE Central Bank, the Dubai Financial Market, the Abu Dhabi Securities Market or with any other UAE exchange.

The offering, the ADSs and interests therein have not been approved or licensed by the UAE Central Bank or any other relevant licensing authorities in the UAE, and do not constitute a public offer of securities in the UAE in accordance with the Commercial Companies Law, Federal Law No. 8 of 1984 (as amended) or otherwise.

In relation to its use in the UAE, this prospectus is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The interests in the ADSs may not be offered or sold directly or indirectly to the public in the UAE.

EXPENSES RELATING TO THIS OFFERING

Set forth below is an itemization of the total expenses, excluding underwriting discounts and commissions, that we and the selling shareholders expect to incur in connection with this offering. With the exception of the SEC registration fee, the Financial Industry Regulatory Authority, or FINRA, filing fee and the Nasdaq Global Market listing fee, all amounts are estimates.

SEC registration fee	US$13,640
Nasdaq Global Market listing fee	
FINRA filing fee	
Printing and engraving expenses	
Legal fees and expenses	
Accounting fees and expenses	
Miscellaneous	
Total	US$

Expenses, except for underwriting discounts and commissions, will be borne in proportion to the numbers of ADSs sold in the offering by us and the selling shareholders, respectively.

LEGAL MATTERS

The validity of the ADSs and certain other legal matters with respect to U.S. federal and New York State law in connection with this offering will be passed upon for us by Skadden, Arps, Slate, Meagher & Flom LLP. Certain legal matters with respect to U.S. federal and New York State law in connection with this offering will be passed upon for the underwriters by Simpson Thacher & Bartlett LLP. The validity of the Class A common shares represented by the ADSs offered in this offering and other certain legal matters as to Cayman Islands law will be passed upon for us by Conyers Dill & Pearman. Legal matters as to PRC law will be passed upon for us by Zhong Lun Law Firm and for the underwriters by Fangda Partners. Skadden, Arps, Slate, Meagher & Flom LLP may rely upon Conyers Dill & Pearman with respect to matters governed by Cayman Islands law and Zhong Lun Law Firm with respect to matters governed by PRC law. Simpson Thacher & Bartlett LLP may rely upon Fangda Partners with respect to matters governed by PRC law.

EXPERTS

The consolidated financial statements of YY Inc. as of December 31, 2010 and 2011 and for each of the three years ended December 31, 2011 included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers Zhong Tian CPAs Limited Company, an independent registered public accounting firm, given on the authority of such firm as experts in accounting and auditing.

The office of PricewaterhouseCoopers Zhong Tian CPAs Limited Company is located at 11/F, PricewaterhouseCoopers Center, 2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai 200021, PRC.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form F-1, including relevant exhibits and securities under the Securities Act with respect to the underlying Class A common shares represented by the ADSs, to be sold in this offering. We have also filed with the SEC a related registration statement on F-6 to register the ADSs. This prospectus, which constitutes a part of the registration statement, does not contain all of the information contained in the registration statement. You should read our registration statements and their exhibits and schedules for further information with respect to us and our ADSs.

The agreements included as exhibits to the registration statement on Form F-1 contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties were made solely for the benefit of the other parties to the applicable agreement and (a) were not intended to be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate; (b) may have been qualified in such agreement by disclosures that were made to the other party in connection with the negotiation of the applicable agreement; (c) may apply contract standards of “materiality” that are different from “materiality” under the applicable securities laws; and (d) were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement.

Immediately up effectiveness of the registration statement to which this prospectus is a part we will become subject to periodic reporting and other informational requirements of the Exchange Act as applicable to foreign private issuers. Accordingly, we will be required to file reports, including annual reports on Form 20-F, and other information with the SEC. As a foreign private issuer, we are exempt from the rules of the Exchange Act prescribing the furnishing and content of proxy statements to shareholders, and Section 16 short swing profit reporting for our officers and directors and for holders of more than 10% of our common shares. All information filed with the SEC can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. You can request copies of these documents, upon payment of a duplicating fee, by writing to the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference rooms. You may also obtain additional information over the internet at the SEC’s website at *www.sec.gov*.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of YY Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations and comprehensive loss, changes in shareholders' deficits and cash flows, present fairly, in all material respects, the financial position of YY Inc. (the "Company") and its subsidiaries at December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers Zhong Tian CPAs Limited Company
Shanghai, the People's Republic of China
July 13, 2012

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CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2010 AND 2011
(All amounts in thousands, except share and per share data)

	Notes	As of December 31,				
		2010 RMB	2011 RMB	2011 US$ (Note 2(e))	2011 RMB Pro forma (Note 26) (Unaudited)	2011 US$ Pro forma (Note 26) (Note 2 (e)) (Unaudited)
Assets						
Current assets						
Cash and cash equivalents	4	83,683	128,891	20,491	128,891	20,491
Short-term deposits	5	—	472,655	75,144	472,655	75,144
Accounts receivable, net	6	25,747	47,022	7,476	47,022	7,476
Amount due from a related party	20	1,500	2,000	318	2,000	318
Prepayments and other current assets		4,727	9,742	1,549	9,742	1,549
Deferred tax assets	15	1,643	12,487	1,985	12,487	1,985
Total current assets		117,300	672,797	106,963	672,797	106,963
Non-current assets						
Deferred tax assets	15	—	329	52	329	52
Investments	7	3,000	5,244	834	5,244	834
Property and equipment, net	8	25,525	53,582	8,519	53,582	8,519
Intangible assets, net	9	12,236	10,814	1,719	10,814	1,719
Goodwill	10	706	706	112	706	112
Other non-current assets		—	1,954	311	1,954	311
Total non-current assets		41,467	72,629	11,547	72,629	11,547
Total assets		158,767	745,426	118,510	745,426	118,510
Liabilities and shareholders' equity						
Current liabilities						
Accounts payable		10,553	16,114	2,562	16,114	2,562
Deferred revenue	11	17,436	40,357	6,416	40,357	6,416
Advances from users	2(t)	741	2,453	390	2,453	390
Income taxes payable		4,356	16,872	2,682	16,872	2,682
Accrued liabilities and other current liabilities	12	15,577	49,071	7,802	49,071	7,802
Share-based compensation liabilities	18	203,124	—	—	—	—
Amounts due to related parties	20	1,214	870	138	870	138
Total current liabilities		253,001	125,737	19,990	125,737	19,990
Non-current liabilities						
Deferred revenue	11	—	448	71	448	71
Total liabilities		253,001	126,185	20,061	126,185	20,061
Commitments and contingencies	22					

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2010 AND 2011 (CONTINUED)
(All amounts in thousands, except share and per share data)

	Notes	As of December 31,				
		2010 RMB	2011 RMB	2011 US$ (Note 2(e))	2011 RMB Pro forma (Note 26) (Unaudited)	2011 US$ Pro forma (Note 26) (Note 2 (e)) (Unaudited)
Mezzanine equity						
Series A convertible redeemable preferred shares (US$0.00001 par value, 136,100,930 shares authorized, issued and outstanding as of December 31, 2010 and 2011, and none outstanding on a pro forma basis as of December 31, 2011 (unaudited))	17	846,752	935,013	148,651	—	—
Series B convertible redeemable preferred shares (US$0.00001 par value, 102,073,860 shares authorized, issued and outstanding as of December 31, 2010 and 2011, and none outstanding on a pro forma basis as of December 31, 2011 (unaudited))	17	639,799	703,901	111,908	—	—
Series C-1 convertible redeemable preferred shares (US$0.00001 par value, 16,249,870 shares authorized, issued and outstanding as of December 31, 2010 and 2011, and none outstanding on a pro forma basis as of December 31, 2011 (unaudited))	17	102,754	112,556	17,894	—	—
Series C-2 convertible redeemable preferred shares (US$0.00001 par value, 104,999,650 shares authorized, issued and outstanding as of December 31, 2010 and 2011, and none outstanding on a pro forma basis as of December 31, 2011 (unaudited))	17	667,966	729,464	115,972	—	—

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2010 AND 2011 (CONTINUED)
(All amounts in thousands, except share and per share data)

	Notes	As of December 31, 2010 RMB	2011 RMB	2011 US$ (Note 2(e))	2011 RMB Pro forma (Note 26) (Unaudited)	2011 US$ Pro forma (Note 26) (Note 2 (e)) (Unaudited)
Shareholders' (deficits) equity						
Common shares (US$0.00001 par value; 946,074,577 and 1,022,785,225 shares authorized, 466,630,266 and 543,340,914 shares issued and outstanding as of December 31, 2010 and 2011, respectively, and 902,765,224 outstanding on a pro forma basis as of December 31, 2011 (unaudited))	16	32	37	6	61	9
Additional paid-in capital		—	584,093	92,861	3,065,003	487,283
Accumulated deficits		(2,350,448)	(2,433,604)	(386,900)	(2,433,604)	(386,900)
Accumulated other comprehensive losses		(1,089)	(12,219)	(1,943)	(12,219)	(1,943)
Total shareholders' (deficits) equity		(2,351,505)	(1,861,693)	(295,976)	619,241	98,449
Total liabilities, mezzanine equity and shareholders' (deficits) equity		158,767	745,426	118,510	745,426	118,510

The accompanying notes are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS FOR THE YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011
(All amounts in thousands, except share and per share data)

	Note	For the year ended December 31, 2009 RMB	2010 RMB	2011 RMB	2011 US$ (Note 2(e))
Net revenues					
Internet value-added service					
—Online game		12,976	86,316	165,933	26,380
—YY music		—	—	52,854	8,403
—Others		853	1,282	13,589	2,161
Online advertising		18,881	40,740	87,279	13,876
Total net revenues		32,710	128,338	319,655	50,820
Cost of revenues[(1)]	13	(28,849)	(110,062)	(182,699)	(29,046)
Gross profit		3,861	18,276	136,956	21,774
Operating expenses[(1)]					
Research and development expenses		(12,597)	(49,219)	(106,804)	(16,980)
Sales and marketing expenses		(4,951)	(12,363)	(13,381)	(2,127)
General and administrative expenses		(32,878)	(192,222)	(118,241)	(18,798)
Total operating expenses		(50,426)	(253,804)	(238,426)	(37,905)
Government grants	14	—	—	1,982	315
Operating loss		(46,565)	(235,528)	(99,488)	(15,816)
Foreign currency exchange (losses) gains, net		(15)	(551)	14,143	2,248
Interest income		46	56	4,890	777
Loss before income tax expenses		(46,534)	(236,023)	(80,455)	(12,791)
Income tax expenses	15	(391)	(2,322)	(1,343)	(214)
Loss before loss in equity method investments, net of income taxes		(46,925)	(238,345)	(81,798)	(13,005)
Losses in equity method investments, net of income taxes		(191)	(512)	(1,358)	(216)
Net loss attributable to YY Inc.		(47,116)	(238,857)	(83,156)	(13,221)
Amortization of beneficial conversion feature		(237)	—	—	—
Accretion to convertible redeemable preferred shares redemption value		(283,179)	(1,808,853)	(223,663)	(35,559)
Deemed dividend to Series A preferred shareholders		(19)	—	—	—
Deemed dividend to Series B preferred shareholders		(176)	—	—	—
Net loss attributable to common shareholders		(330,727)	(2,047,710)	(306,819)	(48,780)
Net loss		(47,116)	(238,857)	(83,156)	(13,221)
Other comprehensive income (loss):					
Foreign currency translation adjustments, net of nil tax		2	(935)	(11,130)	(1,769)
Comprehensive loss attributable to YY Inc.		(47,114)	(239,792)	(94,286)	(14,990)
Net loss per share					
—basic	19	(0.81)	(5.04)	(0.63)	(0.10)
—diluted	19	(0.81)	(5.04)	(0.63)	(0.10)
Weighted average number of common shares used in calculating—basic loss per share	19	407,613,328	406,304,672	485,883,845	485,883,845
Weighted average number of common shares used in calculating—diluted loss per share	19	407,613,328	406,304,672	485,883,845	485,883,845

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS FOR THE YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011 (CONTINUED)

(All amounts in thousands, except share and per share data)

(1) Share-based compensation was allocated in cost of revenues and operating expenses as follows:

	For the year ended December 31,			
	2009	2010	2011	2011
	RMB	RMB	RMB	US$ (Note 2(e))
Cost of revenues	5,269	31,709	15,449	2,456
Research and development expenses	2,475	21,627	31,672	5,035
Sales and marketing expenses	194	1,499	1,336	212
General and administrative expenses	28,544	182,101	86,544	13,759

The accompanying notes are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICITS FOR THE YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011

(All amounts in thousands, except share and per share data)

	Notes	Co-founder common shares Number of shares	Co-founder common shares Amount	Common shares Number of shares	Common shares Amount	Additional paid-in capital	Accumulated deficits	Accumulated other comprehensive loss	Total shareholders' deficits
		Note 16	RMB		RMB	RMB	RMB	RMB	RMB
Balance as of January 1, 2009		185,563,000	13	222,528,600	15	—	(32,604)	(156)	(32,732)
Share-based compensation—restricted shares to NeoTasks founders	18	—	—	—	—	3,407	—	—	3,407
Share-based compensation—share options	18	—	—	—	—	71	—	—	71
Reclassification of equity-classified share-based awards into liability-classified awards	18	—	—	—	—	(3,478)	(1,376)	—	(4,854)
Deemed dividend on series A convertible redeemable preferred shares—modification of terms	17	—	—	—	—	—	(19)	—	(19)
Deemed dividend on series B convertible redeemable preferred shares—modification of terms	17	—	—	—	—	—	(176)	—	(176)
Repurchase of common shares	16	—	—	(10,206,700)	(1)	—	(5,575)	—	(5,576)
Beneficial conversion feature of Series C convertible redeemable preferred shares	17	—	—	—	—	—	237	—	237
Amortization of beneficial conversion feature of the Series C convertible redeemable preferred shares	17	—	—	—	—	—	(237)	—	(237)
Accretion of Series A convertible redeemable preferred shares to redemption value	17	—	—	—	—	—	(114,401)	—	(114,401)
Accretion of Series B convertible redeemable preferred shares to redemption value	17	—	—	—	—	—	(79,211)	—	(79,211)
Accretion of Series C convertible redeemable preferred shares to redemption value	17	—	—	—	—	—	(89,567)	—	(89,567)
Components of comprehensive loss									
Net loss		—	—	—	—	—	(47,116)	—	(47,116)
Foreign currency translation adjustment, net of nil tax		—	—	—	—	—	—	2	2
Balance as of December 31, 2009		**185,563,000**	**13**	**212,321,900**	**14**	**—**	**(370,045)**	**(154)**	**(370,172)**

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CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICITS FOR THE YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011 (CONTINUED)

(All amounts in thousands, except share and per share data)

	Notes	Co-founder common shares		Common shares		Additional paid-in capital	Accumulated deficits	Accumulated other comprehensive loss	Total shareholders' deficits
		Number of shares	Amount	Number of shares	Amount				
		Note 16	RMB		RMB	RMB	RMB	RMB	RMB
Balance as of December 31, 2009		**185,563,000**	**13**	**212,321,900**	**14**	**—**	**(370,045)**	**(154)**	**(370,172)**
Transfer of Co-founder common shares into common shares	16	(185,563,000)	(13)	185,563,000	13	—	—	—	—
Share based compensation—restricted shares	18	—	—	—	—	24,525	—	—	24,525
Issuance of restricted shares to the CEO and Chairman	18	—	—	43,048,296	3	28,756	—	—	28,759
Issuance of restricted shares to NeoTasks founders	18	—	—	25,697,070	2	—	—	—	2
Transferred from matured liability award for NeoTasks founders	18	—	—	—	—	14,026	—	—	14,026
Accretion of Series A convertible redeemable preferred shares to redemption value	17	—	—	—	—	(67,307)	(625,052)	—	(692,359)
Accretion of Series B convertible redeemable preferred shares to redemption value	17	—	—	—	—	—	(515,626)	—	(515,626)
Accretion of Series C convertible redeemable preferred shares to redemption value	17	—	—	—	—	—	(600,868)	—	(600,868)
Components of comprehensive loss									
Net loss		—	—	—	—	—	(238,857)	—	(238,857)
Foreign currency translation adjustment, net of nil tax		—	—	—	—	—	—	(935)	(935)
Balance as of December 31, 2010		**—**	**—**	**466,630,266**	**32**	**—**	**(2,350,448)**	**(1,089)**	**(2,351,505)**

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICITS FOR THE YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011 (CONTINUED)

(All amounts in thousands, except share and per share data)

	Note	Co-founder common shares Number of shares Note 16	Co-founder common shares Amount RMB	Common shares Number of shares	Common shares Amount RMB	Additional paid-in capital RMB	Accumulated deficits RMB	Accumulated other comprehensive loss RMB	Total shareholders' deficits RMB
Balance as of December 31, 2010		**—**	**—**	**466,630,266**	**32**	**—**	**(2,350,448)**	**(1,089)**	**(2,351,505)**
Issuance of common shares	16	—	—	51,140,432	3	328,129	—	—	328,132
Exercise of warrant by an independent institutional investor	16	—	—	25,570,216	2	160,835	—	—	160,837
Share-based compensation—share options	18	—	—	—	—	2,219	—	—	2,219
Share based compensation—restricted shares	18	—	—	—	—	57,805	—	—	57,805
Share-based compensation—restricted share units	18	—	—	—	—	9,644	—	—	9,644
Share-based compensation—warrants to NeoTasks founders	18	—	—	—	—	3,359	—	—	3,359
Share-based compensation restricted shares to the CEO and Chairman	18	—	—	—	—	14,143	—	—	14,143
Transferred from matured liability award for NeoTasks founders	18	—	—	—	—	57,692	—	—	57,692
Reclassification of liability-classified share-based awards into equity-classified awards for warrants to NeoTasks founders	18	—	—	—	—	57,602	—	—	57,602
Reclassification of liability-classified share-based awards into equity-classified awards for share options	18	—	—	—	—	116,328	—	—	116,328
Accretion of Series A convertible redeemable preferred shares to redemption value	17	—	—	—	—	(88,261)	—	—	(88,261)
Accretion of Series B convertible redeemable preferred shares to redemption value	17	—	—	—	—	(64,102)	—	—	(64,102)
Accretion of Series C convertible redeemable preferred shares to redemption value	17	—	—	—	—	(71,300)	—	—	(71,300)
Components of comprehensive loss									
Net loss		—	—	—	—	—	(83,156)	—	(83,156)
Foreign currency translation adjustment, net of nil tax		—	—	—	—	—	—	(11,130)	(11,130)
Balance as of December 31, 2011		**—**	**—**	**543,340,914**	**37**	**584,093**	**(2,433,604)**	**(12,219)**	**(1,861,693)**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011
(All amounts in thousands)

	Notes	For the year ended December 31, 2009 RMB	2010 RMB	2011 RMB	2011 US$ (Note 2(e))
Cash flows from operating activities					
Net loss		(47,116)	(238,857)	(83,156)	(13,221)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities					
Depreciation of property and equipment	8	1,150	4,284	12,888	2,049
Amortization of acquired intangible assets	9	1,512	1,030	1,211	193
Allowance for doubtful accounts	6	88	287	—	—
Loss (gain) on disposal of property and equipment		4	—	(25)	(4)
Impairment of equity investments		—	297	—	—
Impairment of cost investment		—	—	1,898	301
Share-based compensation	18	36,482	236,936	135,001	21,462
Share of loss of equity investments	7	191	512	1,358	216
Deferred income taxes, net	15	—	(1,643)	(11,173)	(1,776)
Foreign exchange losses (gains), net		15	551	(14,143)	(2,248)
Changes in operating assets and liabilities, net					
Accounts receivable	6	(7,818)	(12,932)	(21,275)	(3,382)
Prepayments and other current assets		(452)	(2,409)	(5,123)	(814)
Other non-current assets		—	—	413	65
Amounts due to related parties	20	360	854	(344)	(55)
Accounts payable		903	2,081	11,196	1,780
Deferred revenue	11	6,606	10,303	23,369	3,715
Advances from users		(600)	483	1,712	272
Income tax payable		391	3,965	12,516	1,990
Accrued liabilities and other current liabilities		3,808	10,486	33,494	5,325
Net cash (used in) provided by operating activities		(4,476)	16,228	99,817	15,868
Cash flows from investing activities					
Placements of short-term deposits		—	—	(872,372)	(138,692)
Maturities of short-term deposits		1,500	—	399,717	63,548
Purchase of property and equipment		(5,906)	(14,698)	(46,956)	(7,465)
Purchase of intangible assets		(240)	(13,488)	(274)	(44)
Cash paid for investments	7	(1,000)	(3,000)	(5,500)	(874)
Loan to a related party	20	—	(1,500)	(500)	(79)
Loan to a third party		—	—	(300)	(48)
Repayment from a third party		1,000	—	—	—
Loans to employees		—	(967)	(2,770)	(440)
Repayment of loans from employees		—	—	197	31
Proceeds from disposal of property and equipment		137	77	401	64
Net cash used in investing activities		(4,509)	(33,576)	(528,357)	(83,999)
Cash flows from financing activities					
Proceeds from issuance of preferred shares, net of issuance costs	17	80,285	—	—	—
Proceeds from issuance of common shares, net of issuance costs	16	—	—	488,969	77,738
Repurchase of common shares and warrants		(5,656)	(562)	—	—
Repurchase of share options	18	—	(2,576)	(11,087)	(1,763)
Net cash provided by (used in) financing activities		74,629	(3,138)	477,882	75,975
Net increase (decrease) in cash and cash equivalents		65,644	(20,486)	49,342	7,844
Cash and cash equivalents at the beginning of the year		40,797	106,427	83,683	13,304
Effect of exchange rate changes on cash and cash equivalents		(14)	(2,258)	(4,134)	(657)
Cash and cash equivalents at the end of the year		**106,427**	**83,683**	**128,891**	**20,491**

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CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011 (CONTINUED)
(All amounts in thousands)

	For the year ended December 31,			
	2009	2010	2011	2011
	RMB	RMB	RMB	US$ (Note 2(e))
Supplemental disclosure of non-cash investing and financing activities:				
—Acquisition of property and equipment in form of accounts payable	461	6,725	1,090	173
—Employee loans settled by repurchase of vested share options	—	—	614	96

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

1. Organization and principal activities

(a) Principal activities

YY Inc. (the “Company”), through its subsidiaries, and its variable interest entities (“VIEs”) (collectively, the “Group”) is principally engaged in operating an online social platform in the People’s Republic of China (the “PRC” or “China”) through its platform, YY Client and through its website *YY.com* and *Duowan.com*.

(b) Reorganization

The Company was incorporated in the Cayman Islands on July 22, 2011.

The Group began its operations in the PRC in April 2005 through its PRC domestic company, Guangzhou Huaduo Network Technology Company Limited (“Guangzhou Huaduo”), which was directly owned by Mr. David Xueling Li (the “Founder” or the “CEO”) and Mr. Jun Lei (the “Co-founder” or the “Chairman”). Guangzhou Huaduo holds the necessary licenses and approvals to operate internet-related businesses in the PRC.

For the period between July 2006 and April 2007, the Group undertook a reorganization (the “First Reorganization”) and established Duowan Limited (“Duowan Limited”), an investment holding company under the laws of the BVI, Duowan (Hong Kong) Limited (“Duowan (Hong Kong)”), a Hong Kong incorporated company wholly owned by Duowan Limited, and Guangzhou Duowan Information Technology Co., Ltd. (“Guangzhou Duowan”), a wholly-owned foreign enterprise (“WOFE”) in the PRC owned by Duowan (Hong Kong) (collectively “Duowan Limited Group Structure”). The First Reorganization was necessary to comply with PRC laws and regulations which prohibit or restrict foreign ownership of companies that provide internet content services in the PRC where licenses are required.

By entering into a series of agreements among the Founder, the Co-founder, Guangzhou Huaduo, and Guangzhou Duowan (collectively, “First VIE agreements”), Guangzhou Huaduo became a VIE of Guangzhou Duowan. Guangzhou Duowan became the primary beneficiary of Guangzhou Huaduo.

In November 2007, Duowan Entertainment Corporation (“Duowan BVI”) was incorporated in the British Virgin Islands. In March 2008, Duowan BVI established Duowan Entertainment Information Technology (Beijing) Company Limited (“Duowan Entertainment”), as a WOFE in the PRC and a wholly-owned subsidiary of Duowan BVI. The Group undertook a second reorganization (the “Second Reorganization”) whereby the First VIE agreements among the Founder, the Co-founder, Guangzhou Huaduo and Guangzhou Duowan were terminated and a new series of VIE agreements (collectively, “Second VIE agreements”) were signed among the Founder, the Co-founder, Guangzhou Huaduo and Duowan Entertainment, through which Duowan Entertainment became the primary beneficiary and exercised effective control over the operations of Guangzhou Huaduo. Duowan BVI became the then holding company of the Group.

In August 2008, Duowan Entertainment purchased all the equity interests in Guangzhou Duowan from Duowan (Hong Kong).

In December 2008, the Group undertook another reorganization (the “Third Reorganization”) and acquired all of the equity interests of NeoTasks Inc. (“NeoTasks”), a Cayman Islands company, together with its wholly-owned subsidiary, NeoTasks Limited, its WOFE, NeoTasks International Media Technology (Beijing) Co., Ltd. (“NeoTasks Beijing”), and its VIE, Beijing Tuda Science and Technology Co., Limited (“Beijing Tuda”).

In July 2009, Guangzhou Duowan was renamed as Zhuhai Duowan Information Technology Co., Ltd. (“Zhuhai Duowan”).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

1. Organization and principal activities (continued)

(b) Reorganization (continued)

In December 2009, another series of VIE agreements (collectively, "Third VIE agreements") were entered into amongst the legal shareholders of Beijing Tuda and Duowan Entertainment and thus completing the Third Reorganization. Through the aforementioned activities, Beijing Tuda became a VIE, whose primary beneficiary is Duowan Entertainment.

In December 2010, Duowan BVI established Zhuhai Duowan Technology Company Limited ("Zhuhai Duowan Technology"), which is directly 100% owned by Duowan BVI.

On September 6, 2011, pursuant to a share swap agreement, all the then existing shareholders of Duowan BVI exchanged their respective shares, including the Series A, Series B, Series C-1 and Series C-2 Preferred Shares, of Duowan BVI for equivalent classes of shares of the Company on a 1 for 1 basis. As a result, Duowan BVI became a wholly-owned subsidiary of the Company and it also became the holding company of the Group (the "Share Swap").

In May 2012, Duowan Entertainment was renamed as Huanju Shidai Technology (Beijing) Company Limited ("Beijing Huanju Shidai").

In September 2012, Zhuhai Duowan Technology was renamed as Guangzhou Huanju Shidai Information Technology Company Limited ("Guangzhou Huanju Shidai").

The First Reorganization, the Second Reorganization, the Third Reorganization and the Share Swap were all reorganization of entities under common control and have been accounted for in a manner akin to a pooling of interest as if the Company, through its wholly owned subsidiaries, had been in existence and been the primary beneficiary of the VIEs throughout the periods presented in the consolidated financial statements. As a result of these arrangements, the Company, through its wholly owned subsidiaries, is considered the primary beneficiary of two VIEs, Guangzhou Huaduo and Beijing Tuda, and accordingly, their results of operation and financial conditions are consolidated in the financial statements of the Group.

(c) Subsidiaries and VIEs

The details of the subsidiaries and VIEs as of December 31, 2011 are set out below:

Name	Place of incorporation	Date of incorporation	% of direct or indirect economic ownership	Principal activities
Subsidiaries				
Duowan Entertainment Corporation ("Duowan BVI")	British Virgin Islands	November 6, 2007	100%	Investment holding
NeoTasks Inc. ("NeoTasks")	Cayman Islands	April 26, 2006	100%	Investment holding
NeoTasks Limited	Hong Kong	June 16, 2005	100%	Investment holding
Huanju Shidai Technology (Beijing) Company Limited ("Beijing Huanju Shidai" or "Duowan Entertainment")	PRC	March 19, 2008	100%	Investment holding
Zhuhai Duowan Information Technology Company Limited ("Guangzhou Duowan" or "Zhuhai Duowan")	PRC	April 9, 2007	100%	Online advertising and software development
Guangzhou Huanju Shidai Information Technology Company Limited ("Guangzhou Huanju Shidai")	PRC	December 2, 2010	100%	Software development
Variable Interest Entities ("VIEs")				
Guangzhou Huaduo Network Technology Company Limited ("Guangzhou Huaduo")	PRC	April 11, 2005	100%	Holder of internet content provider licenses and internet value added services
Beijing Tuda Science and Technology Company Limited ("Beijing Tuda")	PRC	June 2, 2005	100%	Holder of internet content provider licenses

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

1. Organization and principal activities (continued)

(d) Variable Interest Entities

To comply with PRC laws and regulations that prohibit or restrict foreign ownership of companies that provide internet-content, the Group conducts substantially all its operations through Guangzhou Huaduo and Beijing Tuda, which holds the internet value-added service license and approvals to provide such internet services in the PRC. Beijing Huanju Shidai entered into a series of contractual agreements among Beijing Huanju Shidai, Guangzhou Huaduo and their legal shareholders. Beijing Huanju Shidai also entered into a series of contractual agreements among Beijing Huanju Shidai, Beijing Tuda, and Beijing Tuda’s legal shareholders.

Guangzhou Huaduo

The Company’s relationships with Guangzhou Huaduo and its shareholders are governed by the following contractual arrangements:

- Exclusive Technology Support and Technology Services Agreement

Under the exclusive technology support and technology services agreement between Beijing Huanju Shidai and Guangzhou Huaduo, Beijing Huanju Shidai has the exclusive right to provide to Guangzhou Huaduo technology support and technology services related to all technologies needed for its business. Beijing Huanju Shidai owns the exclusive intellectual property rights created as a result of the performance of this agreement. The service fee payable by Guangzhou Huaduo to Beijing Huanju Shidai is determined by various factors, including the expenses Beijing Huanju Shidai incurs for providing such services and Guangzhou Huaduo’s revenues. The term of this agreement will expire in 2028 and may be extended with Huanju Shidai’s written confirmation prior to the expiration date. Huanju Shidai is entitled to terminate the agreement at any time by providing 30 days’ prior written notice to Guangzhou Huaduo.

- Exclusive Business Cooperation Agreement

Under the exclusive business cooperation agreement between Beijing Huanju Shidai and Guangzhou Huaduo, Beijing Huanju Shidai has the exclusive right to provide to Guangzhou Huaduo technology support, business support and consulting services related to the services provided by Guangzhou Huaduo, the scope of which is to be determined by Beijing Huanju Shidai from time to time. Beijing Huanju Shidai owns the exclusive intellectual property rights created as a result of the performance of this agreement. The service fee payable by Guangzhou Huaduo to Beijing Huanju Shidai is a certain percentage of its earnings. The term of this agreement will expire in 2039 and may be extended with Beijing Huanju Shidai’s written confirmation prior to the expiration date. Beijing Huanju Shidai is entitled to terminate the agreement at any time by providing 30 days’ prior written notice to Guangzhou Huaduo.

- Exclusive Option Agreement

The parties to the exclusive option agreement are Beijing Huanju Shidai, Guangzhou Huaduo and each of the shareholders of Guangzhou Huaduo. Under the exclusive option agreement, each of the shareholders of Guangzhou Huaduo irrevocably granted Beijing Huanju Shidai or its designated representative(s) an exclusive option to purchase, to the extent permitted under PRC law, all or part of his or its equity interests in Guangzhou Huaduo. Beijing Huanju Shidai or its designated representative(s) have sole discretion as to when to exercise such options, either in part or in full. Without Beijing Huanju Shidai’s prior written consent, Guangzhou Huaduo’s shareholders shall not sell, transfer, mortgage or otherwise dispose their equity interests in Guangzhou Huaduo. The term of this agreement is ten years and may be extended at Beijing Huanju Shidai’s sole discretion.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

1. Organization and principal activities (continued)

(d) Variable Interest Entities (continued)

Guangzhou Huaduo (continued)

- Powers of Attorney

Pursuant to the irrevocable power of attorney executed by each shareholder of Guangzhou Huaduo, each such shareholder appointed Beijing Huanju Shidai as its attorney-in-fact to exercise such shareholders' rights in Guangzhou Huaduo, including, without limitation, the power to vote on its behalf on all matters of Guangzhou Huaduo requiring shareholder approval under PRC laws and regulations and the articles of association of Guangzhou Huaduo. Each power of attorney will remain in force until the shareholder ceases to hold any equity interest in Guangzhou Huaduo.

- Share Pledge Agreement

Pursuant to the share pledge agreement between Beijing Huanju Shidai and the shareholders of Guangzhou Huaduo, the shareholders of Guangzhou Huaduo have pledged all of their equity interests in Guangzhou Huaduo to Beijing Huanju Shidai to guarantee the performance by Guangzhou Huaduo and its shareholders' performance of their respective obligations under the exclusive business cooperation agreement, exclusive option agreement, exclusive technology support and technology services agreement and powers of attorney. If Guangzhou Huaduo and/or its shareholders breach their contractual obligations under those agreements, Beijing Huanju Shidai, as pledgee, will be entitled to certain rights, including the right to sell the pledged equity interests.

Beijing Tuda

The Company's relationships with Beijing Tuda and its shareholders are governed by the following contractual arrangements:

- Exclusive Technology Support and Technology Services Agreement

Pursuant to the exclusive technology support and technology services agreement between Beijing Huanju Shidai and Beijing Tuda, Beijing Huanju Shidai has the exclusive right to provide to Beijing Tuda technology support and technology services related to all technologies needed for its business. Beijing Huanju Shidai owns the exclusive intellectual property rights created as a result of the performance of this agreement. The service fee payable by Beijing Tuda to Beijing Huanju Shidai is determined by various factors, including the expenses Beijing Huanju Shidai incurs for providing such services and Beijing Tuda's revenues. The term of this agreement will expire in 2029 and may be extended with Beijing Huanju Shidai's written confirmation prior to the expiration date. Beijing Huanju Shidai is entitled to terminate the agreement at any time by providing 30 days' prior written notice to Beijing Tuda.

- Exclusive Business Cooperation Agreement

Pursuant to the exclusive business cooperation agreement between Beijing Huanju Shidai and Beijing Tuda, Beijing Huanju Shidai has the exclusive right to provide to Beijing Tuda technology support, business support and consulting services related to the services provided by Beijing Tuda, the scope of which is to be determined by Beijing Huanju Shidai from time to time. Beijing Huanju Shidai owns the exclusive intellectual property rights created as a result of the performance of this agreement. The service fee payable by Beijing Tuda to Beijing Huanju Shidai is a certain percentage of its earnings. The term of this agreement will expire in 2039 and may be extended with Beijing Huanju Shidai's written confirmation prior to the expiration date. Beijing Huanju Shidai is entitled to terminate the agreement at any time by providing 30 days' prior written notice to Beijing Tuda.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

1. Organization and principal activities (continued)

(d) Variable Interest Entities (continued)

Beijing Tuda (continued)

- Exclusive Option Agreement

The parties to the exclusive option agreement are Beijing Huanju Shidai, Beijing Tuda and each of the shareholders of Beijing Tuda. Under the exclusive option agreement, each of the shareholders of Beijing Tuda irrevocably granted Beijing Huanju Shidai or its designated representative(s) an exclusive option to purchase, to the extent permitted under PRC law, all or part of his or its equity interests in Beijing Tuda. Beijing Huanju Shidai or its designated representative(s) have sole discretion as to when to exercise such options, either in part or in full. Without Beijing Huanju Shidai's prior written consent, Beijing Tuda's shareholders shall not sell, transfer, mortgage or otherwise dispose their equity interests in Beijing Tuda. The term of this agreement is ten years and may be extended at Beijing Huanju Shidai's sole discretion.

- Powers of Attorney

Pursuant to the irrevocable power of attorney executed by each shareholder of Beijing Tuda, each such shareholder appointed Beijing Huanju Shidai as its attorney-in-fact to exercise such shareholders' rights in Beijing Tuda, including, without limitation, the power to vote on its behalf on all matters of Beijing Tuda requiring shareholder approval under PRC laws and regulations and the articles of association of Beijing Tuda. Each power of attorney will remain in force until the shareholder ceases to hold any equity interest in Beijing Tuda.

- Share Pledge Agreement

Under the share pledge agreement between Beijing Huanju Shidai and the shareholders of Beijing Tuda, the shareholders of Beijing Tuda have pledged all of their equity interests in Beijing Tuda to Beijing Huanju Shidai to guarantee the performance by Beijing Tuda and its shareholders' performance of their respective obligations under the exclusive business cooperation agreement, exclusive option agreement, exclusive technology support and technology services agreement and powers of attorney. If Beijing Tuda or its shareholders breach their contractual obligations under those agreements, Beijing Huanju Shidai, as pledgee, will be entitled to certain rights, including the right to sell the pledged equity interests.

Through the aforementioned contractual agreements, Guangzhou Huaduo and Beijing Tuda are considered VIEs in accordance with Generally Accepted Accounting Principles in the United States ("US GAAP") because the Company, through Beijing Huanju Shidai have the ability to:

- exercise effective control over Guangzhou Huaduo or Beijing Tuda;
- receive substantially all of the economic benefits and residual returns, and absorb substantially all the risks and expected losses from VIEs as if it were their sole shareholder; and
- have an exclusive option to purchase all of the equity interests in the VIEs.

Management evaluated the relationships among the Company, Beijing Huanju Shidai, the VIEs and concluded that Beijing Huanju Shidai is the primary beneficiary of the VIEs. As a result, the VIEs' results of operations, assets and liabilities have been included in the Company's consolidated financial statements. The adoption of the new consolidation guidance effective January 1, 2010 did not change the Group's conclusions on consolidation.

As of December 31, 2011, the total assets of the consolidated VIEs were RMB181,850, mainly comprising cash and cash equivalents, accounts receivable, prepayments and other current assets, investment, property and equipment, intangible assets and deferred tax assets. As of December 31, 2011, the total liabilities of the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

1. Organization and principal activities (continued)

(d) Variable Interest Entities (continued)

Beijing Tuda (continued)

consolidated VIEs were RMB187,184, mainly comprising accounts payable, deferred revenue, accrued liabilities and other current liabilities, tax payable and advances from users.

In accordance with the aforementioned agreements, the Company has power to direct activities of the VIEs, and can have assets transferred out of the VIEs. Therefore the Company considers that there is no asset in the consolidated VIEs that can be used only to settle obligations of the consolidated VIEs, except for registered capital of the VIEs amounting to RMB31,000 as of December 31, 2011. As the consolidated VIEs were incorporated as limited liability companies under the PRC Company Law, the creditors do not have recourse to the general credit of the Company for all the liabilities of the consolidated VIEs.

Currently there is no contractual arrangement that could require the Company to provide additional financial support to the VIEs. As the Company is conducting its PRC internet value-added services business through the VIEs, the Company will, if needed provide such support on a discretional basis in the future, which could expose the Company to a loss.

There is no VIE where the Company has variable interest but is not the primary beneficiary.

(e) Share Split

On December 23, 2009, the board of directors of Duowan BVI approved a 1 to 490 share split of all of its outstanding common shares and a proportional adjustment to the existing conversion ratios for each series of preferred shares. Accordingly, all share, share option and per share amounts for all periods presented in these consolidated financial statements and notes thereto, have been adjusted retrospectively, where applicable, to reflect this share split and adjustment of the preferred shares conversion ratio.

2. Principal accounting policies

(a) Basis of presentation

The consolidated financial statements have been prepared on a historical cost basis to reflect the financial position and results of operations of the Group in accordance with the US GAAP.

(b) Consolidation

The Group's consolidated financial statements include the financial statements of the Company, its subsidiaries and its VIEs for which the Company or its subsidiary is the primary beneficiary. All transactions and balances among the Company, its subsidiaries and its VIEs have been eliminated upon consolidation.

The First Reorganization, the Second Reorganization and the Third Reorganization, as described in Note 1 have been accounted for at historical costs. The assets and liabilities of Guangzhou Huaduo and Beijing Tuda are consolidated in the Company's financial statements at carryover basis. The accompanying consolidated statements of operations and comprehensive loss and consolidated statements of cash flows include the results of operations and cash flows of the Group as if the current group structure had been in existence throughout the years ended December 31, 2009, 2010 and 2011, or since their respective dates of incorporation. The accompanying consolidated balance sheets have been prepared to present the financial position of the Group as of December 31, 2010 and 2011 as if the current group structure had been in existence as of these dates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

2. Principal accounting policies (continued)

(b) Consolidation (continued)

A subsidiary is an entity in which the Company, directly or indirectly, controls more than one half of the voting powers; or has the power to appoint or remove the majority of the members of the board of directors; or to cast a majority of votes at the meeting of directors; or has the power to govern the financial and operating policies of the investee under a statute or agreement among the shareholders or equity holders.

A VIE is an entity in which the Company, or its subsidiary, through contractual agreements, bears the risks of, and enjoys the rewards normally associated with ownership of the entity, and therefore the Company or its subsidiary is the primary beneficiary of the entity. In determining whether the Company or its subsidiaries are the primary beneficiary, the Company considered whether it has the power to direct activities that are significant to the VIEs economic performance, and also the Company's obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. Beijing Huanju Shidai and ultimately the Company holds all the variable interests of the VIEs and has been determined to be the primary beneficiary of the VIEs.

(c) Use of estimates

The preparation of the Company's consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from such estimates. The Company believes that lives of the game and lives of the user relationship related to online game revenue, the determination of estimated selling prices of multiple element revenue contracts, sales rebate to advertising agencies, income taxes, allowances for doubtful accounts, determination of share-based compensation expenses, impairment assessment of goodwill, long-lived assets and intangible assets, represent critical accounting policies that reflect more significant judgments and estimates used in the preparation of its consolidated financial statements.

Management bases the estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results could differ from these estimates.

(d) Foreign currency translation

The Group uses Renminbi ("RMB") as its reporting currency. The functional currency of the Company and its subsidiaries incorporated in the Cayman Islands, British Virgin Islands, and Hong Kong is United States dollar ("US$"), while the functional currency of the other entities and VIEs in the Group is RMB, which is their respective local currency. In the consolidated financial statements, the financial information of the Company, its subsidiaries and VIEs, which use US$ as their functional currency, have been translated into RMB. Assets and liabilities are translated at the exchange rates on the balance sheet date, equity amounts are translated at historical exchange rates, and revenues, expenses, gains, and losses are translated using the average exchange rate for the period. Translation adjustments arising from these are reported as other comprehensive income or loss in the statement of operations and comprehensive loss.

Foreign currency transactions denominated in currencies other than functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are remeasured at the applicable

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

2. Principal accounting policies (continued)

(d) Foreign currency translation (continued)

rates of exchange in effect at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from remeasurement at year-end are recognized in foreign currency exchange gains/losses, net in the consolidated statement of operations and comprehensive loss.

(e) Convenience translation

Translations of amounts from RMB into US$ for the convenience of the reader were calculated at the noon buying rate of US$1.00 = RMB6.29 on December 31, 2011 as set forth in the H.10 statistical release of the U.S. Federal Reserve Board. No representation is made that the RMB amounts could have been, or could be, converted into US$ at such rate.

(f) Fair value of financial instruments

The Group's financial instruments consist principally of cash and cash equivalents, short-term deposits, accounts receivable, other receivables, amounts due from/(to) related parties, accounts payable and other payables. The carrying values of these balances approximate their fair values due to the current and short-term nature of these balances.

(g) Cash and cash equivalents

Cash and cash equivalents represent cash on hand, demand deposits and highly liquid investments placed with banks, which are unrestricted as to withdrawal or use, and which have original maturities of three months or less and are readily convertible to known amounts of cash.

(h) Short-term deposits

Short-term deposits represent time deposits placed with banks with original maturities of more than three months but less than one year. Interest earned is recorded as interest income in the consolidated statements of operations and comprehensive loss during the periods presented.

(i) Accounts receivable, net

Accounts receivable are presented net of allowance for doubtful accounts. The Group uses specific identification in providing for bad debts when facts and circumstances indicate that collection is doubtful and a loss is probable and estimable. If the financial conditions of its customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

(j) Equity investment

The equity investment is comprised of investments in privately-held companies. The Group accounts for its equity investment over which it has significant influence but does not own a majority equity interest or otherwise control using the equity method. The Group assesses its equity investment for other-than-temporary impairment by considering factors including, but not limited to, current economic and market conditions, operating performance of the companies, including current earnings trends and undiscounted cash flows, and other company-specific information. The fair value determination, particularly for investment in privately-held companies, requires judgment to determine appropriate estimates and assumptions. Changes in these estimates and assumptions could affect the calculation of the fair value of the investment and determination of whether any identified impairment is other-than-temporary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

2. Principal accounting policies (continued)

(k) Cost investment

The cost investment is comprised of investments in privately-held companies. The Group accounts for cost investment which has no readily determinable fair value using the cost method. Under the cost method, the investment is measured initially at cost. The investment carried at cost should recognize income when dividends are received from the distribution of the investee's earnings. The Group periodically evaluates the carrying value of investments accounted for under the cost method of accounting and any impairment is included in the consolidated statements of operations and comprehensive loss.

(l) Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment loss, if any. Depreciation is calculated using the straight-line method over their estimated useful lives. Residual rate is determined based on the economic value of the equipment at the end of the estimated useful lives as a percentage of the original cost.

	Estimated useful lives	Residual rate
Servers, computers and equipment	3 years	0%-5%
Furniture, fixture and office equipment	5 years	5%
Motor vehicles	4 years	5%
Leasehold improvement	Shorter of lease term or 5 years	—

Expenditures for maintenance and repairs are expensed as incurred. The gain or loss on the disposal of property and equipment is the difference between the net sales proceeds and the carrying amount of the relevant assets and is recognized in the consolidated statements of operations and comprehensive loss.

All direct and indirect costs that are related to the construction of property and equipment and incurred before the assets are ready for their intended use are capitalized as construction in progress. Construction in progress is transferred to specific property and equipment items and depreciation of these assets commences when they are ready for their intended use.

(m) Business combinations

The Group accounts for acquisitions of entities that include inputs and processes and have the ability to create outputs as business combinations. The Group allocates the purchase price of the acquisition to the tangible assets, liabilities, and identifiable intangible assets acquired based on their estimated fair values. The excess of the purchase price over those fair values is recorded as goodwill. Acquisition-related costs generally are expensed as incurred.

(n) Intangible assets, net

Intangible assets mainly consist of software and domain names purchased from third parties. Identifiable intangible assets are carried at acquisition cost less accumulated amortization and impairment loss, if any. Finite-lived intangible assets are tested for impairment if impairment indicators arise. Amortization of finite-lived intangible assets is computed using the straight-line method over the following estimated useful lives, which are as follows:

	Estimated useful lives
Software	5 years
Domain name	15 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. Principal accounting policies (continued)

(o) Impairment of long-lived assets and intangible assets

For long-lived assets including amortizable intangible assets, the Group evaluates for impairment whenever events or changes (triggering events) indicate that the carrying amount of an asset may no longer be recoverable. The Group assesses the recoverability of the long-lived assets by comparing the carrying value of the long-lived assets to the estimated undiscounted future cash flows expected to receive from use of the assets and their eventual disposition. Such assets are considered to be impaired if the sum of the expected undiscounted cash flows is less than the carrying amount of the assets. The impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

(p) Goodwill

Goodwill represents the excess of the purchase price over the amounts assigned to the fair value of the assets acquired and the liabilities assumed of an acquired business (Note 10).

(q) Annual test for impairment of goodwill

Goodwill assessment for impairment is performed on at least an annual basis on October 1 or whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. The Group performs a two-step goodwill impairment test. The first step compares the fair values of each reporting unit to its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill is not considered impaired and the second step will not be required. If the carrying amount of a reporting unit exceeds its fair value, the second step compares the implied fair value of the affected reporting unit's goodwill to the carrying value of that goodwill. The implied fair value of goodwill is determined in a manner similar to accounting for a business combination with the allocation of the assessed fair value determined in the first step to the assets and liabilities of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied fair value of goodwill. This allocation process is only performed for purposes of evaluating goodwill impairment and does not result in an entry to adjust the value of any assets or liabilities. An impairment loss is recognized for any excess in the carrying value of goodwill over the implied fair value of goodwill. The judgment in estimating the fair value of reporting units includes estimating future cash flows, determining appropriate discount rates and making other assumptions. Changes in these estimates and assumptions could materially affect the determination of the fair value of each reporting unit.

No goodwill impairment losses were recognized for the years ended December 31, 2009, 2010 and 2011.

(r) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating lease are charged to the consolidated statements of operations and comprehensive loss on a straight-line basis over the period of the lease.

(s) Revenue recognition

The Group generates revenues from internet value-added services ("IVAS") and online advertising. Revenues from IVAS are generated from online games, YY music, membership subscription fees and other IVAS. Online advertising revenues are primarily generated from sales of different forms of advertising on the Group's platform. Revenue is recognized when persuasive evidence of an arrangement exists, service has been rendered, the price is fixed or determinable and collection is reasonably assured. Revenue is deferred until these criteria are met as described above.

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2. Principal accounting policies (continued)

(s) Revenue recognition (continued)

In October 2009, the Financial Accounting Standards Board (the "FASB") issued a new guidance to address the accounting for multiple-deliverable arrangements. This new guidance is effective prospectively in fiscal years beginning upon or after June 15, 2010, and early adoption is permitted. The Group has elected early adoption of this new guidance through a retrospective application to all revenue arrangements for all periods presented of the financial statements.

(i) Internet value-added services

The Group operates a virtual currency system, under which, the users can directly purchase virtual currency, virtual items on YY Client's online community channels or pay membership subscription fees via online payment systems provided by third parties including payments using mobile phone, internet debit/credit card payment and other third party payment systems. The virtual currency can be converted into game tokens that can be used to purchase virtual items in online games (both developed by third parties and self-developed), or used directly to purchase virtual items on YY Client's online community channels or used to pay membership subscription fees. Virtual currency sold but not yet consumed by the purchasers is recorded as "Advances from users" and upon conversion or being used, is recognized as revenue according to the respective prescribed revenue recognition policies addressed below:

(1) Online game revenue

The Group generates revenues from offering virtual items in online games developed by third parties or the Group itself to gaming players. Historically, the majority of online game revenues for the three years ended December 31, 2009, 2010 and 2011 were derived from third parties developed games.

Users play games through the Group's platform free of charge and are charged for purchases of virtual items including consumable and perpetual items, which can be utilized in the online games to enhance their game-playing experience. Consumable items represent virtual items that can be consumed by a specific user within a specified period of time. Perpetual items represent virtual items that are accessible to the users' account over the life of the online game. All of the online games can be accessed and played by end users on the Group's platform without downloading separate software.

The Group recognizes revenue when recognition criteria defined under US GAAP are satisfied. For purposes of determining when the service has been provided to the paying player, the Group has determined that an implied obligation exists to the paying player to continue providing access to the games such that the users can utilize the virtual items purchased by game tokens. Game players need to log on and access the games through the Group's platform because their game tokens, virtual items, and game history are specific to the Group's game accounts and non-transferable to other platforms. To purchase in-game virtual items, players can either charge their game accounts by purchasing game tokens or virtual currency from the Group's platform, which are convertible into game tokens based on a predetermined exchange rate agreed among the Group and the relevant game developers.

The proceeds from the purchase of the Group's virtual currency is recorded as "advances from users", representing prepayments received from users in the form of the Group's virtual currency not yet converted into game specific tokens. Upon the conversion into a game token from the Group's virtual currency or upon the direct purchase of a game token, whichever is applicable, the proceeds will be shared between the Group and the relevant game developer based on a predetermined contractual ratio. Game tokens are non-refundable and non-exchangeable among different games. The Group's portion, net of the game developer's proceeds, is recorded as deferred revenue and amortized according to the prescribed revenue recognition policies described below. Users typically do not convert the virtual currency into game tokens or purchase the game tokens unless they soon plan to purchase in-game virtual items.

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(All amount in thousands, except share and per share data, unless otherwise stated)

2. Principal accounting policies (continued)

(s) Revenue recognition (continued)

(i) Internet value-added services (continued)

(1) Online game revenue (continued)

- *Third party developed online games*

Pursuant to contracts signed between the Group and the respective game developers, revenues from the sale or conversion of game tokens to be used for the purchase of in-game virtual items from online games developed by third parties are shared between the Group and the game developers based on a pre-agreed ratio for each game. These revenue-sharing contracts typically last one to two years.

The third party developed games are all under non-exclusive licensing contracts, maintained and updated by the game developers. The Group views the game developers to be the Group's customers and considers the Group's responsibilities under the Group's agreements with the game developers to offer certain standard promotions that include providing access to the platform, announcing the new games to users on the platform, and occasional advertising on the YY platform. The determination of whether to record these revenues using gross or net method is based on an assessment of various factors. The primary factors are whether the Group is acting as the principal in offering services to the game players or as agent in the transaction, and the specific requirement of each contract. The Group determined that for third party developed games, the third party game developers are the principal given the game developers design and develop the web-game services offered, have reasonable latitude to establish prices of game tokens, and are responsible for maintaining and upgrading the game contents and virtual items. Accordingly, the Group records online game revenue, net of the pre-agreed portion of sharing of the revenues with the game developers.

Given that third party developed games are managed and administered by the third party game developers, the Group does not have access to the data on the consumption details such as when the game token is spent on the virtual items or the types of virtual items (consumable or perpetual items) purchased by each individual game player. However, the Group maintains historical data on timing of the conversion of its virtual currency into game specific tokens and the amount of purchases of game tokens. The Group believes that its performance for, and obligation to, the game developers corresponds to the game developers' services to the users. The Group has adopted a policy to recognize revenues relating to game tokens for third party developed games over the estimated user relationship with the Group on a game-by-game basis, which are approximately three to six months for the periods presented. Future usage patterns may differ from historical usage patterns and therefore the estimated user relationship with the Group may change in the future.

When the Group launches a new game, it estimates the user relationship based on other similar types of games in the market until the new game establishes its own history. The Group considers the games profile, attributes, target audience, and its appeal to players of different demographics groups in estimating the user relationship period.

To estimate the user relationship period, the Group maintains a software system that captures the following information for each user: (a) the frequency that users log into each game via the Group's platform, and (b) the amount and the timing of when the users convert or charge his or her game tokens. The Group estimates the user relationship period for a particular game to be (1) the date a player purchases or converts from virtual currency to a game token through (2) the date the Group estimates the user plays the game for the last time. This computation is completed on a user by user basis. Then, the results for all analyzed users are averaged to determine one estimated end user relationship period for each game. Each month's in-game payments are recognized over the user relationship period calculated for that game.

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(All amount in thousands, except share and per share data, unless otherwise stated)

2. Principal accounting policies (continued)

(s) Revenue recognition (continued)

(i) Internet value-added services (continued)

(1) Online game revenue (continued)

The consideration of user relationship with each online game is based on the Group's best estimate that takes into account all known and relevant information at the time of assessment. The Group assesses the estimated user relationships on a quarterly basis. Any adjustments arising from changes in the user relationship as a result of new information will be accounted as a change in accounting estimate in accordance with ASC 250 *Accounting Changes and Error Corrections*.

- Self-developed games

Revenues derived from self-developed games are recorded on a gross basis as the Group acts as a principal to fulfill all obligations. The Group does not maintain information on consumption details of in-game virtual items, and only has limited information related to the frequency of log-ons for its two self developed games. Given that certain historical data is not available, the Group uses the user relationship of third party games with similar popularity, gaming experience and sales to determine the estimated period of user relationship for its self-developed games. The estimated user relationship period of the Group's self-developed games are approximately four months for the periods presented.

(2) YY music revenue

YY Music revenue consists of sales of virtual items the Group creates and offers to users to be used on YY Client's music channels, which the Group operates and maintains. Users purchase consumable virtual items from the Group to show support for their favorite performers or time-based virtual items, that provide users with recognized status, such as priority speaking rights or special symbols on the music channels for a specific period of time. In order to attract user traffic, the Group shares with certain popular performers and channel owners, who have entered into revenue sharing arrangements with the Group, a portion of the revenues the Group derives from such in-channel virtual item sales on YY Music, which the Group accounts for as cost of revenue. Performers and channel owners, who do not have revenue sharing arrangements with the Group, are not entitled to share any revenue derived from the virtual items sold. Accordingly, YY Music revenue is recognized for the sale of virtual items sold in YY Music channels immediately if the virtual item is a consumable or, in the case of time-based virtual items, recognized ratably over the period each virtual item is made available to the user, which does not exceed one year. The Group does not have further obligations to the user after the virtual items are consumed. Virtual items may be sold individually or bundled into one arrangement. When the Group's users purchase multiple virtual items bundled within the same arrangement, the Group evaluates such arrangements under ASC 605-25 *Multiple-Element Arrangements*. The Group identifies individual elements under the arrangement and determines if such elements meet the criteria to be accounted for as separate units of accounting. The Group allocates the arrangement consideration to the separate units of accounting based on their relative selling price. The following hierarchy has been followed when determining the relative selling price for each element: (1) vendor specific objective evidence ("VSOE"), (2) third party evidence ("TPE"), and (3) best estimate of selling price ("BESP"). Given that the VSOE of the selling price cannot be determined, the Group has adopted a policy to allocate the consideration of the whole arrangement to different virtual item elements based on the TPE of selling price or the BESP for each virtual item element. The Group determines the fair values of virtual items sold in a bundle based on similar products sold separately on the YY platform based on the TPE of the selling price and determines the fair values of virtual items without similar products sold separately on the YY platform based on the BESP. The BESP is generally based on the selling prices of the various elements of a similar nature when they are sold to users on a standalone basis. The BESP may also

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(All amount in thousands, except share and per share data, unless otherwise stated)

2. Principal accounting policies (continued)

(s) Revenue recognition (continued)

(i) Internet value-added services (continued)

(2) YY music revenue (continued)

be based on an estimated stand-alone pricing when the element has not previously been sold on a stand-alone basis. These estimates are generally determined based on pricing strategies, market factors and strategic objectives. The Group recognizes revenue for each virtual item element in accordance with the applicable revenue recognition method.

(3) Other revenue

Other revenue mainly represents membership subscription revenue, server rental income, technical support fees, and revenue from the sale of other items on the YY platform.

The Group operates a membership subscription program where subscription members can have enhanced user privileges when using YY Client. The membership fee is collected up-front from subscribers. The receipt of the revenue is initially recorded as deferred revenue and revenue is recognized ratably over the period of the subscription as services are rendered. Unrecognized portion beyond 12 months from balance sheet date is classified as long-term deferred revenue.

Server rental income is recognized on a straight-line basis over the rental period.

(ii) Advertising revenues

Advertising revenues are derived principally from advertising arrangements where the advertisers pay to place their advertisements on the Group’s platform in different formats over a particular period of time. Such formats generally include but are not limited to banners, text-links, videos, logos, and buttons. Advertisements on the Group’s platform are generally charged on the basis of duration, and advertising contracts are signed to establish the fixed price and the advertising services to be provided. Where collectability is reasonably assured, advertising revenues from advertising contracts are recognized ratably over the contract period of display.

The Group enters into advertising contracts directly with advertisers or third party advertising agencies that represent advertisers. Contract terms generally range from 1 to 3 months. Both third party advertising agencies and direct advertisers are generally billed at the end of the display period and payments are due usually within 6 months.

Where customers purchase multiple advertising spaces with different display periods in the same contract, the Group allocates the total consideration to the various advertising elements based on the relative selling price method and recognizes revenue for the different elements over their respective display periods. The following hierarchy should be followed when determining the appropriate selling price for each element: (1) vendor specific objective evidence (“VSOE”), (2) third party evidence (“TPE”), and (3) best estimate of selling price (“BESP”). Given that the VSOE or TPE of the selling price cannot be determined, the Group has adopted a policy to allocate the fair values of different advertising elements based on the best estimate selling prices of each advertisement within the contract taking into consideration the standard price list and historical discounts granted. The Group recognizes revenue on the elements delivered and defers the recognition of revenue for the fair value of the undelivered elements until the remaining obligations have been satisfied. Where all of the elements within an arrangement are delivered uniformly over the agreement period, the revenues are recognized on a straight line basis over the contract period.

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(All amount in thousands, except share and per share data, unless otherwise stated)

2. Principal accounting policies (continued)

(s) Revenue recognition (continued)

(ii) Advertising revenues (continued)

Transactions with third party advertising agencies

For contracts entered into with third party advertising agencies, the third party advertising agencies will in turn sell the advertising services to advertisers. Revenue is recognized ratably over the contract period of display based on the following criteria:

- There is persuasive evidence that an arrangement exists—the Group will enter into framework and execution agreements with the advertising agencies, specifying price, advertising content, format and timing
- Price is fixed or determinable—price charged to the advertising agencies are specified in the agreements, including relevant discount and rebate rates
- Services are rendered—the Group recognizes revenue ratably as the element are delivered over the contract period of display
- Collectability is reasonably assured—the Group assesses credit history of each advertising agency before entering into any framework and execution agreements. If the collectability from the agencies is assessed as not reasonably assured, the Group recognizes revenue only when the cash is received and all the other revenue criteria are met

The Group provides sales incentives in the forms of discounts and rebates to third party advertising agencies based on purchase volume. As the advertising agencies are viewed as the customers in these transactions, revenue is recognized based on the price charged to the agencies, net of sales incentives provided to the agencies. Sales incentives are estimated and recorded at the time of revenue recognition based on the contracted rebate rates and estimated sales volume based on historical experience.

Transactions with advertisers

The Group also enters into advertisement contracts directly with advertisers. Similar to transactions with third party advertising agencies, the Group recognizes revenue ratably as the elements are delivered over the contract period of display. The terms and conditions, including price, are fixed according to the contract between the Group and the advertisers. The Group also performs a credit assessment of all advertisers prior to entering into contracts. Revenue is recognized based on the amount charged to the advertisers, net of discounts.

(t) Advances from users and deferred revenue

Advances from users are prepayments from users in the form of the Group’s virtual currency that are not yet consumed or converted into game tokens, and upon the consumption or conversion, are recognized as revenue according to the prescribed revenue recognition policies described above. Deferred revenue primarily consists of the unamortized game tokens and prepaid subscriptions under the membership program, where there is still an implied obligation to be provided by the Group, which will be recognized as revenue when all of the revenue recognition criteria are met.

(u) Cost of revenues

Amounts recorded as cost of revenue relate to direct expenses incurred in order to generate IVAS and advertising revenue. Such costs are recorded as incurred. Cost of revenues consists primarily of (i) bandwidth costs, (ii) depreciation and amortization expense for servers and other equipment or

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. Principal accounting policies (continued)

(u) Cost of revenues (continued)

intangibles directly related to operating the platform, (iii) personnel expenses such as salary and welfare expenses and share-based compensation, (iv) payment handling cost, (iv) business taxes and related surcharges, (v) YY music activities costs, which represent the revenue shared with the channel owners and performers based on the respective contractual arrangements made with them, and (vi) other costs.

In the PRC, business taxes are imposed by the government on the revenues reported by the selling entities for the provision of taxable services in the PRC, transfer of intangible assets and the sale of immovable properties in the PRC. The business tax rate varies depending on the nature of the revenues. The Group is also subject to cultural development fee on the provision of advertising services in the PRC. The subsidiaries/VIEs' advertising revenues earned from external customers are subject to business taxes, surcharges and cultural development fees of 8.5%, 8.5% and 8.6% for the year ended December 31, 2009, 2010 and 2011. The VIEs' IVAS revenue earned from external customers are subject to business taxes and surcharges of 3.30%, 3.30% and 3.36% for the year ended December 31, 2009, 2010 and 2011. As a result of the Group's current structure in the PRC and future intercompany transactions between the VIEs and Beijing Huanju Shidai, the Group's revenues might be subject to business tax and surcharge more than once.

The Group includes the business tax and surcharges, and cultural development fees incurred in cost of revenues. The business tax and surcharges, and cultural development fees included in cost of revenues for the years ended December 31, 2009, 2010 and 2011 were RMB2,328, RMB7,186 and RMB16,462, respectively.

(v) Research and development expenses

Research and development costs consist primarily of (i) salary and benefits for our research and development personnel, and (ii) rental and depreciation of office premise and servers utilized by the research and development personnel. The costs to develop the YY gaming platform, including the costs to develop the websites, new services and features, are expensed as incurred.

Costs incurred during the research stage are expensed as incurred. Costs incurred in the development stage, prior to the establishment of technological feasibility, which is when a working model is available, are expensed when incurred.

Development costs incurred for the years ended December 31, 2009, 2010 and 2011 that were qualified for capitalization were insignificant.

(w) Sales and marketing expenses

Sales and marketing expenses comprise primarily of salary, commission, stock based compensation expenses, and benefits of sales and marketing personnel and advertising and market promotion expenses. The advertising and market promotion expenses amounted to approximately RMB2,137, RMB1,773 and RMB4,234 during the years ended December 31, 2009, 2010 and 2011, respectively.

(x) General and administrative expenses

General and administrative expenses consist primarily of salary and benefits, including share-based compensation for general and administrative personnel, professional service fees, legal expenses and other administrative expenses.

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2. Principal accounting policies (continued)

(y) Government grants

Government grants represent cash subsidies received from the PRC government by the operating subsidiaries or VIEs of the Company. Government grants are originally recorded as deferred revenue when received upfront. After all of the conditions specified in the grants have been met, the grants are recognized as operating or non-operating income based on the nature of the government grants.

(z) Share-based compensation

The Company grants stock-based award, such as, but not limited to, share options, restricted shares, restricted share units and warrants to eligible employees, officers, directors, and non-employee consultants.

Awards granted to employees, officers, and directors are initially accounted for as equity-classified awards. The related shared-based compensation expenses are measured at the grant date fair value of the award and are recognized using the graded vesting method, net of estimated forfeiture rates, over the requisite service period, which is generally the vesting period. Duowan BVI also granted share options and restricted shares to non-employees. Awards granted to non-employees are initially measured at fair value on the grant date and periodically remeasured thereafter until the earlier of the performance commitment date or the date the service is completed and recognized over the period the service is provided. Awards are remeasured at each reporting date using the fair value as at each period end until the measurement date, generally when the services are completed and awards are vested. Changes in fair value between the interim reporting dates are attributed consistent with the method used in recognizing the original compensation costs.

As a result of Duowan BVI's repurchases of certain awards offered in 2009 and in 2011 (Note 18), certain initially equity classified employee and non-employee awards had been reclassified as a liability classified award, as these awards were deemed to have a substantive cash settlement feature. These awards are re-measured at the end of each reporting period until either the substantive cash settlement is terminated or the holder of the awards is exposed to the market value fluctuation of the underlying shares for a reasonable period of time (at least six months), or the awards are settled, cancelled or expire unexercised.

On September 15, 2011, the board of directors of the Company resolved not to undertake any repurchases of vested or unvested share-based compensation awards, except under those conditions specified in the relevant award scheme and grant documents. In addition, any proposed repurchase of vested or unvested share-based compensation awards should be approved by the majority votes of the board of directors. Such intention of the Company was specifically communicated to all employees with or without the awards. All the employees with vested or unvested awards also confirmed such understanding by a written confirmation. Accordingly, the classification of the liability-classified awards changed back to be equity-classified.

Share-based compensation expense is recorded net of estimated forfeitures so that expense is recorded for only those stock-based awards that we expect to vest. Forfeitures are estimated at the time of grant based on historical forfeiture rates and will be revised in the subsequent periods if actual forfeitures differ from those estimates.

The Binomial option-pricing model is used to measure the fair value of all the share options. The determination of the fair value is affected by the share price as well as assumptions regarding a number of complex and subjective variables, including the expected share price volatility, actual and projected employee and non-employee share option exercise behavior, risk-free interest rates and expected dividends. The use of the Binomial option-pricing model requires extensive actual employee, directors, officers and non-employee exercise behavior data for the relative probability estimation purpose, and a number of complex assumptions.

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2. Principal accounting policies (continued)

(aa) Income taxes

Current income taxes are provided on the basis of net income for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes, in accordance with the regulations of the relevant tax jurisdictions. Deferred income taxes are accounted for using an asset and liability method. Under this method, deferred income taxes are recognized for the tax consequences of temporary differences by applying enacted statutory rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purpose. The effect on deferred taxes of a change in tax rates is recognized in the statements of operations and comprehensive loss in the period of change. A valuation allowance is provided to reduce the amount of deferred tax assets if it is considered more likely than not that some portion of, or all of the deferred tax assets will not be realized.

Uncertain tax positions

The guidance on accounting for uncertainties in income taxes prescribes a more likely than not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Guidance was also provided on derecognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods, and income tax disclosures. Significant judgment is required in evaluating the Group’s uncertain tax positions and determining its provision for income taxes. The Group recognizes interests and penalties, if any, under accrued expenses and other current liabilities on its balance sheet and under other expenses in its statements of operations and comprehensive loss. The Group did not recognize any significant interest and penalties associated with uncertain tax positions for the years ended December 31, 2009, 2010 and 2011. As of December 31, 2010 and 2011, the Group did not have any significant unrecognized uncertain tax positions.

(bb) Employee social security and welfare benefits

Employees of the Group in the PRC are entitled to staff welfare benefits including pension, work-related injury benefits, maternity insurance, medical insurance, unemployment benefit and housing fund plans through a PRC government-mandated multi-employer defined contribution plan. The Group is required to accrue for these benefits based on certain percentages of the employees’ salaries, up to a maximum amount specified by the local government. The Group is required to make contributions to the plans out of the amounts accrued. The PRC government is responsible for the medical benefits and the pension liability to be paid to these employees and the Group’s obligations are limited to the amounts contributed and no legal obligation beyond the contributions made. Employee social security and welfare benefits included as expenses in the accompanying statements of operations and comprehensive loss amounted to RMB3,731, RMB10,217 and RMB23,657, for the years ended December 31, 2009, 2010 and 2011, respectively.

(cc) Statutory reserves

The Group’s subsidiaries and VIEs established in the PRC are required to make appropriations to certain non-distributable reserve funds.

In accordance with the laws applicable to China’s Foreign Investment Enterprises, the Group’s subsidiaries registered as wholly-owned foreign enterprises (Beijing Huanju Shidai, Zhuhai Duowan and Guangzhou Huanju Shidai) have to make appropriations from its after-tax profit (as determined under the Accounting Standards for Business Enterprises as promulgated by the Ministry of Finance of the People’s Republic of

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

2. Principal accounting policies (continued)

(cc) Statutory reserves (continued)

China ("PRC GAAP")) to reserve funds including general reserve fund, and staff bonus and welfare fund. The appropriation to the general reserve fund must be at least 10% of the after-tax profits calculated in accordance with PRC GAAP. Appropriation is not required if the reserve fund has reached 50% of the registered capital of the company. Appropriation to the staff bonus and welfare fund is at the company's discretion.

In addition, in accordance with the Company Laws of the PRC, the VIEs of the Company registered as PRC domestic companies (Guangzhou Huaduo and Beijing Tuda) must make appropriations from its after-tax profit as determined under the PRC GAAP to non-distributable reserve funds including a statutory surplus fund and a discretionary surplus fund. The appropriation to the statutory surplus fund must be at least 10% of the after-tax profits as determined under the PRC GAAP. Appropriation is not required if the surplus fund has reached 50% of the registered capital of the company. Appropriation to the discretionary surplus fund is made at the discretion of the company.

The use of the general reserve fund, statutory surplus fund and discretionary surplus fund are restricted to the off-setting of losses or increasing capital of the respective company. The staff bonus and welfare fund is a liability in nature and is restricted to fund payments of special bonus to staff and for the collective welfare of employees. All these reserves are not allowed to be transferred to the company in terms of cash dividends, loans or advances, nor can they be distributed except under liquidation.

The Group did not make any appropriation to its general reserve fund, statutory surpluses fund, discretionary surplus fund, and the staff bonus and welfare fund for the years ended December 31, 2009, 2010 and 2011, respectively, as the PRC subsidiaries and VIEs reported accumulated losses.

(dd) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or significant influence, such as a family member or relative, shareholder, or a related corporation. See also Note 20 for further information.

(ee) Dividends

Dividends are recognized when declared. No dividends were declared for the years ended December 31, 2009, 2010 and 2011, respectively. The Group does not have any present plan to pay any dividends on common shares in the foreseeable future. The Group currently intends to retain the available funds and any future earnings to operate and expand its business.

(ff) Loss per share

Basic loss per share is computed by dividing net loss attributable to common shareholders, considering the accretion of redemption feature, deemed dividend to preferred shareholders and amortization of beneficial conversion feature related to its convertible redeemable preferred shares (Note 17), by the weighted average number of common shares outstanding during the period using the two-class method. Under the two-class method, net income is allocated between common shares and other participating securities based on their participating rights. Net losses are not allocated to other participating securities if based on their contractual terms they are not obligated to share the losses.

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2. Principal accounting policies (continued)

(ff) Loss per share (continued)

Diluted loss per share is calculated by dividing net loss attributable to common shareholders, as adjusted for the effect of dilutive common equivalent shares, if any, by the weighted average number of common and dilutive common equivalent shares outstanding during the period. Common equivalent shares consist of common shares issuable upon the conversion of the preferred shares, using the if-converted method, and shares issuable upon the exercise of share options using the treasury stock method. Common equivalent shares are not included in the denominator of the diluted loss per share calculation when inclusion of such share would be anti-dilutive.

(gg) Comprehensive loss

Comprehensive loss is defined as the change in equity of the Company during a period arising from transactions and other events and circumstances excluding transactions resulting from investments by shareholders and distributions to shareholders. The Group has recognized foreign currency translation adjustments as other comprehensive income (loss) in the consolidated statements of operations and comprehensive loss.

(hh) Segment reporting

Operating segments are defined as components of an enterprise engaging in businesses activities for which separate financial information is available that is regularly evaluated by the Group's chief operating decision makers in deciding how to allocate resources and assess performance. The Group's chief operating decision maker has been identified as the Chief Executive Officer, who reviews consolidated results when making decisions about allocating resources and assessing performance of the Group. The Group has internal reporting of cost and expenses that does not distinguish between segments, and reports costs and expenses by nature as a whole. The Group does not distinguish between markets or segments for the purpose of internal reporting. Hence, the Group has only one operating segment. As the Group's long-lived assets and revenue are substantially located in and derived from the PRC, no geographical segments are presented.

(ii) Internal use software

The Company recognizes internal use software development costs in accordance with guidance on intangible assets and internal use software. This requires capitalization of qualifying costs incurred during the software's application development stage and to expense costs as they are incurred during the preliminary project and post implementation/operation stages. The Company has not capitalized any costs related to internal use software during the years ended December 31, 2009, 2010 and 2011, respectively.

(jj) Recently issued accounting pronouncements

In May 2011, the FASB issued Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs, an accounting standard update which amended the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. For public entities, the amendments are effective prospectively during interim and annual periods beginning after December 15, 2011. Early application by public entities is not permitted. This amendment is not expected to have a material impact on the Group's financial position, results of operations or cash flows.

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2. Principal accounting policies (continued)

(jj) Recently issued accounting pronouncements (continued)

In June 2011, the FASB issued an accounting standards update on the presentation of comprehensive income under which the option to present the components of other comprehensive income as part of the statement of shareholders' equity has been eliminated. The standard requires other comprehensive income be presented as part of a single continuous statement of comprehensive income or in a statement of other comprehensive income immediately following the statement of operations. Reclassification adjustments from other comprehensive income to net income must be presented on the face of the financial statements. This standard must be retrospectively applied to all reporting periods presented in financial reports issued after the effective date. The new accounting guidance is effective for interim and annual periods beginning after December 15, 2011. The Group intends to provide the required financial reporting presentation upon the effective date of this standard. The adoption of this guidance will change the presentation of the Group's financial statement but will not affect the calculation of net income, comprehensive income or earnings per share.

In August 2011, the FASB approved changes to the goodwill impairment guidance that are intended to reduce the cost and complexity of the annual impairment test. The changes will provide entities an option to perform a "qualitative" assessment to determine whether further impairment testing (i.e. step 2) is necessary. If an entity believes, as a result of its qualitative assessment, that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is required. Otherwise, no further testing is required. The final standard was issued in September 2011. The changes will be effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011 and earlier adoption is permitted.

In December 2011, the FASB issued a further authoritative pronouncement, Accounting Standard Update, or ASU 2011-12, Deferral of the Effective Date for Amendments to the Presentation of Reclassification of Items Out of Accumulated Other Comprehensive Income in ASU 2011-05, Presentation of Comprehensive Income. Under the amendments in ASU 2011-05, entities are required to present reclassification adjustments and the effect of those reclassification adjustments on the face of the financial statements where net income is presented, by component of net income, and on the face of the financial statements where other comprehensive income is presented, by component of other comprehensive income. In addition, the amendments in ASU 2011-05 require that reclassification adjustments be presented in interim financial periods. The amendments supersede changes to those paragraphs in ASU 2011-05 that pertain to how, when, and where reclassification adjustments are presented. Due to the time required to properly make such a reassessment and to evaluate alternative presentation formats, the Board decided that it is necessary to reinstate the requirements for the presentation of reclassifications out of accumulated other comprehensive income that were in place before the issuance of ASU 2011-05. The amendments in this ASU are effective for public entities for fiscal years, and interim periods within those years, beginning after December 15, 2011. The Group adopted this standard effective January 1, 2012, and revised the historical annual financial statements to retrospectively reflect the adoption of ASU 2011-05.

In December 2011, the FASB issued an authoritative pronouncement on disclosures about offsetting assets and liabilities. Under this pronouncement, entities are required to disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. This scope would include derivatives, sale and repurchase agreements and reverse sale and repurchase agreements, and securities borrowing and securities lending arrangements. An entity is required to apply the amendments for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. An entity should provide the disclosures required by those amendments retrospectively for all comparative periods presented. This pronouncement is not expected to have a material impact on the Group's financial position, results of operations or cash flows.

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3. Certain risks and concentration

(a) PRC regulations

Foreign ownership of internet-based businesses is subject to significant restrictions under the current PRC laws and regulations. The PRC government regulates internet access, the distribution of online information and the conduct of online commerce through strict business licensing requirements and other government regulations. These laws and regulations also limit foreign ownership in PRC companies that provide internet information distribution services. Specifically, foreign ownership in an internet information provider or other value-added telecommunication service providers may not exceed 50%. Foreigners or foreign invested enterprises are currently not able to apply for the required licenses for operating online games in the PRC. The Company is incorporated in the Cayman Islands and accordingly, the Company is considered as a foreign invested enterprise under PRC law.

In order to comply with the PRC laws restricting foreign ownership in the online business in China, the Group operates the online business in China through contractual arrangements with Guangzhou Huaduo and Beijing Tuda, the Group’s two VIEs. As of December 31, 2011, Mr. David Xueling Li, CEO, Mr. Jun Lei, Chairman of the Company, Mr. Tony Bin Zhao, Chief Technology Officer, Mr. Jin Cao, General Manager of the Website Department, and Beijing Tuda own approximately 1.7%, 1.5%, 0.1%, 0.1% and 96.6% of Guangzhou Huaduo’s equity interests, respectively. As of December 31, 2011, Mr. David Xueling Li, CEO, Mr. Tony Bin Zhao, Chief Technology Officer, and Mr. Jin Cao, General Manager of Website Department, own 97.7%, 1.5% and 0.8% of Beijing Tuda’s equity interests, respectively.

The VIEs hold the licenses and permits necessary to conduct its internet value-added services and online advertising business in the PRC. If the Company had direct ownership of the VIEs, it would be able to exercise its rights as a shareholder to effect changes in the board of directors, which in turn could affect changes at the management level, subject to any applicable fiduciary obligations. However, under the current contractual arrangements, it relies on the VIEs and its’ shareholders’ performance of their contractual obligations to exercise effective control. In addition, the Group’s contractual agreements have terms range from 10 to 30 years, which are subject to Beijing Huanju Shidai’s unilateral termination right.

Under the respective service agreements, Beijing Huanju Shidai will provide services including technology support, technology services, business support and consulting services to Beijing Tuda and Guangzhou Huaduo in exchange for service fees. The amount of service fees payable is determined by various factors, including (a) a percentage of Beijing Tuda and Guangzhou Huaduo’s revenues or earnings, and (b) the expenses that Beijing Huanju Shidai incurs for providing such services. Beijing Huanju Shidai may charge up to 100% of the income in Beijing Tuda and Guangzhou Huaduo and a multiple of the expenses incurred for providing such services, as determined by Beijing Huanju Shidai from time to time. The service fees payable by Beijing Tuda and Guangzhou Huaduo to Beijing Huanju Shidai are determined to be up to 100% of the profits of the Beijing Tuda and Guangzhou Huaduo, with the timing of such payment to be determined at the sole discretion of Beijing Huanju Shidai. As of December 31, 2010 and 2011, Beijing Huanju Shidai determined that zero service fees were incurred and retained by Beijing Tuda and Guangzhou Huaduo, respectively, because both VIEs had operating losses since inception. Therefore, no fees were recorded in any intercompany payable accounts. No service fee was paid prior to December 31, 2011. If fees were incurred, it would be significant to the Company and the operating companies’ economic performance because it will be incurred and paid at up to 100% of the earnings of the VIEs. Fees incurred would be remitted, subject to further PRC restrictions. None of the VIEs or their shareholders are entitled to terminate the contracts prior to the expiration date, unless under remote circumstances such as a material breach of agreement or bankruptcy as it pertains to the service and business operation agreements and their amendment.

Further, the Group believes that the contractual arrangements among Beijing Huanju Shidai, the VIEs, and their shareholders are in compliance with PRC law and are legally enforceable. However, the PRC

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3. Certain risks and concentration (continued)

(a) PRC regulations (continued)

government may issue from time to time new laws or new interpretations on existing laws to regulate this industry. Regulatory risk also encompasses the interpretation by the tax authorities of current tax laws, and the Group's legal structure and scope of operations in the PRC, which could be subject to further restrictions resulting in limitations on the Company's ability to conduct business in the PRC. The PRC government may also require the Company to restructure the Group's operations entirely if it finds that its contractual arrangements do not comply with applicable laws and regulations. Furthermore, it could revoke the Group's business and operating licenses, require it to discontinue or restrict its operations, restrict its right to collect revenues, block its website, require it to restructure its operations, impose additional conditions or requirements with which the Group may not be able to comply, or take other regulatory or enforcement actions against the Group that could be harmful to its business. The imposition of any of these penalties may result in a material and adverse effect on the Group's ability to conduct the Group's business. In addition, if the imposition of any of these penalties causes the Group to lose the rights to direct the activities of the VIEs or the right to receive their economic benefits, the Group would no longer be able to consolidate the VIEs. The Group does not believe that any penalties imposed or actions taken by the PRC government would result in the liquidation of the Company, Beijing Huanju Shidai, and the VIEs.

The following consolidated financial information of the Group's VIEs was included in the accompanying consolidated financial statements as of and for the years ended:

	December 31,	
	2010	2011
	RMB	RMB
Total assets	60,161	181,850
Total liabilities	79,612	187,184

	For the year ended December 31,		
	2009	2010	2011
	RMB	RMB	RMB
Net revenue	18,173	96,102	245,633
Net loss	(25,400)	(139,466)	(66,077)

	For the year ended December 31,		
	2009	2010	2011
	RMB	RMB	RMB
Net cash provided by operating activities	5,406	18,554	70,570
Net cash used in investing activities	(4,617)	(24,763)	(46,475)
Net cash provided by financing activities	1,071	28,560	50,444
	1,860	22,351	74,539

(b) Foreign exchange risk

The revenues and expenses of the Group's subsidiaries and VIEs in the PRC are generally denominated in RMB and their assets and liabilities are denominated in RMB. The Group's financing activities are denominated in U.S. dollars. The RMB is not freely convertible into foreign currencies. Remittances of foreign currencies into the PRC and exchange of foreign currencies into RMB require approval by foreign exchange administrative authorities and certain supporting documentation. The State Administration for Foreign Exchange, under the authority of the People's Bank of China, controls the conversion of RMB into other currencies.

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3. Certain risks and concentration (continued)

(c) Concentration of risks

(1) Concentration of online game revenue

The Group depends on the success of a limited number of online games to generate revenue. The top 5 games account for 89%, 87% and 66% of the total online game revenue for the years ended December 31, 2009, 2010 and 2011, respectively.

The following table summarizes the games that account for more than 10% of the Group's online game revenues:

	For the year ended December 31,		
	2009	2010	2011
Online game			
A1	11%	*	*
A2	18%	63%	47%
A3	46%	11%	*
A4	*	*	10%

(2) Concentration of online advertising revenue

The Group depends on a limited number of customers for online advertising revenues. The top 10 customers accounted for 79%, 94% and 98% of the total online advertising revenues for the years ended December 31, 2009, 2010 and 2011, respectively.

The following table summarizes the percentage of the Group's online advertising revenues from customers with over 10% of total online advertising revenues:

	For the year ended December 31,		
	2009	2010	2011
Customer			
B1	27%	13%	12%
B2	21%	28%	36%
B3	*	16%	12%
B4	*	10%	22%

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3. Certain risks and concentration (continued)

(c) Concentration of risks (continued)

(3) Concentration of accounts receivable

The Group collects accounts receivable for online game revenue from collection agencies and accounts receivable for online advertising revenue from customers. The Group depends on payments from a limited number of the collection agencies and customers. The top 10 accounts receivable accounted for 76%, 92% and 86% of the total accounts receivable as of December 31, 2009, 2010 and 2011, respectively.

The following table summarizes the percentage of accounts receivable from collection agencies and customers with over 10% of total accounts receivable:

	December 31,		
	2009	2010	2011
Collection agencies and customers			
B1	23%	12%	12%
B2	21%	24%	31%
B3	*	19%	12%
B5	*	12%	*

* Less than 10%

(d) Credit risk

As of December 31, 2010 and 2011, substantially all of the Group's cash and cash equivalents and short-term deposits were held by two and three financial institutions, which are all located in Hong Kong and the PRC. Management chooses these institutions because of their reputations and track records for stability, and their known large cash reserves, and management periodically reviews these institutions' reputations, track records, and reported reserves. Management expects that any additional institutions that the Group uses for its cash and bank deposits will be chosen with similar criteria for soundness. The balances in the PRC are not insured since it is not a market practice in the PRC. Nevertheless under the PRC law, it is required that a commercial bank in the PRC that holds third party cash deposits should maintain a certain percentage of total customer deposits taken in a statutory reserve fund for protecting the depositors' rights over their interests in deposited money. PRC banks are subject to a series of risk control regulatory standards; PRC bank regulatory authorities are empowered to take over the operation and management of any PRC bank that faces a material credit crisis. The Group believes that it is not exposed to unusual risks as these financial institutions are either PRC banks or non-PRC banks that carry at least 'A' credit ratings from one or more credit rating agencies. The Group has not experienced any losses on its deposits of cash and cash equivalents and term deposit of the years ended December 31, 2009, 2010 and 2011 and believes its credit risk to be minimal.

4. Cash and cash equivalents

Cash and cash equivalents represent cash on hand and demand deposits placed with banks or other financial institutions, which have original maturities of three months or less. Cash and cash equivalents balance as of December 31, 2010 and 2011 primarily consist of the following currencies:

	December 31, 2010		December 31, 2011	
	Amount	RMB equivalent	Amount	RMB equivalent
RMB	35,299	35,299	108,775	108,775
US$	7,306	48,384	3,193	20,116
Total		83,683		128,891

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5. Short-term deposits

Short-term deposits represent deposits placed with banks with original maturities of more than three months but less than one year. Short-term deposits are all denominated in RMB.

6. Accounts receivable, net

	December 31,	
	2010 RMB	2011 RMB
Accounts receivable, gross	26,134	47,022
Less: allowance for doubtful receivables	(387)	—
Accounts receivable, net	25,747	47,022

The following table presents movement of the allowance for doubtful receivables:

	For the year ended December 31,	
	2010 RMB	2011 RMB
Balance at the beginning of the year	(100)	(387)
Additions charged to general and administrative expenses	(287)	—
Write-off during the year	—	387
Balance at the end of the year	(387)	—

7. Investments

	December 31,	
	2010 RMB	2011 RMB
Equity investments	—	3,142
Cost investments (Note i)	3,000	2,102
Total	3,000	5,244

(i) As of December 31, 2010 and 2011, one of the Group’s investments represents an equity interest of 25% in a private company. As part of the share purchase agreement, the Group is entitled to receive an amount equal to 100% of its original investment in the event of liquidation in preference to other common shareholders. As a result, the investment is not an investment in common stock or in-substance common stock and precluded from applying the equity method of accounting. The Group accounted for the investment under the cost method.

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8. Property and equipment, net

Property and equipment consists of the following:

	December 31, 2010 RMB	December 31, 2011 RMB
Gross carrying amount		
Servers, computers and equipment	28,497	61,595
Furniture, fixture and office equipment	2,324	5,440
Leasehold improvement	—	3,759
Motor vehicles	1,034	1,149
Construction in progress	—	400
Total	31,855	72,343
Less: accumulated depreciation	(6,330)	(18,761)
Property and equipment, net	25,525	53,582

Depreciation expense for the years ended December 31, 2009, 2010 and 2011 were RMB1,150, RMB4,284 and RMB12,888, respectively.

9. Intangible assets, net

The following table summarizes the Group's intangible assets:

	December 31, 2010 RMB	December 31, 2011 RMB
Gross carrying amount		
Software	1,328	1,601
Domain names	12,084	11,504
Total of gross carrying amount	13,412	13,105
Less: accumulated amortization		
Software	(526)	(902)
Domain names	(650)	(1,389)
Total of accumulated amortization	(1,176)	(2,291)
Intangible assets, net	12,236	10,814

Amortization expense for the years ended December 31, 2009, 2010 and 2011 were RMB1,512, RMB1,030 and RMB1,211, respectively.

The estimated amortization expenses for each of the following five years are as follows:

	Domain Names RMB	Software RMB
2012	785	196
2013	785	196
2014	785	196
2015	763	90
2016	755	21

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9. Intangible assets, net (continued)

The weighted average amortization periods of intangible assets as of December 31, 2010 and 2011 are as below:

	December 31, 2010	December 31, 2011
Software	3.4 years	5 years
Domain names	15 years	15 years

10. Goodwill

Duowan BVI acquired 100% equity interest of NeoTasks Inc.(“NeoTasks”) in 2008. Goodwill of RMB706 represents the excess of the purchase price over the estimated fair value of the net tangible and identifiable intangible assets acquired. Goodwill is not deductible for tax purposes. The Group performs the annual impairment tests on October 1 of each year. Based on the impairment tests performed, no impairment of goodwill was recorded for all periods presented.

11. Deferred revenue

	December 31, 2010 RMB	December 31, 2011 RMB
Deferred revenue, current :		
Online game	17,436	31,215
Membership subscription	—	9,142
Total current deferred revenue, net	17,436	40,357
Deferred revenue, non-current :		
Membership subscription	—	448

12. Accrued liabilities and other current liabilities

	December 31, 2010 RMB	December 31, 2011 RMB
Accrued salaries and welfare	7,280	27,050
Business and other taxes payable	3,681	7,028
Deposits from advertising customers	1,500	6,250
Accrued bandwidth costs	1,852	5,801
Others	1,264	2,942
Total	15,577	49,071

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13. Cost of revenue

	For the year ended December 31,		
	2009 RMB	2010 RMB	2011 RMB
Bandwidth costs	8,523	32,491	75,064
Salary and welfare	6,949	23,510	33,388
Business tax and surcharges	2,328	7,186	16,462
Shared-based compensation	5,269	31,709	15,449
Depreciation and amortization	2,264	4,298	11,951
Payment handling costs	1,687	6,769	9,306
YY music activities costs	—	—	6,750
Other costs	1,829	4,099	14,329
Total	28,849	110,062	182,699

14. Government grants

In 2011, the Group earned and received cash subsidies of RMB1,982 from the PRC local government for operating its local business operations in the jurisdiction.

15. Income tax

(i) Cayman Islands ("Cayman")

Under the current tax laws of Cayman Islands, the Company and its subsidiary are not subject to tax on income or capital gains. Besides, upon payment of dividends by the Company to its shareholders, no Cayman Islands withholding tax will be imposed.

(ii) British Virgin Islands ("BVI")

Duowan BVI is exempt from income tax on its foreign-derived income in the BVI. There are no withholding taxes in the BVI.

(iii) Hong Kong profits tax

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% on the estimated assessable profit for the years ended December 31, 2009, 2010 and 2011. No Hong Kong profits tax has been provided as the Group's subsidiary has no assessable profit arising in Hong Kong.

(iv) PRC Enterprise Income Tax ("EIT")

Current taxation primarily represented the provision for EIT for subsidiaries and VIEs operating in the PRC. Prior to January 1, 2008, companies established in the PRC were generally subject to a state and local corporate income tax, or EIT, at statutory rates of 30% and 3%, respectively. On March 16, 2007, the PRC National People's Congress promulgated the New Enterprise Income Tax Law (the "New EIT Law"), which became effective on January 1, 2008. The Company's subsidiaries and VIEs are subject to EIT on their taxable income as reported in their respective statutory financial statements adjusted in accordance with the relevant tax laws and regulations in the PRC. All PRC entities of the Group (including subsidiaries and VIEs) are subject to EIT at a rate of 25%. In 2011, Guangzhou Huaduo has been qualified as a "High and New Technology Enterprise"("HNTE") under the EIT Law. Therefore, it is entitled to a preferential tax rate of 15% from 2011 to 2012 and will continue to enjoy the preferential tax rate, provided that it continues to be qualified as HNTE during such period.

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15. Income tax (continued)

(iv) PRC Enterprise Income Tax ("EIT") (continued)

According to a policy promulgated by the State Tax Bureau of the PRC and effective from 2008 onwards, enterprises engage in research and development activities are entitled to claim 150% of the research and development expenses so incurred in a year as tax deductible expenses in determining its tax assessable profits for that year ("Super Deduction"). Guangzhou Huaduo had claimed such Super Deduction in ascertaining its tax assessable profits for the periods reported. Zhuhai Duowan started to claim Super Deduction in ascertaining its tax assessable profits in 2011 when it started to engage in engaged in research and development activities.

In addition, according to the New EIT Law and its implementation rules, foreign enterprises, which have no establishment or place in the PRC but derive dividends, interest, rents, royalties and other income (including capital gains) from sources in the PRC shall be subject to PRC withholding tax ("WHT") at 10% (a further reduced WHT rate may be available according to the applicable double tax treaty or arrangement). The 10% WHT is applicable to any dividends to be distributed from Beijing Huanju Shidai and Guangzhou Huanju Shidai to Duowan BVI out of any profits of Beijing Huanju Shidai and its subsidiaries, and Guangzhou Huanju Shidai derived after January 1, 2008.

Up to December 31, 2011, the Group does not have any present plan to pay out the retained earnings in the subsidiaries and VIEs in the foreseeable future. The Group currently intends to retain the available funds and any future earnings to operate and expand its business. Accordingly, no such WHT had been accrued.

The current and deferred portions of income tax expense included in the consolidated statements of operations and comprehensive loss are as follows:

	For the year ended December 31,		
	2009 RMB	2010 RMB	2011 RMB
Current income tax expenses	(391)	(3,965)	(12,516)
Deferred income tax benefits	—	1,643	11,173
Income tax expense for the year	(391)	(2,322)	(1,343)

The reconciliation of total tax expense computed by applying the respective statutory income tax rate to pre-tax loss is as follows:

	For the year ended December 31,		
	2009	2010	2011
PRC statutory income tax rate	(25.0%)	(25.0%)	(25.0%)
Effect of preferential tax rate	—	—	8.4%
Effect of tax-exempt entities	1.0%	0.2%	(5.1%)
Permanent differences*	19.7%	25.1%	32.5%
Change in valuation allowance	6.7%	1.5%	(7.8%)
Effect of Super Deduction available to the Group	(1.6%)	(0.8%)	(4.9%)
Adjustments of deferred tax for changes in tax rates	—	—	3.6%
Effective income tax rate	0.8%	1.0%	1.7%

* Permanent differences mainly arise from expenses not deductible for tax purposes including primarily share-based compensation costs and expenses incurred by the subsidiaries and VIEs.

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15. Income tax (continued)

(iv) PRC Enterprise Income Tax ("EIT") (continued)

Deferred taxes were measured using the enacted tax rates for the periods in which they are expected to be reversed. The tax effects of temporary differences that give rise to the deferred tax asset balances as of December 31, 2010 and 2011 are as follows:

	December 31,	
	2010 RMB	2011 RMB
Deferred tax assets, current:		
Deferred revenue for online games	4,359	4,682
Allowance for doubtful accounts receivable, accrued expense and others not currently deductible for tax purposes	3,381	7,985
Valuation allowance	(6,097)	(180)
Total current deferred tax assets, net	1,643	12,487
Deferred tax assets, non-current:		
Tax loss carried forward	1,962	1,691
Impairment of equity investment	74	45
Impairment of cost investment	—	284
Valuation allowance	(2,036)	(1,691)
Total non-current deferred tax assets, net	—	329

The Group operates through multiple subsidiaries and VIEs and the valuation allowance is considered for each subsidiary and VIE on an individual basis. As of December 31, 2009, valuation allowances were fully provided for all the deferred income taxes because the Group considered that it was more likely than not that the benefits of the deferred income taxes will not be realized. As of December 31, 2010, the Group provided valuation allowance for the group companies' deferred income tax except for Zhuhai Duowan, which had derived taxable profit against the second year. The Group reassessed the earning history and the projected future taxable income of Zhuhai Duowan and concluded that deferred income tax of Zhuhai Duowan would be realized in the foreseeable future. Considering the other companies of the Group were still in loss positions, the Group provided full valuation allowance against their deferred income tax. As of December 31, 2011, Guangzhou Huaduo utilized all of the tax losses carried forward and had reported taxable profit. The Group reassessed the earning history and the projected future taxable income of Guangzhou Huaduo, concluded that deferred income tax of Guangzhou Huaduo would be realized in the foreseeable future, and accordingly no valuation allowance was provided. The other companies other than Guangzhou Huaduo and Zhuhai Duowan were still in loss position and full valuation allowance was provided. If events occur in the future that allow the Group to realize more of its deferred income tax than the presently recorded amounts, an adjustment to the valuation allowances will result in a decrease in tax expense when those events occur.

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15. Income tax (continued)

(iv) PRC Enterprise Income Tax ("EIT") (continued)

As of December 31, 2011, the Group had tax loss carry forwards of approximately RMB6,764, which can be carried forward to offset future taxable income. The net operating tax loss carry forwards will begin to expire as follows:

	Amount RMB
2012	—
2013	174
2014	3,184
2015	—
2016	3,406
Total	6,764

In accordance with PRC Tax Administration Law on the Levying and Collection of Taxes, the PRC tax authorities generally have up to five years to claw back underpaid tax plus penalties and interest for PRC entities' tax filings. In the case of tax evasion, which is not clearly defined in the law, there is no limitation on the tax years open for investigation. Accordingly, the PRC entities' tax years from 2007 to 2011 remain subject to examination by the tax authorities. There were no ongoing examinations by tax authorities as of December 31, 2011.

16. Common shares

Common Shares

The Company's Memorandum and Articles of Association authorized the Company to issue 946,074,577 and 1,022,785,225 common shares at US$0.00001 par value as of December 31, 2010 and 2011, respectively. Each common share is entitled to one vote. The holders of common shares are also entitled to receive dividends whenever funds are legally available and when declared by the Board of Directors, subject to prior rights of holders of all other classes of shares outstanding.

In January 2011, Duowan BVI entered into a common share and warrant purchase agreement with an independent institutional investor with respect to the issuance and sale of 51,140,432 common shares at an aggregate consideration of US$50,000 and a warrant to purchase up to an additional 25,570,216 common shares for an aggregate purchase price of US$25,000 ("Series D Common Share Financing"). The issuance price of each common share is US$0.9777, of which US$0.0830 per share relates to the fair value of the warrant. The related issuance costs were RMB1,208. In July 2011, the institutional investor exercised the warrant to acquire 25,570,216 common shares of Duowan BVI.

As of December 31, 2010 and 2011, there were 466,630,266 and 543,340,914 common shares outstanding, respectively.

Co-founder Common Shares

Of the common shares outstanding during 2009, 185,563,000 common shares relates to those issued to the Co-founder ("Co-founder Common Shares"), which has a liquidation preference of US$0.0021 per share after Series A, B, and C Preferred Shares, but prior to other common shares. The liquidation preference was subsequently waived by the Co-founder in February 23, 2010. All other rights are the same as the other common shares.

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16. Common shares (continued)

Repurchases

In connection with the November 2009 issuance of the Series C-1 Preferred Shares, Duowan BVI repurchased 10,206,700 common shares from the CEO for a total consideration of RMB5,576. The price paid for each common share was US$0.08 which was the then fair value. The common shares repurchased were immediately cancelled by Duowan BVI.

17. Convertible redeemable preferred shares

During the First Reorganization, Duowan Limited issued 54,488,000 Series A convertible preferred shares (“Series A Preferred Shares”) and warrant to a third party investor (“Series A Investor”) in exchange for an aggregate purchase price of RMB7,720, or US$0.0184 per share. During the Second Reorganization in June 2008, Duowan BVI issued an additional 81,612,930 Series A convertible preferred shares to the Series A Investor for an aggregate purchase price of RMB13,722. The related issuance costs were RMB172.

In August 2008, Duowan BVI issued 102,073,860 Series B convertible redeemable preferred shares (“Series B Preferred Shares”) for aggregate cash consideration of RMB34,232 and issuance costs of RMB278.

In November 2009, Duowan BVI issued 16,249,870 Series C-1 convertible redeemable preferred shares (“Series C-1 Preferred Shares”) and 104,999,650 C-2 convertible redeemable preferred shares (“Series C-2 Preferred Shares”, collectively with Series C-1 Preferred Shares, “Series C Preferred Shares”), for aggregate cash considerations of RMB8,875 and RMB71,684 respectively. Series C Preferred Shares issuance costs were RMB274.

Series A Preferred Shares, Series B Preferred Shares and Series C Preferred Shares are collectively referred to as the “Preferred Shares”.

As of December 31, 2010 and 2011, the Company has determined that the Preferred Shares should be classified as mezzanine equity since the Preferred Shares are contingently redeemable by the holders in the event that a qualified initial public offering has not occurred and the Preferred Shares have not been converted as of the redemption date.

The Company assessed beneficial conversion features attributable to the Preferred Shares and determined that in 2009 there was a beneficial conversion feature with an amount of RMB237, which was bifurcated from the carrying value of Series C Preferred Shares as a contribution to additional paid-in capital upon issuance of Series C Preferred Shares. The discount of RMB237 resulting from the recognition of the beneficial conversion feature was amortized immediately as a deemed dividend to preferred shareholders and charged against additional paid-in capital in the absence of any retained earnings at that time.

The Company determined that there were no embedded derivatives requiring bifurcation as the economic characteristics and risks of the conversion and redemption features embedded derivative instrument are not clearly and closely related to that of the convertible preferred shares. The convertible preferred shares are not readily convertible into cash as there is no a market mechanism in place for trading its share.

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17. Convertible redeemable preferred shares (continued)

As of December 31, 2011, the Preferred Shares comprised of the following:

Series	Issuance Date	Shares Issued and Outstanding	Issue Price Per Share (US$)	Proceeds from Issuance, Net of Issuance Costs (US$)	Carrying Amount (RMB)
A	December 1, 2006	54,488,000	0.0184	1,000	374,332
A	June 2, 2008	81,612,930	0.0245	1,975	560,681
B	August 8, 2008	102,073,860	0.0490	4,959	703,901
C-1	November 22, 2009	16,249,870	0.0800	1,300	112,556
C-2	November 22, 2009	104,999,650	0.1000	10,460	729,464

All Preferred Shares' par value is US$0.00001. The rights, preferences and privileges of the Preferred Shares are as follows:

Conversion

Each Preferred Share is convertible, at the option of the holders, at any time after the date of issuance of such preferred shares into such number of common shares according to a conversion price. Each share of Series A, Series B, Series C Preferred Shares is convertible into one common share and is subject to adjustments for certain events, including but not limited to additional equity securities issuance, share dividends, subdivisions, redemptions, combinations, or consolidation of common shares. The conversion price is also subject to adjustment in the event the Company issues additional common shares at a price per share that is less than such conversion price. In such case, the conversion price shall be reduced to adjust for dilution.

Each Preferred Share is automatically converted into common shares at the then effective conversion price with respect to such Preferred Share (i) at the closing of a qualified initial public offering ("Qualified IPO"), or (ii) at the election of the majority Series A, Series B, and Series C Preferred Shares holders (each voting or consenting as a separate class).

As of December 31, 2010, the Qualified IPO is defined as a firm-commitment public offering of common shares of the Company in the United States that has been registered under the Securities Act and on a recognized securities exchange such as NASDAQ or the New York Stock Exchange, or in a similar public offering of common shares in a jurisdiction and on a recognized securities exchange outside of the United States, including without limitation, the Hong Kong Stock Exchange, provided that (a) the market capitalization of the Company upon completion of such initial public offering shall be no less than US$400,000 and such public offering and the aggregate proceeds (before deduction of underwriting discounts and registration expenses) is approved by majority of the Board of Directors (including the affirmative consent of the majority of the Series A, Series B, and Series C Preferred Shares director), or (b) such public offering and the aggregate proceeds (before deduction of underwriting discounts and registration expenses) is approved by majority of the Board of Directors (including the affirmative consent of each of the Preferred Shares' directors), and provided further that such public offering is made at an equivalent price and yields equivalent offering proceeds and there is regulatory approval for such offering.

Subsequent to the Series D Common Share Financing in January 2011, the Qualified IPO is defined as a firm-commitment public offering of common shares of the Company in the United States that has been registered under the Securities Act and on a recognized securities exchange such as NASDAQ or the New York Stock Exchange, or in a similar public offering of common shares in a jurisdiction and on a recognized securities exchange outside of the United States, including without limitation, the Hong Kong

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17. Convertible redeemable preferred shares (continued)

Conversion (continued)

Stock Exchange, provided that (a) the market capitalization of the Company upon completion of such initial public offering shall be no less than US$1,500,000 and such public offering and the aggregate proceeds (before deduction of underwriting discounts and registration expenses) is approved by majority of the Board of Directors (including the affirmative consent of the majority of the Series A Director, the Series B Director, the Series C Director and the Series D director), or (b) such public offering and the aggregate proceeds (before deduction of underwriting discounts and registration expenses) is approved by majority of the Board of Directors (including the affirmative consent of each of the Series A Director, the Series B Director, the Series C Director and the Series D Director, if applicable), and provided further that such public offering is made at an equivalent price and yields equivalent offering proceeds and there is regulatory approval for such offering.

Redemption Right

As of December 31, 2010, at any time after the date that is the earlier of i) the date of the occurrence of a Default Redemption Event, and ii) five years following the Series C-1 original issue date and Series C-2 original issue date, at the election of the majority of Series C holders, the Company shall redeem all or any lesser portion of its then outstanding Preferred Shares. A Default Redemption Event shall be deemed to occur if the Company's corporate structure as a whole, including without limitation the VIE documents, is invalidated or otherwise challenged by any PRC governmental authority, court or other official governmental body as a result of the application of or interpretation of the PRC law. In connection with the Series D Common Share Financing in January 2011, the Default Redemption Event was removed and the redemption date was changed to any time after June 30, 2015.

The redemption date above is subject to postponement until the Company meets the financial thresholds of having at least US$3,000 of cash or cash equivalents on the balance sheet or the Company has generated over US$1,000 in free cash flows in the preceding twelve months.

The redemption price of Series A Preferred Shares is equal to (i) the fair market value of the Series A Preferred Shares as of the redemption date, or (ii) 150% of the original issue price of Series A Preferred Shares, plus all declared or accrued but unpaid dividends up until the date of redemption, plus an amount that would give the holders of the Series A Preferred Shares an internal rate of return of no less than 10% per annum.

The redemption price of Series B Preferred Shares is equal to (i) the fair market value of the Series B Preferred Shares as of the redemption date, or (ii) 100% original issue price of Series B Preferred Shares, plus all declared or accrued but unpaid dividends up until the date of redemption, plus an amount that would give the holders of the Preferred Shares an internal rate of return of no less than 10%.

The redemption price of Series C Preferred Shares is equal to (i) the fair market value of the Series C Preferred Shares as of the redemption date, or (ii) 100% original issue price of Series C-1 or C-2 Preferred Shares, plus all declared or accrued but unpaid dividends up until the date of redemption, plus an amount that would give the holders of the Series C-1 or C-2 Preferred Shares an internal rate of return of no less than 10% per annum.

Modification

Upon its issuance, Series A Preferred Shares were classified as permanent equity and are not redeemable. In association with the issuance of Series B Preferred Shares in August 2008, Series A Preferred Shares were granted redemption at the option of the holders and drag-along rights and accordingly are reclassified as

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17. Convertible redeemable preferred shares (continued)

Modification (continued)

mezzanine equity of the Company. The Company concluded that the addition of the redemption and drag-along rights is a modification of the terms of the Series A Preferred Shares. The incremental value received by the Series A Preferred Shareholders amount to RMB916 and is deemed to be a wealth transfer between the preferred shareholders and the common shareholders and charged to additional paid-in capital.

Upon its issuance, Series B Preferred Shares had a redemption right beginning on or after the seventh anniversary following the issuance of Series B Preferred Shares. In association of the issuance of Series C Preferred Shares, the redemption right for Series A and Series B Preferred Shares and drag along rights were amended. The Company concluded amendment of the redemption and drag-along rights is a modification of the terms of the Series A and Series B Preferred Shares. The incremental value received by Series A and Series B Preferred Shareholders amounted to RMB19 and RMB176, respectively, and is deemed to be a wealth transfer between the preferred share holders and the common share holders and charged to additional paid-in capital.

Accretion

Due to the redemption features described above, the Company classified the Preferred Shares in the mezzanine equity section of the consolidated balance sheets. The Company recognizes the changes in the redemption value immediately as they occur and adjust the carrying amount of the Preferred Shares to equal the redemption value at the end of each reporting period. The fair market value of the Preferred Shares was greater than their original purchase price as of December 31, 2009, 2010, and 2011. As a result, the Company recorded accretion to the redemption value immediately and adjust the carrying amount of the instrument to equal the redemption value at the end of each reporting period. Upon the closing of this offering, the Preferred Shares will convert into common shares and this preferred shares redemption value accretion will cease. The accretion was recorded against retained earnings, or in the absence of retained earnings, by charges against additional paid-in capital. Once additional paid-in capital has been exhausted, additional charges were recorded by increasing accumulated deficit.

The following table sets forth the changes of each of the convertible redeemable preferred shares for years ended December 31, 2009, 2010 and 2011:

Series A Preferred Shares

	For the year ended December 31,		
	2009 RMB	2010 RMB	2011 RMB
Beginning balance	39,973	154,393	846,752
Deemed dividend—modification of terms	19	—	—
Accretion to redemption value	114,401	692,359	88,261
Ending balance	154,393	846,752	935,013

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17. Convertible redeemable preferred shares (continued)

Accretion (continued)

Series B Preferred Shares

	For the year ended December 31,		
	2009 RMB	2010 RMB	2011 RMB
Beginning balance	44,786	124,173	639,799
Deemed dividend—modification of terms	176	—	—
Accretion to redemption value	79,211	515,626	64,102
Ending balance	124,173	639,799	703,901

Series C Preferred Shares

	For the year ended December 31,		
	2009 RMB	2010 RMB	2011 RMB
Beginning balance	—	169,852	770,720
Issuance of preferred shares, net of issuance cost	80,285	—	—
Beneficial conversion feature of redeemable preferred shares	(237)	—	—
Amortization of beneficial conversion feature of redeemable preferred shares	237	—	—
Accretion to redeemable value	89,567	600,868	71,300
Ending balance	169,852	770,720	842,020

The Company engaged an independent valuation firm to assist them in determining the fair values of the preferred and common shares which were estimated as of the date of issuance and at each financial statement reporting date using the "Discounted Cash Flow Method" , the "Guideline Transaction Method" and the "Backsolve Method", where methodologies, approaches and assumptions are consistent with the current working draft of the American Institute of Certified Public Accountants practice aid
Valuation of Privately Held Company Equity Securities Issued as Compensation. The Guideline Transaction Method is a form of market approach based on the enterprise value to revenue multiples of the Group's own equity transactions close to the valuation date. The Backsolve Method is a form of market approach to valuation that derives the implied equity value for one type of equity security (e.g. common equity) from a contemporaneous transaction involving another type of equity security (e.g., preferred share). The Discounted Cash Flow Method, a form of income approach, estimates the fair value based on projected cash flows at each of the valuation dates. The followings are assumptions in the Discounted Cash Flow Method:

	November 1, 2009	December 31, 2011
Risk-free interest rate	2.05%	2.53%
Volatility	66.61%	66.1%
Dividend yield	—	—
Discount rate	20.50%	16%

The Company estimated the risk-free interest rate based on yield-to-maturities in continuous compounding of the China Government Bond with the time to maturities similar to the Preferred Shares. The Company estimated volatility at the dates of appraisal based on average of historical volatilities of the comparable companies in the same industry. The Company has no history or expectation of paying dividend on the

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17. Convertible redeemable preferred shares (continued)

Accretion (continued)

Preferred Shares. Discount rate is estimated by weighted average cost of capital as at each appraisal date. In addition to the above assumptions adopted, the Company's projections of future performance were also factored into the determination of the fair value of each Preferred Share.

Liquidity Preference

In the event of any liquidation, dissolution or winding up of the Company or any deemed liquidation event (e.g., change in control), the holders of Series B Preferred Shares and Series C Preferred Shares are entitled to receive an amount per share equal to 100% of the original issuance price plus all dividends accrued, or declared and unpaid. Series A Preferred Shares are entitled to receive an amount per share equal to 150% of the original issuance price plus all declared or accrued but unpaid dividends.

If the assets and funds distributed among the holders are insufficient to permit the payment of the full preferential amounts, then the holders of Series C Preferred Shares shall be entitled to be paid first, followed in sequence by Series B Preferred Shares, Series A Preferred Shares and common shares. After payment of the full amounts from above, the remaining assets of the Company available for distribution shall be distributed ratably among the holders of preferred shares and common shares in proportion to the number of outstanding shares held by each holder on an as converted basis.

Dividends

Each holder of Preferred Shares is entitled to receive dividends when and if declared by the Board of Directors of the Company. As long as the Preferred Shares are outstanding, the Company may not pay any dividend to common shareholders until all dividends declared and payable to the preferred shareholders have been paid. In the event the Company shall declare a dividend to the holders of common shares, then in each such case, the holders of the Preferred Shares shall be entitled to a proportionate share of such dividend on an as-converted basis.

Voting rights

Each Preferred Share conveys the right to the shareholder of one vote for each common share upon conversion.

18. Share-based compensation

(a) Share options

i) Pre-2009 Scheme Options

Grant of options

Before the adoption of the Employee Equity Incentive Scheme (the "2009 Incentive Scheme"), 12,705,700 and 8,499,050 share options were granted to employees through individually signed share option agreements, respectively to acquire common shares of Duowan BVI on a one-to-one basis on January 1, 2008 and 2009. In addition, on January 1, 2008, 3,832,290 share options were granted to one non-employee for the provision of consulting services to the Group (collectively defined as "Pre-2009 Scheme Options").

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18. Share-based compensation (continued)

(a) Share options (continued)

i) Pre-2009 Scheme Options (continued)

Vesting of options

These Pre-2009 Scheme Options will vest over a four year service period, with 25% of the options vesting after the first anniversary of the vesting inception date and the remaining 75% in six equal installments over the following 36 months. The options may be exercised provided that both the service conditions and a performance condition are met. The performance condition is defined to be i) an initial public offering, ii) completion of a financing meeting certain criteria, iii) an internal reorganization, or iv) a voluntary winding up of Duowan BVI. The performance condition that is tied to completion of a financing fulfilling certain criteria was met in June 2008 or November 2009.

The following table summarizes the activities of the Pre-2009 Scheme Options for employees and non-employee for the years ended December 31, 2009, 2010 and 2011:

	Number of options	Weighted average exercise price (US$)	Weighted average grant-date fair value (US$)	Weighted average remaining contractual life (years)	Aggregate intrinsic value (US$)
Outstanding, January 1, 2009	16,537,990	0.0041		9.00	512
Granted	8,499,050	0.0067	0.0297		
Forfeited	(369,950)	0.0060			
Outstanding, December 31, 2009	24,667,090	0.0050		8.34	3,799
Exercised/Repurchased[1]	(4,867,170)	0.0025			
Forfeited	(57,330)	0.0067			
Outstanding, December 31, 2010	19,742,590	0.0056		7.39	18,372
Exercised/Repurchased[2]	(1,853,055)	0.0061			
Forfeited	—				
Outstanding, December 31, 2011[3]	17,889,535	0.0055		6.37	19,366
Vested and exercisable at December 31, 2011	15,821,980	0.0054		6.29	17,131
Expected to vest at December 31, 2011	2,026,204	0.0067		7.00	2,191

(1) In connection with the issuance of the Series C-1 Preferred Shares of Duowan BVI in November 2009 (refer to Note 17 to the financial statements, which triggered the exit condition of the Pre-2009 Scheme Options to be met for a trade sale of Duowan BVI. Certain employees and one non-employee were given the opportunity to cash settle their vested options and were simultaneously repurchased by Duowan BVI by utilizing a portion of the proceeds received from the issuance of the Series C-1 Preferred Shares. The repurchase price of each vested option/share was the difference between the stated exercise price of the Pre-2009 Scheme Option and US$0.08, which was the per share issuance price of the Series C-1 Preferred Shares. A total of 4,867,170 Pre-2009 Scheme Options were repurchased by Duowan BVI for cash consideration of RMB2,576 paid by Duowan BVI. The underlying options were cancelled immediately after the repurchase (the “First Repurchase”). The negotiation and execution of the First Repurchase had formed an expectation to the Pre-2009 Scheme Option holders, including employees of the Group and the non-employee, that it was a practice of Duowan BVI to repurchase vested options from the option holders. Accordingly, the Pre-2009 Scheme Options were deemed to be tainted and they were no longer equity-classified awards but liability-classified awards. Such re-designation of the awards was applied to the date when Duowan BVI entered into an definitive agreement with shareholders of the Series C preferred shares on November 22, 2009, which committed Duowan BVI for the First Repurchase. As a result, fair values of the outstanding Pre-2009 Scheme Options had to be re-measured at the end of each reporting period until either the repurchase obligation are extinguished or the holders were exposed to fluctuation the market value of the shares for a period of at least six months, or the awards were settled, cancelled or expire unexercised.

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18. Share-based compensation (continued)

(a) Share options (continued)

i) Pre-2009 Scheme Options (continued)

Vesting of options (continued)

(2) In connection with the Series D Common Share Financing (Note 16) in January 2011, certain employees and the non-employee were given the opportunity to cash settle their vested options. The repurchase price of each vested option/share was the difference between the stated exercise price of the Pre-2009 Scheme Option and US$0.9777, which was the per share issuance price of the common shares issued to the new investor. A total of 1,853,055 Pre-2009 Scheme Options were exercised/repurchased by Duowan BVI for cash consideration of RMB11,701 paid by Duowan BVI. The underlying common shares were cancelled immediately after the repurchase (the "Second Repurchase"). Similar offer was made by Duowan BVI to the non-employee holding the Pre-2009 Scheme Options but that non-employee did not take up the offer.

(3) On September 15, 2011, the board of directors of the Company resolved not to undertake any repurchases of vested or unvested share-based compensation awards, except under those conditions specified in the relevant award scheme and grant documents. In addition, any proposed repurchase of vested or unvested share-based compensation awards should be approved by the majority votes of the board of directors. Such intention of the Company was specifically communicated to all employees with or without the awards. All the employees with vested or unvested awards also confirmed such understanding by a written confirmation. Accordingly, the classification of the liability-classified awards changed back to be equity-classified, and the related liability was reclassified to additional paid-in capital on the modification date.

Forfeitures are estimated at the time of grant. If necessary, forfeitures are revised in subsequent periods if actual forfeitures differ from those estimates.

The aggregate intrinsic value in the table above represents the difference between the estimated fair value of Duowan BVI's common shares as of December 31, 2009, 2010, the Company's common shares as of December 31, 2011 and the exercise price.

The Binomial option pricing model is used to determine the fair values of the share options granted to employees and the non-employee. The fair values of share options granted or remeasured during the years ended December 31, 2009, 2010 and 2011 were estimated using the following assumptions:

Pre-2009 Scheme Options granted to employees and a non-employee:

	2009	2010	2011
Risk-free interest rate(1)	2.81%-3.61%	3.01%-3.78%	3.34%-4.01%
Expected term(2)	8-10 years	7-9 years	6-8 years
Volatility rate(3)	62.50%-68.85%	54.60%-61.25%	53.06%-55.34%
Dividend yield(4)	—	—	—

(1) The risk-free interest rate of periods within the contractual life of the share option is based on the China Government Bond yield as at the valuation dates.
(2) The expected term is the remaining contractual life of the option.
(3) Expected volatility is estimated based on the average of historical volatilities of the comparable companies in the same industry as at the valuation dates.
(4) Duowan BVI and the Company has no history or expectation of paying dividend on its common shares. The expected dividend yield was estimated based on the Company's expected dividend policy over the expected term of the option.

The total intrinsic value of options exercised during the year ended December 31, 2009, 2010 and 2011 amounted to nil, RMB5,200 and RMB11,912, respectively.

For the years ended December 31, 2009, 2010 and 2011, the Company recorded share-based compensation of RMB18,921, RMB92,226 and RMB25,683, respectively, using the graded-vesting method for employees and non-employee.

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18. Share-based compensation (continued)

(a) Share options (continued)

i) Pre-2009 Scheme Options (continued)

Vesting of options (continued)

As of December 31, 2011, there was RMB2,725 unrecognized share-based compensation expense relating to Pre-2009 Scheme Options granted to employees and the non-employee. The expense is expected to be recognized over a weighted-average remaining vesting period of 0.82 years using the graded vesting attribution method.

ii) 2009 Incentive Scheme Options

On January 1, 2010, the Board of Directors of Duowan BVI formally approved the 2009 Incentive Scheme dated on December 3, 2009, which permits the grant of share options and restricted shares of up to 118,166,946 shares, to any qualified persons, as determined by the Board of Directors of Duowan BVI. The contractual life of all options under the 2009 Incentive Scheme is ten years.

Up to the date of approval of these financial statements, no options had been granted under the 2009 Incentive Scheme by Duowan BVI or the Company.

(b) Restricted shares

Since January 1, 2010, Duowan BVI granted 61,250,677 restricted shares to employees and 100,000 restricted shares to a non-employee pursuant to the 2009 Incentive Scheme.

Vesting of restricted shares

The restricted shares have vesting conditions and will vest 50% after 24 months of the grant date and the remaining 50% will vest in two equal installments over the next 24 months. Under the restricted shares agreement, no shares may be sold or transferred prior to the occurrence of an exit event, as defined in the respective restricted share agreements as: i) a listing on any recognized stock exchange, ii) a sale by Duowan BVI of all or substantially all of its assets, iii) a sale of all of the issued capital of Duowan BVI, or iv) passing for court order of winding up of Duowan BVI.

If the employee terminates employment, the service vested portion of the restricted shares may be subject to:

(i) repurchase (subject to Company’s sole discretion) by Duowan BVI at fair value of common shares of Duowan BVI which is assessed by an independent valuation company; or

(ii) be held by a person who is an existing employee of the Group and is designated by the leaving restricted share holder according to a properly signed escrow agreement to hold such shares for and on his/her behalf. If the leaving employee fails to deliver a properly signed agreement to Duowan BVI within 30 days from receipt of the notification from Duowan BVI, such service vested shares shall automatically lapse and expire.

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18. Share-based compensation (continued)

(b) Restricted shares (continued)

Vesting of restricted shares (continued)

The following table summarizes the restricted shares activity for the years ended December 31, 2010 and 2011:

	Number of restricted shares	Weighted average grant-date fair value (US$)
Outstanding, January 1, 2010	—	—
Granted	50,503,877	0.2934
Forfeited	(2,017,841)	0.2886
Outstanding, December 31, 2010	48,486,036	0.2936
Granted	10,846,800	0.9362
Forfeited	(2,726,024)	0.3917
Vested	(13,321,711)	0.1636
Outstanding, December 31, 2011	43,285,101	0.4885
Expected to vest at December 31, 2011	39,605,867	0.4885

Forfeitures are estimated at the time of grant. If necessary, forfeitures are revised in subsequent periods if actual forfeitures differ from those estimates.

For the years ended December 31, 2010 and 2011, the Company recorded share-based compensation of RMB24,525 and RMB57,805, respectively, using the graded-vesting method for employees and non-employee.

As of December 31, 2011, total unrecognized compensation expense relating to the restricted shares was RMB65,375. The expense is expected to be recognized over a weighted average period of 1.75 years using the graded vesting attribution method.

(c) Share-based awards granted to CEO and Chairman of the Company

On February 23, 2010, the CEO and the Chairman of the Company, also directors and shareholders were granted 13,369,813 and 29,678,483 restricted shares, respectively. The Chairman’s shares have a service condition that vest over a four year period (50% after the second anniversary and 25% each year thereafter). Both the CEO’s and the Chairman’s shares are subject to a performance condition which relates to the number of peak concurrent users on the YY Client. Such performance condition was met as at December 31, 2010.

Pursuant to the provisions stipulated in the grant document relating to these restricted shares grant, upon the occurrence of an Acceleration Event, the restricted shares granted to the Chairman would also become fully vested. An “Accelerated Event” is defined as (i) a Listing, (ii) a sale of all or substantially all of the issued share capital of Duowan BVI, (iii) a sale by Duowan BVI of all or substantially all of its assets, (iv) the passing of an effective resolution or the making of an order of a competent court for the winding up of Duowan BVI.

18. Share-based compensation (continued)

(c) Share-based awards granted to CEO and Chairman of the Company (continued)

The following table summarizes information regarding the restricted shares granted to the CEO and the Chairman:

	Number of restricted shares	Weighted average grant-date fair value (US$)
Outstanding, January 1, 2010	—	
Granted	43,048,296	0.1875
Vested	(13,369,813)	0.1875
Outstanding, December 31, 2010 and 2011	29,678,483	

The fair value of the share-based awards above was determined at the respective grant dates by the Company with the assistance of an independent valuation company.

The Company recognized these awards as employee share-based compensation awards using fair value of the awards on the grant date. As of December 31, 2010, the performance condition was met. The compensation expense for the CEO's restricted shares was fully recognized and the compensation expense for the Chairman's restricted shares is recognized over the requisite service period using the graded vesting method.

The total fair value of restricted shares vested during the year ended December 31, 2010 and 2011 amounted to RMB16,602 and Nil, respectively.

Share-based compensation expenses related to the awards granted to the CEO and Chairman of RMB28,759 and RMB14,143 were recognized in general and administrative expenses in the consolidated statements of operations and comprehensive loss for the years ended December 31, 2010 and 2011.

As of December 31, 2011, there was RMB9,618 of total unrecognized compensation cost and expense related to the restricted shares. The cost and expense is expected to be recognized over a weighted average period of 1.51 years using the graded vesting attribution method.

(d) Share-based awards for former NeoTasks employees

On December 5, 2008, Duowan BVI granted the two founders of NeoTasks, 26,873,070 warrants to acquire common shares of Duowan BVI in connection with the NeoTasks acquisition for post-combination services at an exercise price of US$0. In October 2009, the Company converted the warrants into restricted shares having the same rights and vesting conditions as the original warrant grants. Accordingly, no incremental charge was recognized in the conversion. The shares were issued to the holders and legally registered in July 2010.

The awards shall vest over the earlier of (i) a three-year period, with one-third of the shares vesting annually or (ii) upon any sale, merger, amalgamation, liquidation or listing of Duowan BVI or the sale by Duowan BVI of all or substantially all of its assets (the "Awards to NeoTasks Founders").

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(All amount in thousands, except share and per share data, unless otherwise stated)

18. Share-based compensation (continued)

(d) Share-based awards for former NeoTasks employees (continued)

The following table summarizes information regarding the share-based award granted:

	Number of warrants	Number of restricted shares
Outstanding, January 1, 2009	26,873,070	—
Exercise of warrant with exercise price of US$0	(26,873,070)	26,873,070
Vested	—	(7,781,690)
Repurchases[1]	—	(1,176,000)
Outstanding, December 31, 2009	—	17,915,380
Vested	—	(8,957,690)
Outstanding, December 31, 2010	—	8,957,690
Vested	—	(8,957,690)
Outstanding, December 31, 2011[2]	—	—

(1) In connection with the First Repurchase occurred in November 2009, Duowan BVI repurchased a portion of their vested restricted shares by utilizing a portion of the proceeds obtained from the Series C preferred shares issuance. The negotiation and execution of the First Repurchase had formed an expectation to the holders of Awards to NeoTasks Founders that it was a practice of Duowan BVI to repurchase the vested restricted shares held by them. The Awards to NeoTasks Founders were deemed to be tainted and they were no longer equity-classified awards but liabilities-classified awards effective from November 2009. The awards would be re-measured at the end of each reporting period until either the repurchase obligation was extinguished or the awards holders were exposed to fluctuation of the market value of the shares for a period of at least six months, or the awards are settled, cancelled or expire unexercised.

(2) On September 15, 2011, the board of directors of the Company resolved not to undertake any repurchases of vested or unvested share-based compensation awards, except under those conditions specified in the relevant award scheme and grant documents. In addition, any proposed repurchase of vested or unvested share-based compensation awards should be approved by the majority votes of the board of directors. Such intention of the Company was specifically communicated to all employees with or without the awards. All the employees with vested or unvested awards also confirmed such understanding by a written confirmation. Accordingly, the classification of the liability-classified awards changed back to be equity- classified, and the related liability was reclassified to additional paid-in capital on the modification date.

The fair value of the restricted shares above was determined at the grant date. Effective from the re-designation of the award as liability-classified, it was re-measured at the end of each reporting date by the Company with the assistance of an independent valuation company. The change in fair value was recognized in the consolidated statements of operations and comprehensive loss. After the award was changed back to equity-classified awards, it was measured based on the fair value of the awards on September 15, 2011, and the expenses to be recognized over the remaining requisite service period using the graded vesting attribution method.

Share-based compensation expenses related to the above share-based award of RMB17,561, RMB91,426 and RMB27,726 were recognized in general and administrative expenses in the consolidated statements of operations and comprehensive loss for the years ended December 31, 2009, 2010 and 2011, respectively.

As of December 31, 2011, there were no unrecognized compensation costs related to restricted shares for NeoTasks acquisition.

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(All amount in thousands, except share and per share data, unless otherwise stated)

18. Share-based compensation (continued)

(e) Restricted Share Units

On September 16, 2011, the Board of the Directors of the Company approved the 2011 Share Incentive Plan, which permits the grant of share options, restricted shares and restricted share units of up to 43,000,000 shares, to any qualified persons, as determined by the Board of the Directors of the Company. On the same date, the Company granted 9,097,000 restricted share units to employees pursuant to the 2011 Share Incentive Plan, that are subject to vesting over a four to five year period. No restricted share units were granted to non-employees as at December 31, 2011.

The following table summarizes the restricted share units activity for the year ended December 31, 2011:

	Number of restricted shares	Weighted average grant-date fair value (US$)
Outstanding, December 31, 2010	—	
Granted	9,097,000	1.0630
Forfeited	(100,700)	
Outstanding, December 31, 2011	8,996,300	
Vested at December 31, 2011	—	
Expected to vest at December 31, 2011	8,699,422	

For the year ended December 31, 2011, the Company recorded share-based compensation of RMB9,644, using the graded-vesting attribution method.

As of December 31, 2011, total unrecognized compensation expense relating to the restricted share units was RMB49,317. The expense is expected to be recognized over a weighted average period of 2.66 years using the graded vesting attribution method.

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(All amount in thousands, except share and per share data, unless otherwise stated)

18. Share-based compensation (continued)

(f) Movements of equity-classified and liability-classified awards

The table below shows the movements and details of various equity-classified and liability-classified awards granted by the Company to its employees and non-employee for the years ended December 31, 2009, 2010 and 2011:

	Equity-classified Awards (RMB)						Liability-classified Awards (RMB)			
	Pre-2009 Scheme options	2009 Incentive Scheme– restricted shares	2011 Incentive Scheme– restricted share units	Share-based awards to CEO and Chairman	Awards to NeoTasks Founders	Sub-total	Pre-2009 Scheme options	Awards to NeoTasks Founders	Sub-total	Total
Balance as at January 1, 2009	**1,066**	**—**	**—**	**2,049**	**310**	**3,425**	**—**	**—**	**—**	**3,425**
Share-based compensation expenses	71	—	—	—	3,407	3,478	18,850	14,154	33,004	36,482
Reclassifications										
— From equity-awards to liability-awards*	(1,137)	—	—	—	(3,717)	(4,854)	1,137	3,717	4,854	—
Exercised/Repurchased	—	—	—	—	—	—	—	(642)	(642)	(642)
Foreign currency translation adjustment	—	—	—	—	—	—	(1)	—	(1)	(1)
Balance as at December 31, 2009	**—**	**—**	**—**	**2,049**	**—**	**2,049**	**19,986**	**17,229**	**37,215**	**39,264**
Balance as at January 1, 2010	—	—	—	2,049	—	2,049	19,986	17,229	37,215	39,264
Share-based compensation expenses	—	24,525	—	28,759	—	53,284	92,226	91,426	183,652	236,936
Exercised/Repurchased	—	—	—	—	—	—	(2,576)	—	(2,576)	(2,576)
Reclassifications										
— From liability-awards to common share**	—	—	—	—	—	—	—	(14,028)	(14,028)	(14,028)
Foreign currency translation adjustment	—	—	—	—	—	—	(601)	(538)	(1,139)	(1,139)
Balance as at December 31, 2010	**—**	**24,525**	**—**	**30,808**	**—**	**55,333**	**109,035**	**94,089**	**203,124**	**258,457**
Balance as at January 1, 2011	—	24,525	—	30,808	—	55,333	109,035	94,089	203,124	258,457
Share-based compensation expenses	2,219	57,805	9,644	14,143	3,359	87,170	23,464	24,367	47,831	135,001
Exercised/Repurchased	—	—	—	—	—	—	(11,701)	—	(11,701)	(11,701)
Reclassifications										
— From liability-awards to common share**	—	—	—	—	—	—	—	(57,692)	(57,692)	(57,692)
— From liability-awards to equity awards***	116,328	—	—	—	57,602	173,930	(116,328)	(57,602)	(173,930)	—
Foreign currency translation adjustment	—	—	—	—	—	—	(4,470)	(3,162)	(7,632)	(7,632)
Balance as at December 31, 2011	**118,547**	**82,330**	**9,644**	**44,951**	**60,961**	**316,433**	**—**	**—**	**—**	**316,433**

* As detailed in Note 18(a) and (d), the share options and the restricted shares to NeoTasks founders were tainted and they were reclassified from equity-classified awards to liability-classified awards in November 2009 accordingly.

** During the year ended December 31, 2010 and 2011, the restricted shares to NeoTasks founders were held by NeoTasks Founders for more than six months, therefore, the related awards amounting to RMB14,028 and RMB57,692 were reclassified back to common share respectively.

*** As detailed in Note 18(a) and (d), the share options and the restricted shares to NeoTasks founders were reclassified from liability-classified awards to equity-classified awards in September 2011, accordingly.

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(All amount in thousands, except share and per share data, unless otherwise stated)

19. Basic and diluted net loss per share

Basic and diluted net loss per share for the years ended December 31, 2009, 2010 and 2011 are calculated as follows:

	For the year ended December 31,		
	2009 RMB	2010 RMB	2011 RMB
Numerator:			
Net loss attributable to the Company	(47,116)	(238,857)	(83,156)
Amortization of beneficial conversion feature	(237)	—	—
Accretion to convertible redeemable preferred shares redemption value	(283,179)	(1,808,853)	(223,663)
Deemed dividend to Series A preferred shareholders	(19)	—	—
Deemed dividend to Series B preferred shareholders	(176)	—	—
Allocation of net income to participating preferred shareholders	—	—	—
Numerator of basic net loss per share	(330,727)	(2,047,710)	(306,819)
Dilutive effect of preferred shares	—	—	—
Numerator for diluted loss per share	(330,727)	(2,047,710)	(306,819)
Denominator:			
Denominator for basic and diluted net loss per share-weighted average shares outstanding	407,613,328	406,304,672	485,883,845
Basic net loss per share	(0.81)	(5.04)	(0.63)
Diluted net loss per share	(0.81)	(5.04)	(0.63)

The Company's preferred shares are participating securities and as such would be included in the calculation of basic earnings per share under the two-class method. According to the contractual terms of the preferred shares, the preferred shares do not have a contractual obligation to share in the losses of the Company. Therefore no loss was allocated to the preferred shares in the computation of basic loss per share for the years ended December 31, 2009, 2010 and 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

19. Basic and diluted net loss per share (continued)

The Preferred Shares, share-based awards for former NeoTasks employees, the share-based awards granted to the CEO and Chairman, share option, restricted shares, restricted share units and warrants to an independent institutional investor were excluded from the computation of diluted net loss per common share for the periods presented because including them would have had an anti-dilutive effect. The following table summarizes information regarding weighted average of common shares equivalents which were excluded from the computation of diluted net loss per common share:

	For the year ended December 31,		
	2009	2010	2011
Preferred shares-weighted average	251,130,218	359,424,310	359,424,310
Share-based awards for NeoTasks acquisition-weighted average	26,234,988	17,277,298	8,319,608
Share-based awards granted to CEO and Chairman-weighted average	—	36,679,507	29,678,483
Share options-weighted average	24,930,643	19,805,981	18,488,604
Restricted shares-weighted average	—	38,138,860	54,045,124
Restricted share units-weighted average	—	—	2,625,039
Warrants to an independent institutional investor-weighted average	—	—	12,609,970

20. Related party transactions

The table below sets forth the related parties and their relationships with the Group:

Related Party	Relationship with the Group
Zhuhai Daren Computer Technology Company Limited ("Zhuhai Daren")	Equity Investment
Guangzhou Shanghang Information Technical Co., Ltd. ("Shanghang")	Significant influence exercised by the Chairman as key shareholder

During the years ended December 31, 2009, 2010 and 2011, significant related party transactions were as follows:

	For the year ended December 31,		
	2009 RMB	2010 RMB	2011 RMB
Online game revenue sharing from Zhuhai Daren	822	1,683	4,451
Bandwidth costs paid to Shanghang	—	1,760	21,985
Interest-free loan to Zhuhai Daren	—	1,500	500

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

20. Related party transactions (continued)

As of December 31, 2010 and 2011, the amounts due from/to related parties were as follows:

	December 31,	
	2010 RMB	2011 RMB
Amount due from a related party		
Other receivables from Zhuhai Daren	1,500	2,000
Amounts due to related parties		
Account payables to Zhuhai Daren	386	793
Other payables to Shanghang	828	77
Total	1,214	870

The other receivables/payables from/to related parties are unsecured, interest-free and payable on demand.

21. Fair value measurements

Fair value reflects the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Group considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the assets or liabilities.

The Group applies a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. This guidance specifies a hierarchy of valuation techniques, which is based on whether the inputs into the valuation technique are observable or unobservable. The hierarchy is as follows:

Level 1—Valuation techniques in which all significant inputs are unadjusted quoted prices from active markets for assets or liabilities that are identical to the assets or liabilities being measured.

Level 2—Valuation techniques in which significant inputs include quoted prices from active markets for assets or liabilities that are similar to the assets or liabilities being measured and/or quoted prices for assets or liabilities that are identical or similar to the assets or liabilities being measured from markets that are not active. Also, model-derived valuations in which all significant inputs and significant value drivers are observable in active markets are Level 2 valuation techniques.

Level 3—Valuation techniques in which one or more significant inputs or significant value drivers are unobservable. Unobservable inputs are valuation technique inputs that reflect the Group's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The fair value guidance describes three main approaches to measure the fair value of assets and liabilities: (1) market approach; (2) income approach and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

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(All amount in thousands, except share and per share data, unless otherwise stated)

21. Fair value measurements (continued)

When available, the Group uses quoted market prices to determine the fair value of an asset or liability. If quoted market prices are not available, the Group will measure fair value using valuation techniques that use, when possible, current market-based or independently sourced market parameters, such as interest rates and currency rates. The Group did not have any financial instruments that were required to be measured at fair value on a recurring basis as of December 31, 2010 and 2011.

The Group's financial instruments consist principally of cash, short-term deposits, accounts receivable, amounts due to/from related parties, accounts payable and certain accrued expenses. The recorded values of cash, accounts receivable, amounts due to/from related parties, accounts payable and certain accrued expenses are recorded at cost which approximates fair value.

22. Commitments and contingencies

(a) Operating lease commitments

The Group leases facilities in the PRC under non-cancellable operating leases expiring on different dates. Payments under operating leases are expensed on a straight-line basis over the periods of the respective leases.

Total office rental expenses under all operating leases were RMB1,853, RMB4,506 and RMB6,361 for the years ended December 31, 2009, 2010 and 2011, respectively.

As of December 31, 2011, future minimum payments under non-cancellable operating leases consist of the following:

	Office rental RMB
2012	10,987
2013	12,448
2014	13,561
2015 and thereafter	13,837
	50,833

(b) Capital commitment

As of December 31, 2011, total capital commitments for leasehold improvement, which was contracted but not yet reflected in the financial statements, amounted to RMB920.

(c) Litigation

The Group is not currently a party to, nor is aware of, any legal proceeding, investigation or claim which is likely to have a material adverse effect on the Group's business, financial condition, results or operations, or cash flows. The Group did not record any legal contingencies as of December 31, 2011.

23. Subsequent events

The Group evaluated subsequent events through July 13, 2012, which was the date which these financial statements were issued.

(a) On February 2, 2012, the Group disposed of a cost investment to the chairman of the Company, who is also a director and a shareholder, for a cash consideration of RMB1,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

23. Subsequent events (continued)

(b) On March 12, 2012, the Group acquired the business of an internet platform for cash consideration of RMB11,722.

(c) On January 1 and March 31, 2012, the Group granted 1,668,000 and 6,597,921 restricted share units under the 2011 Incentive Scheme, respectively. The fair value of the restricted share units at the grant date was US$1.0869 and US$1.1530, respectively.

24. Restricted net assets

Relevant PRC laws and regulations permit payments of dividends by the Group's subsidiaries, the VIE and the subsidiary of the VIE incorporated in the PRC only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. In addition, the Company's subsidiaries, the VIE and the subsidiary of the VIE incorporated in the PRC are required to annually appropriate 10% of their net after-tax income to the statutory general reserve fund prior to payment of any dividends, unless such reserve funds have reached 50% of their respective registered capital. As a result of these and other restrictions under PRC laws and regulations, the Group's subsidiaries, the VIE and the subsidiary of the VIE incorporated in the PRC are restricted in their ability to transfer a portion of their net assets to the Company either in the form of dividends, loans or advances, which restricted portion as calculated under US GAAP amounted to approximately RMB84,501 and RMB151,096 as of December 31, 2010 and 2011, respectively. There are no differences between US GAAP and PRC accounting standards in connection with the reported net assets of the legally owned subsidiaries in the PRC and the VIEs. Even though the Company currently does not require any such dividends, loans or advances from the PRC entities for working capital and other funding purposes, the Company may in the future require additional cash resources from them due to changes in business conditions, to fund future acquisitions and development, or merely to declare and pay dividends or distributions to our shareholders. Except for the above, there is no other restriction on use of proceeds generated by the Group's subsidiaries, the VIE and the subsidiary of the VIE to satisfy any obligations of the Company.

25. Additional information: condensed financial statements of the Company

Rule 12-04(a) and 4-08(e)(3) of Regulation S-X require condensed financial information as to financial position, changes in financial position and results of operations of a parent company as of the same dates and for the same periods for which audited consolidated financial statements have been presented when the restricted net assets of consolidated and unconsolidated subsidiaries together exceed 25 percent of consolidated net assets as of the end of the most recently completed fiscal year. However, the Group was only reorganized with the Company being the ultimate holding company of the Group upon the completion of the Share Swap on September 6, 2011 as described in Note 1. Therefore, condensed financial statements for 2009 and 2010 relate to Duowan BVI and for 2011 relate to the Company. The Company records its investments in its subsidiaries and VIEs under the equity method of accounting. Such investments are presented on the separate condensed balance sheets of the Company as "Long-term investments in subsidiaries and VIEs".

The subsidiaries did not pay any dividends to the Company for the years presented. Certain information and footnote disclosures generally included in financial statements prepared in accordance with US GAAP have been condensed and omitted. The footnote disclosures represent supplemental information relating to the operations of the Company, as such, these statements should be read in conjunction with the notes to the consolidated financial statements of the Group.

As of December 31, 2010 and 2011, the Company had no significant capital and other commitments, long-term obligations, or guarantee.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

25. Additional information: condensed financial statements of the Company (continued)

Condensed balance sheets

	As of December 31,		
	2010 RMB (a)	2011 RMB (b)	2011 US$
Assets			
Current assets			
Cash and cash equivalents	22,013	—	—
Short-term deposits	—	—	—
Interest Receivables	—	—	—
Due from employees	970	—	—
Due from subsidiaries and VIE	—	—	—
Total current assets	22,983	—	—
Non-current assets			
Intangible assets, net	11,307	—	—
Investments in subsidiaries and consolidated VIEs	75,007	619,241	98,449
Other non-current assets	—	—	—
Total non-current assets	86,314	619,241	98,449
Total assets	109,297	619,241	98,449
Current liabilities			
Accrued liabilities and other payables	203,531	—	—
Total liabilities	203,531	—	—
Mezzanine equity			
Series A convertible redeemable preferred shares (US$0.00001 par value, 136,100,930 shares authorized, issued and outstanding as of December 31, 2010 and 2011)	846,752	935,013	148,651
Series B convertible redeemable preferred shares (US$0.00001 par value, 102,073,860 shares authorized, issued and outstanding as of December 31, 2010 and 2011)	639,799	703,901	111,908
Series C-1 convertible redeemable preferred shares (US$0.00001 par value, 16,249,870 shares authorized, issued and outstanding as of December 31, 2010 and 2011)	102,754	112,556	17,894
Series C-2 convertible redeemable preferred shares (US$0.00001 par value, 104,999,650 shares authorized, issued and outstanding as of December 31, 2010 and 2011)	667,966	729,464	115,972
Shareholders' deficit			
Common shares (US$0.00001 par value; 946,074,577 and 1,022,785,225 shares authorized, 466,630,266 and 543,340,914 shares issued and outstanding as of December 31, 2010 and 2011, respectively)	32	37	6
Additional paid-in capital	—	584,093	92,861
Accumulated deficits	(2,350,448)	(2,433,604)	(386,900)
Accumulated other comprehensive loss	(1,089)	(12,219)	(1,943)
Total shareholders' deficit	(2,351,505)	(1,861,693)	(295,976)
Total liabilities, mezzanine equity and shareholders' deficit	109,297	619,241	98,449

(a) Represents condensed balance sheet of Duowan BVI for 2010
(b) Represents condensed balance sheet of the Company for 2011

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

25. Additional information: condensed financial statements of the Company (continued)

Condensed statements of operations and comprehensive loss

	For the year ended December 31,			
	2009 RMB (a)	2010 RMB (a)	2011 RMB (b)	2011 US$
Operating expenses				
General and administrative expenses	(32)	(2,489)	—	—
Operating loss	**(32)**	**(2,489)**	**—**	**—**
Share of losses from subsidiaries and VIEs	(47,084)	(236,368)	(83,156)	(13,221)
Net loss	**(47,116)**	**(238,857)**	**(83,156)**	**(13,221)**
Amortization of beneficial conversion feature	(237)	—	—	—
Accretion to convertible redeemable preferred shares redemption value	(283,179)	(1,808,853)	(223,663)	(35,559)
Deemed dividend to Series A preferred shareholders	(19)	—	—	—
Deemed dividend to Series B preferred shareholders	(176)	—	—	—
Net loss attributable to common shareholders	**(330,727)**	**(2,047,710)**	**(306,819)**	**(48,780)**
Net loss	(47,116)	(238,857)	(83,156)	(13,221)
Other comprehensive income (loss):				
Foreign currency translation adjustment, net of nil tax	2	(935)	—	—
Comprehensive loss	(47,114)	(239,792)	(83,156)	(13,221)

(a) Represents condensed statements of operations and comprehensive loss of Duowan BVI for 2009 and 2010
(b) Represents condensed statement of operations and comprehensive loss of the Company for 2011

Condensed statement of cash flows

	For the year ended December 31,			
	2009 RMB (a)	2010 RMB (a)	2011 RMB (b)	2011 US$
Net cash used in operating activities	(33)	(2,436)	—	—
Net cash used in investing activities	(10,941)	(66,432)	—	—
Net cash provided by/(used in) financing activities	74,629	(3,138)	—	—
Net increase/(decrease) in cash and cash equivalents	**63,655**	**(72,006)**	**—**	**—**
Cash and cash equivalents at the beginning of the year	32,070	95,726	—	—
Effect of exchange rates on cash and cash equivalents	1	(1,707)	—	—
Cash and cash equivalents at the end of the year	**95,726**	**22,013**	**—**	**—**

(a) Represents condensed statements of cash flows of Duowan BVI for 2009 and 2010
(b) Represents condensed statement of cash flows of the Company for 2011

26. Unaudited pro forma balance sheet and earnings per share for conversion of preferred shares

All of the Preferred Shares shall automatically be converted into common shares at the conversion ratio of one preferred share to one common share immediately prior to (i) the closing of the Qualified IPO or (ii) at the election of a majority of the Series A Holders, a majority of the Series B Holders and a majority of the Series C Holders (each voting or consenting as a separate class).

The unaudited pro forma balance sheet as of December 31, 2011 presents an adjusted financial position as if the conversion of the preferred shares into common shares occurred on December 31, 2011. Accordingly, the carrying value of the preferred shares, in the amount of RMB2,480,934, was reclassified from preferred shares to common shares and additional paid in capital for such pro forma presentation.

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(All amount in thousands, except share and per share data, unless otherwise stated)

26. Unaudited pro forma balance sheet and earnings per share for conversion of preferred shares (continued)

The unaudited pro forma loss per share for the year ended December 31, 2011 after giving effect to the conversion of the Preferred Shares into common shares as if the conversion occurred at January 1, 2011, respectively was as follows:

	For the year ended December 31, 2011 RMB
Numerator:	
Net loss attributable to common shareholders	(306,819)
Pro forma effect of conversion of Preferred Shares	223,663
Pro forma net loss attributable to common shareholders—Basic and diluted	(83,156)
Denominator:	
Denominator for basic calculation—weighted average number of common shares outstanding	485,883,845
Pro forma effect of conversion of Preferred Shares	359,424,310
Denominator for pro forma basic and diluted calculation	845,308,155
Pro forma basic net loss per share attributable to common shareholders	(0.0984)
Pro forma diluted net loss per share attributable to common shareholders	(0.0984)

For the year ended December 31, 2011, of the 18,488,604 share options, 29,678,483 share-based awards granted to CEO and Chairman, 8,319,608 share-based awards for former NeoTasks employees and 12,609,970 warrants to an independent institutional investor, 54,045,124 restricted shares and 2,625,039 restricted share units were excluded from the computation of diluted net loss per common share for the periods presented because including them would have an anti-dilutive effect.

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UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2011 AND JUNE 30, 2012
(All amounts in thousands, except share and per share data)

	Notes	As of December 31, 2011	As of June 30,			
		2011	2012	2012	2012	2012
		RMB	RMB	US$ (Note 2(b))	RMB Pro forma (Note 21)	US$ Pro forma (Note 21) (Note 2(b))
Assets						
Current assets						
Cash and cash equivalents	4	128,891	187,934	29,582	187,934	29,582
Short-term deposits		472,655	507,060	79,814	507,060	79,814
Accounts receivable, net	5	47,022	64,431	10,142	64,431	10,142
Amounts due from related parties	16	2,000	1,973	311	1,973	311
Prepayments and other current assets		9,742	14,181	2,232	14,181	2,232
Deferred tax assets		12,487	22,539	3,548	22,539	3,548
Total current assets		672,797	798,118	125,629	798,118	125,629
Non-current assets						
Deferred tax assets		329	604	94	604	94
Investments	6	5,244	4,417	695	4,417	695
Property and equipment, net	7	53,582	75,126	11,825	75,126	11,825
Intangible assets, net	8	10,814	21,001	3,306	21,001	3,306
Goodwill		706	1,607	253	1,607	253
Other non-current assets		1,954	2,279	359	2,279	359
Total non-current assets		72,629	105,034	16,532	105,034	16,532
Total assets		**745,426**	**903,152**	**142,161**	**903,152**	**142,161**
Liabilities and shareholders' equity						
Current liabilities						
Accounts payable		16,114	23,250	3,660	23,250	3,660
Deferred revenue	9	40,357	84,833	13,353	84,833	13,353
Advances from users		2,453	4,202	661	4,202	661
Income taxes payable		16,872	31,805	5,006	31,805	5,006
Accrued liabilities and other current liabilities	10	49,071	60,836	9,576	60,836	9,576
Amounts due to related parties	16	870	763	120	763	120
Total current liabilities		125,737	205,689	32,376	205,689	32,376
Non-current liabilities						
Deferred revenue	9	448	1,255	198	1,255	198
Total liabilities		**126,185**	**206,944**	**32,574**	**206,944**	**32,574**
Commitments and contingencies	18					

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UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2011 AND JUNE 30, 2012 (CONTINUED)
(All amounts in thousands, except share and per share data)

	Notes	As of December 31, 2011	As of June 30,			
		2011	2012	2012	2012	2012
		RMB	RMB	US$ (Note 2(b))	RMB Pro forma (Note 21)	US$ Pro forma (Note 21) (Note 2(b))
Mezzanine equity						
Series A convertible redeemable preferred shares (US$0.00001 par value, 136,100,930 shares authorized, issued and outstanding as of December 31, 2011 and June 30, 2012 (unaudited), and none outstanding on a pro forma basis as of June 30, 2012 (unaudited))		935,013	983,057	154,739	—	—
Series B convertible redeemable preferred shares (US$0.00001 par value, 102,073,860 shares authorized, issued and outstanding as of December 31, 2011 and June 30, 2012 (unaudited), and none outstanding on a pro forma basis as of June 30, 2012 (unaudited))		703,901	739,903	116,465	—	—
Series C-1 convertible redeemable preferred shares (US$0.00001 par value, 16,249,870 shares authorized, issued and outstanding as of December 31, 2011 and June 30, 2012 (unaudited), and none outstanding on a pro forma basis as of June 30, 2012 (unaudited))		112,556	118,276	18,617	—	—
Series C-2 convertible redeemable preferred shares (US$0.00001 par value, 104,999,650 shares authorized, issued and outstanding as of December 31, 2011 and June 30, 2012 (unaudited), and none outstanding on a pro forma basis as of June 30, 2012 (unaudited))		729,464	766,319	120,623	—	—

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UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2011 AND JUNE 30, 2012 (CONTINUED)

(All amounts in thousands, except share and per share data)

	Notes	As of December 31, 2011	As of June 30,			
		2011 RMB	2012 RMB	2012 US$ (Note 2(b))	2012 RMB Pro forma (Note 21)	2012 US$ Pro forma (Note 21) (Note 2(b))
Shareholders' (deficits) equity						
Common shares (US$0.00001 par value; 1,022,785,225 shares authorized, 543,340,914 shares issued and outstanding as of December 31, 2011 and June 30, 2012 (unaudited) and 902,765,224 outstanding on a pro forma basis as of June 30, 2012 (unaudited))	13	37	37	6	61	9
Additional paid-in capital		584,093	511,732	80,550	3,119,263	490,991
Accumulated deficits		(2,433,604)	(2,412,788)	(379,787)	(2,412,788)	(379,787)
Accumulated other comprehensive losses		(12,219)	(10,328)	(1,626)	(10,328)	(1,626)
Total shareholders' (deficits) equity		(1,861,693)	(1,911,347)	(300,857)	696,208	109,587
Total liabilities, mezzanine equity and shareholders' (deficits) equity		**745,426**	**903,152**	**142,161**	**903,152**	**142,161**

The accompanying notes are an integral part of these consolidated financial statements.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2012
(All amounts in thousands, except share and per share data)

	Notes	For the six months ended June 30,		
		2011	2012	2012
		RMB	RMB	US$ (Note 2(b))
Net revenues				
Internet value-added services				
—Online game		71,679	150,398	23,674
—YY music		9,645	92,721	14,595
—Others		1,969	30,961	4,873
Online advertising		35,467	50,370	7,929
Total net revenues		118,760	324,450	51,071
Cost of revenues[1]	11	(78,349)	(164,138)	(25,836)
Gross profit		40,411	160,312	25,235
Operating expenses[1]				
Research and development expenses		(43,215)	(77,809)	(12,248)
Sales and marketing expenses		(7,917)	(4,862)	(765)
General and administrative expenses		(59,165)	(50,170)	(7,897)
Total operating expenses		(110,297)	(132,841)	(20,910)
Government grants		—	671	106
Operating (loss) income		(69,886)	28,142	4,431
Foreign currency exchange gains (loss), net		4,014	(1,786)	(281)
Interest income		1,348	5,986	942
(Loss) income before income tax expenses		(64,524)	32,342	5,092
Income tax expenses	12	(3,365)	(11,152)	(1,755)
(Loss) income before loss in equity method investments, net of income taxes		(67,889)	21,190	3,337
Loss in equity method investments, net of income taxes		(746)	(374)	(60)
Net (loss) income attributable to YY Inc.		(68,635)	20,816	3,277
Accretion to convertible redeemable preferred shares redemption value		(157,859)	(126,621)	(19,931)
Net loss attributable to common shareholders		**(226,494)**	**(105,805)**	**(16,654)**
Net (loss) income		(68,635)	20,816	3,277
Other comprehensive (loss) income:				
Foreign currency translation adjustments, net of nil tax		(1,160)	1,891	298
Comprehensive (loss) income attributable to YY Inc.		**(69,795)**	**22,707**	**3,575**
Net loss per share				
—basic	15	(0.48)	(0.20)	(0.03)
—diluted	15	(0.48)	(0.20)	(0.03)
Weighted average number of common shares used in calculating—basic loss per share	15	467,627,928	537,420,517	537,420,517
Weighted average number of common shares used in calculating—diluted loss per share	15	467,627,928	537,420,517	537,420,517

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2012 (CONTINUED)
(All amounts in thousands, except share and per share data)

(1) Share-based compensation was allocated in cost of revenues and operating expenses as follows:

	Notes	For the six months ended June 30,		
		2011	2012	2012
		RMB	RMB	US$ (Note 2(b))
Cost of revenues		9,240	4,386	690
Research and development expenses		13,887	19,731	3,106
Sales and marketing expenses		660	500	79
General and administrative expenses		48,181	29,643	4,666

The accompanying notes are an integral part of these consolidated financial statements.

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UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICITS FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2012

(All amounts in thousands, except share and per share data)

	Notes	Common shares		Additional paid-in capital	Accumulated deficits	Accumulated other comprehensive losses	Total shareholders' deficits
		Number of shares	Amount				
		Note 13	RMB	RMB	RMB	RMB	RMB
Balance as of December 31, 2011		**543,340,914**	**37**	**584,093**	**(2,433,604)**	**(12,219)**	**(1,861,693)**
Share-based compensation—share options	14	—	—	2,119	—	—	2,119
Share-based compensation—restricted shares	14	—	—	25,775	—	—	25,775
Share-based compensation—restricted share units	14	—	—	22,350	—	—	22,350
Share-based compensation—restricted shares to the CEO and Chairman	14	—	—	4,016	—	—	4,016
Accretion of Series A convertible redeemable preferred shares to redemption value		—	—	(48,044)	—	—	(48,044)
Accretion of Series B convertible redeemable preferred shares to redemption value		—	—	(36,002)	—	—	(36,002)
Accretion of Series C convertible redeemable preferred shares to redemption value		—	—	(42,575)	—	—	(42,575)
Components of comprehensive income							
Net income		—	—	—	20,816	—	20,816
Foreign currency translation adjustment, net of nil tax		—	—	—	—	1,891	1,891
Balance as of June 30, 2012		**543,340,914**	**37**	**511,732**	**(2,412,788)**	**(10,328)**	**(1,911,347)**

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UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICITS FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2012 (CONTINUED)
(All amounts in thousands, except share and per share data)

	Notes	Common shares		Additional paid-in capital	Accumulated deficits	Accumulated other comprehensive losses	Total shareholders' deficits
		Number of shares	Amount				
		Note 13	RMB	RMB	RMB	RMB	RMB
Balance as of December 31, 2010		**466,630,266**	**32**	**—**	**(2,350,448)**	**(1,089)**	**(2,351,505)**
Issuance of common shares		51,140,432	3	328,129	—	—	328,132
Share-based compensation—restricted shares	14	—	—	30,586	—	—	30,586
Share-based compensation—restricted shares to the CEO and Chairman	14	—	—	7,174	—	—	7,174
Transferred from matured liability award for NeoTasks founders		—	—	57,692	—	—	57,692
Accretion of Series A convertible redeemable preferred shares to redemption value		—	—	(63,151)	—	—	(63,151)
Accretion of Series B convertible redeemable preferred shares to redemption value		—	—	(45,372)	—	—	(45,372)
Accretion of Series C convertible redeemable preferred shares to redemption value		—	—	(49,336)	—	—	(49,336)
Components of comprehensive losses							
Net loss		—	—	—	(68,635)	—	(68,635)
Foreign currency translation adjustment, net of nil tax		—	—	—	—	(1,160)	(1,160)
Balance as of June 30, 2011		**517,770,698**	**35**	**265,722**	**(2,419,083)**	**(2,249)**	**(2,155,575)**

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2012
(All amounts in thousands)

	Notes	For the six months ended June 30, 2011 RMB	2012 RMB	2012 US$ (Note 2(b))
Cash flows from operating activities				
Net (loss) income		(68,635)	20,816	3,277
Adjustments to reconcile net (loss) income to net cash provided by operating activities				
Depreciation of property and equipment	7	5,068	11,256	1,772
Amortization of acquired intangible assets	8	618	1,328	209
Allowance for doubtful accounts	5	—	1,969	310
Gain on disposal of property and equipment		(66)	—	—
Impairment of cost investment		—	453	71
Share-based compensation	14	71,968	54,260	8,541
Share of loss from equity investments		746	374	60
Deferred income taxes, net	12	(1,952)	(10,327)	(1,626)
Foreign exchange gains (loss), net		(4,014)	1,786	281
Changes in operating assets and liabilities, net				
Accounts receivable	5	(17,187)	(19,378)	(3,050)
Prepayments and other current assets		1,209	(4,734)	(745)
Amounts due from a related party	16	—	72	11
Amounts due to related parties	16	(446)	(107)	(17)
Accounts payable		2,247	225	35
Deferred revenue	9	2,892	45,283	7,128
Advances from users		623	1,749	275
Income taxes payable		5,317	14,933	2,351
Accrued liabilities and other current liabilities		14,109	11,765	1,851
Net cash provided by operating activities		12,497	131,723	20,734
Cash flows from investing activities				
Placements of short-term deposits		(382,935)	(364,405)	(57,360)
Maturities of short-term deposits		84,233	330,000	51,944
Purchase of property and equipment		(18,457)	(25,779)	(4,058)
Purchase of intangible assets		(219)	(813)	(128)
Cash paid for equity investments		(4,500)	(1,000)	(157)
Cash paid for cost investments		(1,000)	—	—
Cash received from disposal of cost investment	6	—	1,000	157
Consideration paid in connection with business acquisition	3	—	(11,722)	(1,845)
Loan to a related party	16	(500)	(700)	(110)
Repayment of loan from related parties	16	—	1,100	173
Loans to employees		(1,025)	(791)	(125)
Repayment of loans from employees		48	316	50
Proceeds from disposal of property and equipment		374	17	3
Net cash used in investing activities		(323,981)	(72,777)	(11,456)
Cash flows from financing activities				
Proceeds from issuance of common shares and warrants, net of issuance costs	13	328,132	—	—
Repurchase of vested share options		(11,087)	—	—
Net cash provided by financing activities		317,045	—	—
Net increase in cash and cash equivalents		**5,561**	**58,946**	**9,278**
Cash and cash equivalents at the beginning of the period		83,683	128,891	20,288
Effect of exchange rates change on cash and cash equivalents		(2,153)	97	16
Cash and cash equivalents at the end of the period		**87,091**	**187,934**	**29,582**
Supplemental disclosure of cash flows information				
—Employee loans settled with repurchase of vested share options		614	—	—
—Income taxes paid		—	(6,546)	(1,030)

The accompanying notes are an integral part of these consolidated financial statements.

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NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

1. Organization and principal activities

(a) Principal activities

YY Inc. (the "Company") was incorporated in the Cayman Islands on July 22, 2011. The Company through its subsidiaries, and its variable interest entities ("VIEs") (collectively, the "Group") is principally engaged in operating an online social platform in the People's Republic of China (the "PRC" or "China") through its platform, YY Client and through its website *YY.com* and *Duowan.com*.

(b) Subsidiaries and VIEs

The details of the subsidiaries and VIEs as of June 30, 2012 are set out below:

Name	Place of incorporation	Date of incorporation	% of direct or indirect economic ownership	Principal activities
Subsidiaries				
Duowan Entertainment Corp. ("Duowan BVI")	British Virgin Islands	November 6, 2007	100%	Investment holding
NeoTasks Inc. ("NeoTasks")	Cayman Islands	April 26, 2006	100%	Investment holding
NeoTasks Limited	Hong Kong	June 16, 2005	100%	Investment holding
Huanju Shidai Technology (Beijing) Company Limited ("Beijing Huanju Shidai" or "Duowan Entertainment")*	PRC	March 19, 2008	100%	Investment holding
Zhuhai Duowan Information Technology Company Limited ("Zhuhai Duowan" or "Guangzhou Duowan")**	PRC	April 9, 2007	100%	Online advertising and software development
Guangzhou Huanju Shidai Information Technology Company Limited ("Guangzhou Huanju Shidai")	PRC	December 2, 2010	100%	Software development
Variable Interest Entities ("VIEs")				
Guangzhou Huaduo Network Technology Company Limited ("Guangzhou Huaduo")	PRC	April 11, 2005	100%	Holder of internet content provider licenses and internet value added services
Beijing Tuda Science and Technology Company Limited ("Beijing Tuda")	PRC	June 2, 2005	100%	Holder of internet content provider licenses

* Formerly known as Duowan Entertainment Information Technology (Beijing) Company Limited.
** Formerly known as Guangzhou Duowan Information Technology Company Limited.

2. Summary of significant accounting policies

(a) Basis of presentation and use of estimates

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the annual audited consolidated financial statements. In the opinion of management, all adjustments, consisting of normal recurring adjustments necessary for the fair statement of results for the periods presented, have been included. The results of operations of any interim period are not necessarily indicative of the results of operations for the full year or any other interim period.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

2. Summary of significant accounting policies (continued)

(a) Basis of presentation and use of estimates (continued)

The preparation of condensed consolidated financial statements requires management to make estimates and assumptions that affect the recorded amounts reported therein. A change in facts or circumstances surrounding the estimate could result in a change to estimates and impact future operating results.

The unaudited condensed consolidated financial statements and related disclosures have been prepared with the presumption that users of the unaudited condensed consolidated financial statements have read or have access to the audited consolidated financial statements for the preceding fiscal year. The condensed consolidated balance sheet at December 31, 2011 has been derived from the audited financial statements at that date but does not include all the information and footnotes required by accounting principles generally accepted in the United States of America. Accordingly, these unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2011.

(b) Convenience translation

Translations of amounts from RMB into US$ for the convenience of the reader were calculated at the noon buying rate of US$1.00 = RMB6.3530 on June 30, 2012 as set forth in the H.10 statistical release of the U.S. Federal Reserve Board. No representation is made that the RMB amounts could have been, or could be, converted into US$ at such rate.

(c) Statutory reserves

The Group did not make any appropriation to its general reserve fund, statutory surpluses fund, discretionary surplus fund, and the staff bonus and welfare fund for the six months ended June 30, 2011 and 2012, respectively.

(d) Revenue

YY Music revenue

YY Music revenue consists of sales of virtual items the Group creates and offers to users to be used on YY Client's music channels, which the Group operates and maintains. Users purchase consumable virtual items from the Group to show support for their favorite performers or time-based virtual items, that provide users with recognized status, such as priority speaking rights or special symbols on the music channels for a specific period of time. In order to attract user traffic, the Group shares with certain popular performers and channel owners, who have entered into revenue sharing arrangements with the Group, a portion of the revenues the Group derives from such in-channel virtual item sales on YY Music, which the Group accounts for as cost of revenue. Performers and channel owners, who do not have revenue sharing arrangements with the Group, are not entitled to share any revenue derived from the virtual items sold. Accordingly, YY Music revenue is recognized for the sale of virtual items sold in YY Music channels immediately if the virtual item is a consumable or, in the case of time-based virtual items, recognized ratably over the period each virtual item is made available to the user, which does not exceed one year. The Group does not have further obligations to the user after the virtual items are consumed. Virtual items may be sold individually or bundled into one arrangement. When the Group's users purchase multiple virtual items bundled within the same arrangement, the Group evaluates such arrangements under ASC 605-25 *Multiple-Element Arrangements*. The Group identifies individual elements under the arrangement and determines if such elements meet the criteria to be accounted for as separate units of accounting. The Group allocates the arrangement consideration to the separate units of accounting based on their relative selling price. The following hierarchy has been followed when determining the relative selling price for each element: (1) vendor specific objective evidence ("VSOE"), (2) third party evidence ("TPE"), and (3) best estimate of selling price ("BESP"). Given that the VSOE of the selling price cannot be determined, the Group has

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

2. Summary of significant accounting policies (continued)

(d) Revenue (continued)

YY Music revenue (continued)

adopted a policy to allocate the consideration of the whole arrangement to different virtual item elements based on the TPE of selling price or the BESP for each virtual item element. The Group determines the fair values of virtual items sold in a bundle based on similar products sold separately on the YY platform based on the TPE of the selling price and determines the fair values of virtual items without similar products sold separately on the YY platform based on the BESP. The BESP is generally based on the selling prices of the various elements of a similar nature when they are sold to users on a standalone basis. The BESP may also be based on an estimated stand-alone pricing when the element has not previously been sold on a stand-alone basis. These estimates are generally determined based on pricing strategies, market factors and strategic objectives. The Group recognizes revenue for each virtual item element in accordance with the applicable revenue recognition method.

(e) Segment reporting

Operating segments are defined as components of an enterprise engaging in business activities for which separate financial information is available that is regularly evaluated by the Group's chief operating decision makers in deciding how to allocate resources and assess performance. The Group's chief operating decision maker has been identified as the Chief Executive Officer, who reviews consolidated results when making decisions about allocating resources and assessing performance of the Group. The Group has internal reporting of cost and expenses that does not distinguish between segments, and reports costs and expenses by nature as a whole. The Group does not distinguish between markets or segments for the purpose of internal reporting. Hence, the Group has only one operating segment. As the Group's long-lived assets and revenue are substantially located in and derived from the PRC, no geographical segments are presented.

(f) Recently Adopted Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board ("FASB") issued Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs, an accounting standard update which amended the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. The Group adopted this standard effective January 1, 2012 with no material impact on the consolidated financial statements and disclosures.

In June 2011, the FASB issued an accounting standards update on the presentation of comprehensive income under which the option to present the components of other comprehensive income as part of the statement of shareholders' equity has been eliminated. The Group adopted this standard effective January 1, 2012.

In September 2011, the FASB issued an amendment to the existing standard which provides entities with an option to perform a qualitative assessment to determine whether further impairment testing on goodwill is necessary. The Group adopted this standard effective January 1, 2012 with no material impact on the consolidated financial statements and disclosures.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

3. Business Acquisition

On March 12, 2012, the Group acquired a majority of the assets of an internet service company, which is in the business of operating an internet platform, for cash consideration of RMB11,722. As a result of the acquisition, the Group obtained the key intellectual property to develop and expand the platform of YY Client. The acquisition was recorded using the acquisition method of accounting and the allocation of the purchase price at the date of acquisition is as follows:

	RMB
Property and equipment	128
Intangible assets	
Technology	10,035
Software	660
Goodwill	899
Total	11,722

The excess of purchase price over tangible assets and identifiable intangible assets acquired and liabilities assumed was recorded as goodwill. The acquired goodwill is not deductible for tax purposes. Acquisition-related costs were immaterial and were included in general and administrative expenses for six months ended June 30, 2012.

Pro forma results of operations related to the acquisition have not been presented because they are not material to the Group's consolidated statements of operations and comprehensive (loss) income for the six months ended June 30, 2011 and 2012.

4. Cash and cash equivalents

Cash and cash equivalents represent cash on hand, demand deposits placed with banks or other financial institutions, which have original maturities of three months or less. Cash and cash equivalents balance as of December 31, 2011 and June 30, 2012 primarily consist of the following currencies:

	December 31, 2011		June 30, 2012	
	Amount	RMB equivalent	Amount	RMB equivalent
RMB	108,775	108,775	174,494	174,494
US$	3,193	20,116	2,125	13,440
Total		128,891		187,934

5. Accounts receivable, net

	December 31, 2011 RMB	June 30, 2012 RMB
Accounts receivable, gross	47,022	65,762
Less: allowance for doubtful receivables	—	(1,331)
Accounts receivable, net	47,022	64,431

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5. Accounts receivable, net (continued)

The following table presents movement of the allowance for doubtful receivables:

	For the six months ended June 30,	
	2011 RMB	2012 RMB
Balance at the beginning of the period	387	—
Additions charged to general and administrative expenses	—	1,969
Write-off during the period	—	(638)
Balance at the end of the period	387	1,331

6. Investments

	December 31, 2011 RMB	June 30, 2012 RMB
Equity investments	3,142	3,768
Cost investments (Note i)	2,102	649
Total	5,244	4,417

(i) As of June 30, 2012, the Group's cost investment represents an equity interest of 25% in a private company. As part of the share purchase agreement, the Group is entitled to receive an amount equal to 100% of its original investment in the event of liquidation in preference to other common shareholders. As a result, the investment is not an investment in common stock or in-substance common stock and precluded from applying the equity method of accounting. The Group accounted for the investment under the cost method.

On February 2, 2012, the Group disposed of a cost investment to the Chairman of the Company at fair value for cash consideration of RMB1,000.

7. Property and equipment, net

Property and equipment consists of the following:

	December 31, 2011 RMB	June 30, 2012 RMB
Gross carrying amount		
Servers, computers and equipment	61,595	73,758
Furniture, fixture and office equipment	5,440	8,513
Leasehold improvement	3,759	19,474
Motor vehicles	1,149	2,205
Construction in progress	400	1,189
Total	72,343	105,139
Less: accumulated depreciation	(18,761)	(30,013)
Property and equipment, net	53,582	75,126

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7. Property and equipment, net (continued)

Depreciation expenses for the six months ended June 30, 2011 and 2012 were RMB5,068 and RMB11,256, respectively.

No impairment loss for property and equipment had been recognized for the six months ended June 30, 2011 and 2012.

8. Intangible assets, net

The following table summarizes the Group's intangible assets:

	December 31, 2011 RMB	June 30, 2012 RMB
Gross carrying amount		
Domain name	11,504	11,548
Technology	—	10,012
Software	1,601	3,064
Total of gross carrying amount	13,105	24,624
Less: accumulated amortization		
Domain name	(1,389)	(1,794)
Technology	—	(667)
Software	(902)	(1,162)
Total of accumulated amortization	(2,291)	(3,623)
Intangible assets, net	10,814	21,001

Amortization expenses for the six months ended June 30, 2011 and 2012 were RMB618 and RMB1,328, respectively.

No impairment loss for intangible assets had been recognized for the six months ended June 30, 2011 and 2012.

The estimated amortization expenses for each of the following five years as of June 30, 2012 are as follows:

Twelve months ended June 30,	Domain name RMB	Software RMB	Technology RMB
2013	789	954	2,002
2014	789	344	2,002
2015	781	316	2,002
2016	759	187	2,002
2017	759	101	1,337

The weighted average amortization periods of intangible assets as of December 31, 2011 and June 30, 2012 are as below:

	December 31, 2011	June 30, 2012
Domain name	15 years	15 years
Technology	—	5 years
Software	5 years	5 years

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9. Deferred revenue

	December 31, 2011 RMB	June 30, 2012 RMB
Deferred revenue, current:		
Online game	31,171	44,624
Membership subscription	9,142	31,196
YY music	—	8,866
Government grant	—	116
Others	44	31
Total current deferred revenue, net	40,357	84,833
Deferred revenue, non-current:		
Membership subscription	448	542
Government grant	—	713
Total non-current deferred revenue, net	448	1,255

10. Accrued liabilities and other current liabilities

	December 31, 2011 RMB	June 30, 2012 RMB
Accrued salaries and welfare	25,902	23,815
Accrued bandwidth costs	5,801	9,989
Accrued YY music activities costs	1,148	9,730
Business and other taxes payable	7,028	8,971
Deposits from advertising customers	6,250	3,250
Others	2,942	5,081
Total	49,071	60,836

11. Cost of revenues

	For the six months ended June 30,	
	2011 RMB	2012 RMB
Bandwidth costs	32,848	64,219
YY music activities costs	600	30,499
Salaries and welfare	15,929	20,384
Business tax and subcharges	5,935	14,264
Depreciation and amortization	4,981	10,853
Payment handling costs	4,792	8,912
Share-based compensation	9,240	4,386
Others	4,024	10,621
Total	78,349	164,138

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12. Income Tax

(i) Cayman Islands ("Cayman")

Under the current tax laws of Cayman Islands, the Company and its subsidiary are not subject to tax on income or capital gains. Besides, upon payment of dividends by the Company to its shareholders, no Cayman Islands withholding tax will be imposed.

(ii) British Virgin Islands ("BVI")

Duowan BVI is exempted from income tax on its foreign-derived income in the BVI. There are no withholding taxes in the BVI.

(iii) Hong Kong profits tax

Entities incorporated in Hong Kong are subject to the Hong Kong profits tax at a rate of 16.5% on the estimated assessable profit for the period. No Hong Kong profits tax has been provided as the Group's subsidiary has no assessable profit arising in Hong Kong.

(iv) PRC Enterprise Income Tax ("EIT")

The Company's subsidiaries and VIEs are subject to EIT on their taxable income as reported in their respective statutory financial statements adjusted in accordance with the relevant tax laws and regulations in the PRC. All the PRC entities of the Group (including subsidiaries and VIEs) are subject to EIT at a rate of 25%. In 2011, Guangzhou Huaduo has been qualified as "High and New Technology Enterprise" ("HNTE") under the EIT Law. Therefore, it is entitled to a preferential tax rate of 15% from 2011 to 2012 and will continue to enjoy the preferential tax rate, provided that it continues to be qualified as HNTE during such period.

According to a policy promulgated by the State Tax Bureau of the PRC and effective from 2008 onwards, enterprises engaged in research and development activities are entitled to claim 150% of the research and development expenses so incurred in a year as tax deductible expenses in determining its tax assessable profits for that year ("Super Deduction"). Both Guangzhou Huaduo and Zhuhai Duowan are entitled to claim such Super Deduction in ascertaining their tax assessable profits for the six months ended June 30, 2012.

In addition, according to the EIT Law and its implementation rules, foreign enterprises, which have no establishment or place in the PRC but derive dividends, interest, rents, royalties and other income (including capital gains) from sources in the PRC shall be subject to PRC withholding tax ("WHT") at 10% (a further reduced WHT rate may be available according to the applicable double tax treaty or arrangement). The 10% WHT is applicable to any dividends to be distributed from Beijing Huanju Shidai and Guangzhou Huanju Shidai to Duowan BVI out of any profits of Beijing Huanju Shidai and its subsidiaries, and Guangzhou Huanju Shidai derived after January 1, 2008.

Up to June 30, 2012, the Group does not have any present plan to pay out the retained earnings in the subsidiaries and VIEs in the foreseeable future. The Group currently intends to retain the available funds and any future earnings to operate and expand its business. Accordingly, no such WHT had been accrued.

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12. Income Tax (continued)

(iv) PRC Enterprise Income Tax ("EIT") (continued)

The current and deferred portions of income tax expenses included in the consolidated statements of operations and comprehensive (loss) income are as follows:

	For the six months ended June 30,	
	2011 RMB	2012 RMB
Current income tax expenses	5,317	21,479
Deferred income tax benefits	(1,952)	(10,327)
Income tax expense for the period	3,365	11,152

The reconciliation of total income tax expenses computed by applying the respective statutory income tax rate to pre-tax (loss) income is as follows:

	For the six months ended June 30,	
	2011	2012
PRC statutory income tax rate	(25.0%)	(25.0%)
Effect of preferential tax rate	7.7%	13.3%
Effect of tax-exempt entities	(1.8%)	(0.2%)
Permanent differences*	21.4%	(32.1%)
Changes in valuation allowance	0.8%	(1.4%)
Effect of Super Deduction available to the Group	(2.4%)	10.9%
Adjustments of deferred tax for changes in tax rates	4.5%	—
Effective income tax rate	5.2%	(34.5%)

* Permanent differences mainly arise from expenses not deductable for tax purposes including primarily share-based compensation costs and expenses incurred by the subsidiaries and VIEs.

13. Common shares

Common Shares

The Company's Memorandum and Articles of Association authorized the Company to issue 1,022,785,225 common shares at US$0.00001 par value as of June 30, 2012. Each common share is entitled to one vote. The holders of common shares are also entitled to receive dividends whenever funds are legally available and when declared by the Board of Directors, subject to prior rights of holders of all other classes of shares outstanding.

As of June 30, 2012, there were 543,340,914 common shares outstanding.

14. Share-based compensation

(a) Share option

i) Pre-2009 Scheme Options

Grant of options

Before the adoption of the Employee Equity Incentive Scheme (the "2009 Incentive Scheme"), 12,705,700 and 8,499,050 share options were granted to employees through individually signed share option

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14. Share-based compensation (continued)

(a) Share option (continued)

i) Pre-2009 Scheme Options (continued)

Grant of options (continued)

agreements, respectively to acquire common shares of Duowan BVI on a one-to-one basis on January 1, 2008 and 2009. In addition, on January 1, 2008, 3,832,290 share options were granted to one non-employee for the provision of consulting services to the Group (collectively defined as “Pre-2009 Scheme Options”).

Vesting of options

These Pre-2009 Scheme Options will vest over a four year service period, with 25% of the options vesting after the first anniversary of the vesting inception date and the remaining 75% in six equal installments over the following 36 months. The options may be exercised provided that both the service conditions and a performance condition are met. The performance condition is defined to be i) an initial public offering, ii) completion of a financing meeting certain criteria, iii) an internal reorganization, or iv) a voluntary winding up of Duowan BVI. The performance condition that is tied to completion of a financing fulfilling certain criteria was met in June 2008 or November 2009.

The following table summarizes the activities of the Pre-2009 Scheme Options for employees and non-employee for the six months ended June 30, 2012:

	Number of options	Weighted average exercise price (US$)	Weighted average remaining contractual life (years)	Aggregate intrinsic value (US$)
Outstanding, December 31, 2011	17,889,535	0.0055	6.37	19,366
Forfeited	(19,110)	0.0067		
Outstanding, June 30, 2012	17,870,425	0.0055	5.87	20,157
Vested and exercisable at June 30, 2012	16,846,189	0.0055	5.84	19,002
Expected to vest at June 30, 2012	1,020,661	0.0067	6.50	1,150

The aggregate intrinsic value in the table above represents the difference between the estimated fair value of the Company’s common shares as of June 30, 2012 and the exercise price.

The Binomial option pricing model is used to remeasured the fair values of the share options granted to the non-employee. The following table summarized the assumptions used to remeasure the fair value as of June 30, 2012:

	As of June 30, 2012
Risk-free interest rate(1)	2.99%
Expected term(2)	5.50 years
Volatility rate(3)	56.19%
Dividend yield(4)	—

(1) The risk-free interest rate of periods within the contractual life of the share option is based on the China Government Bond yield as at the valuation date.
(2) The expected term is the remaining contractual life of the option.
(3) Expected volatility is estimated based on the average of historical volatilities of the comparable companies in the same industry as at the valuation date.
(4) The Company and Duowan BVI have no history or expectation of paying dividend on its common shares.

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14. Share-based compensation (continued)

(a) Share option (continued)

i) Pre-2009 Scheme Options (continued)

Vesting of options (continued)

For the six months ended June 30, 2011 and 2012, the Group recorded share-based compensation of RMB16,914 and RMB2,119, respectively, using the graded-vesting method to the employees and a non-employee.

As of June 30, 2012, there was RMB870 unrecognized share-based compensation expense relating to Pre-2009 Scheme Options granted to employees. The expense is expected to be recognized over a weighted-average remaining vesting period of 0.5 years using the graded vesting attribution method.

ii) 2009 Incentive Scheme Options

On January 1, 2010, the Board of Directors of Duowan BVI formally approved the 2009 Incentive Scheme dated on December 3, 2009, which permits the grant of share options and restricted shares of up to 120,020,001 shares, to any qualified persons, as determined by the Board of Directors of Duowan BVI. The contractual life of all options and restricted shares under the 2009 Incentive Scheme is ten years.

Up to the date of approval of these financial statements, no options had been granted under the 2009 Incentive Scheme by Duowan BVI or the Company.

(b) Restricted shares

Since January 1, 2010, Duowan BVI granted 61,250,677 restricted shares to employees and 100,000 restricted shares to a non-employee pursuant to the 2009 Incentive Scheme.

Vesting of restricted shares

The restricted shares have a vesting condition and will vest 50% after 24 months of grant and the remaining 50% will vest in two equal installments over the next 24 months. Under the restricted shares agreement, no shares may be sold or transferred prior to the occurrence of an exit event, as defined in the respective restricted share agreements as: i) a listing on any recognized stock exchange, ii) a sale by Duowan BVI of all or substantially all of its assets, iii) a sale of all of the issued capital of Duowan BVI, or iv) passing for court order of winding up of Duowan BVI.

If the employee terminates employment, the service vested portion of the restricted shares may be subject to:

(i) repurchase (subject to Company’s sole discretion) by Duowan BVI at fair value of common shares of Duowan BVI which is assessed by an independent valuation company; or

(ii) be held by a person who is an existing employee of the Group and is designated by the leaving restricted share holder according to a properly signed escrow agreement to hold such shares for and on his/her behalf. If the leaving employee fails to deliver a properly signed agreement to Duowan BVI within 30 days from receipt of the notification from Duowan BVI, such service vested shares shall automatically lapse and expire.

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14. Share-based compensation (continued)

(b) Restricted shares (continued)

Vesting of restricted shares (continued)

The following table summarizes the restricted shares activities for the six months ended June 30, 2012:

	Number of restricted shares	Weighted average grant-date fair value (US$)
Outstanding, December 31, 2011	43,285,101	0.4885
Forfeited	(333,378)	0.5460
Vested	(10,669,318)	0.4388
Outstanding, June 30, 2012	32,282,405	0.5043
Expected to vest at June 30, 2012	31,551,928	0.5033

For the six months ended June 30, 2011 and 2012, the Company recorded share-based compensation of RMB30,586 and RMB25,775, respectively, using the graded-vesting method.

As of June 30, 2012, total unrecognized compensation expense relating to the restricted shares was RMB40,154. The expense is expected to be recognized over a weighted average period of 1.55 years using the graded vesting attribution method.

(c) Share-based awards granted to CEO and Chairman of the Company

On February 23, 2010, the CEO and the Chairman of the Company, also directors and shareholders were granted 13,369,813 and 29,678,483 restricted shares, respectively. The Chairman's shares have a service condition that vest over a four year period (50% after the second anniversary and 25% each year thereafter). Both the CEO's and the Chairman's shares are subject to a performance condition which relates to the number of peak concurrent users on the YY Client. Such performance condition was met as at December 31, 2010.

Pursuant to the provisions stipulated in the grant document relating to these restricted shares grant, upon the occurrence of an Acceleration Event, the restricted shares granted to the Chairman would become fully vested. An "Accelerated Event" is defined as (i) a Listing, (ii) a sale of all or substantially all of the issued share capital of Duowan BVI, (iii) a sale by Duowan BVI of all or substantially all of its assets, (iv) the passing of an effective resolution or the making of an order of a competent court for the winding up of Duowan BVI.

The following table summarizes the restricted shares activities for the six months ended June 30, 2012:

	Number of restricted shares	Weighted average grant-date fair value (US$)
Outstanding, December 31, 2011	29,678,483	0.1875
Vested	(14,839,242)	0.1875
Outstanding, June 30, 2012	14,839,241	0.1875

The total fair value of restricted shares vested for the six months ended June 30, 2011 and 2012 amounted to Nil and RMB17,515, respectively.

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14. Share-based compensation (continued)

(c) Share-based awards granted to CEO and Chairman of the Company (continued)

Share-based compensation expenses related to the awards granted to the Chairman of RMB7,174 and RMB4,016 were recognized in general and administrative expenses in the consolidated statements of operations and comprehensive (loss) income for the six months ended June 30, 2011 and 2012, respectively.

As of June 30, 2012, there was RMB5,622 of total unrecognized compensation cost and expense related to the restricted shares, which is expected to be recognized over a weighted average period of 1.32 years using the graded vesting attribution method.

(d) Restricted Share Units

On September 16, 2011, the Board of the Directors of the Company approved the 2011 Share Incentive Plan, which permits the grant of share options, restricted shares and restricted share units of up to 43,000,000 shares, to any qualified persons, as determined by the Board of the Directors of the Company. On the same date, the Company granted 9,097,000 restricted share units to employees pursuant to the 2011 Share Incentive Plan, that are subject to vesting over a four to five years period.

For the six months ended June 30, 2012, 8,265,921 restricted share units were granted to the Group's employees, that are subject to vesting over a two to four years period. No restricted share units were granted to non-employees.

The following table summarizes the restricted share units' activities for the six months ended June 30, 2012:

	Number of restricted shares	Weighted average grant-date fair value (US$)
Outstanding, December 31, 2011	8,996,300	1.0630
Granted	8,265,921	1.1096
Forfeited	(339,800)	1.0846
Outstanding, June 30, 2012	16,922,421	1.0853
Expected to vest at June 30, 2012	16,574,231	1.0854

For the six months ended June 30, 2012, the Company recorded share-based compensation of RMB22,350, using the graded-vesting attribution method.

As of June 30, 2012, total unrecognized compensation expense relating to the restricted share units was RMB83,735. The expense is expected to be recognized over a weighted average period of 2.19 years using the graded vesting attribution method.

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14. Share-based compensation (continued)

(e) Movements of the equity-classified and liability-classified awards

The table below shows details of the movement of various equity-classified and liability-classified awards granted by the Company to its employees and non-employees for the six months ended June 30, 2011 and 2012:

	Equity-classified Awards (RMB)						Liability-classified Awards(RMB)			
	Pre-2009 Scheme options	2009 Incentive Scheme – restricted shares	2011 Incentive Scheme – restricted share units	Share-based awards to CEO and Chairman	Awards to NeoTasks Founders	Sub-total	Pre-2009 Scheme options	Awards to NeoTasks Founders	Sub-total	Total
Balance as of January 1, 2011	**—**	**24,525**	**—**	**30,808**	**—**	**55,333**	**109,035**	**94,089**	**203,124**	**258,457**
Share-based compensation expenses	—	30,586	—	7,174	—	37,760	16,914	17,294	34,208	71,968
Exercised/Repurchased	—	—	—	—	—	—	(11,701)	—	(11,701)	(11,701)
Transfer from matured liability award for NeoTasks founders	—	—	—	—	—	—	—	(57,692)	(57,692)	(57,692)
Foreign currency translation adjustment	—	—	—	—	—	—	(2,639)	(2,587)	(5,226)	(5,226)
Balance as of June 30, 2011	**—**	**55,111**	**—**	**37,982**	**—**	**93,093**	**111,609**	**51,104**	**162,713**	**255,806**
Balance as of January 1, 2012	**118,547**	**82,330**	**9,644**	**44,951**	**60,961**	**316,433**	**—**	**—**	**—**	**316,433**
Share-based compensation expense	2,119	25,775	22,350	4,016	—	54,260	—	—	—	54,260
Balance as of June 30, 2012	**120,666**	**108,105**	**31,994**	**48,967**	**60,961**	**370,693**	**—**	**—**	**—**	**370,693**

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15. Basic and diluted net loss per share

Basic and diluted net loss per share for the six months ended June 30, 2011 and 2012 are calculated as follows:

	For the six months ended June 30,	
	2011 RMB	2012 RMB
Numerator:		
Net (loss) income attributable to the Company	(68,635)	20,816
Accretion to convertible redeemable preferred shares redemption value	(157,859)	(126,621)
Allocation of net income to participating preferred shareholders	—	—
Numerator of basic net loss per share	(226,494)	(105,805)
Dilutive effect of preferred shares	—	—
Numerator for diluted loss per share	(226,494)	(105,805)
Denominator:		
Denominator for basic and diluted net loss per share-weighted average shares outstanding	467,627,928	537,420,517
Basic net loss per share	(0.48)	(0.20)
Diluted net loss per share	(0.48)	(0.20)

The Company's preferred shares are participating securities and as such would be included in the calculation of basic earnings per share under the two-class method. According to the contractual terms of the preferred shares, the preferred shares do not have a contractual obligation to share in the losses of the Company. Therefore no loss was allocated to the preferred shares in the computation of basic loss per share for the six months ended June 30, 2011 and 2012.

The preferred shares, share-based awards for former NeoTasks employees, share-based awards granted to the CEO and Chairman, share options, restricted shares, restricted share units and warrants to an independent institutional investor were excluded from the computation of diluted net loss per common share for the periods presented because including them would have had an anti-dilutive effect. The following table summarizes information regarding weighted average of common shares equivalents which were excluded from the computation of diluted net loss per common share:

	For the six months ended June 30,	
	2011	2012
Preferred shares-weighted average	359,424,310	359,424,310
Share-based awards for former NeoTasks employees—weighted average	8,957,690	—
Share-based awards granted to the CEO and Chairman—weighted average	29,678,483	19,242,094
Share options-weighted average	19,094,020	17,882,500
Restricted shares-weighted average	58,509,930	43,222,027
Restricted share units-weighted average	—	13,855,715
Warrants to an independent institutional investor-weighted average	21,450,570	—

16. Related party transactions

The table below sets forth the related parties and their relationships with the Group:

Related Party	Relationship with the Group
Zhuhai Daren Computer Technology Company Limited ("Zhuhai Daren")	Equity Investment
Guangzhou Shanghang Information Technical Co., Ltd. ("Shanghang")	Significant influence exercised by the Chairman as key shareholder
Zhuhai Lequ Technology Co., Ltd. ("Zhuhai Lequ")	Equity Investment

During the six months ended June 30, 2011 and 2012, significant related party transactions were as follows:

	For the six months ended June 30,	
	2011 RMB	2012 RMB
Online game revenue sharing from Zhuhai Daren	2,225	2,891
Bandwidth costs paid to Shanghang	10,469	5,961
Interest-free loan to Zhuhai Daren	500	—
Repayment of interest-free loan from Zhuhai Daren	—	600
Interest-free loan to Zhuhai Lequ	—	700
Repayment of interest-free loan from Zhuhai Lequ	—	500
Disposal of a cost investment to the Chairman and Co-founder, who is also a director of the Company	—	1,000

As of December 31, 2011 and June 30, 2012, the amounts due from/to related parties were as follows:

	December 31, 2011 RMB	June 30, 2012 RMB
Amounts due from related parties		
Other receivable from Zhuhai Daren	2,000	1,400
Other receivable from Zhuhai Lequ	—	573
Total	2,000	1,973
Amounts due to related parties		
Accounts payable to Zhuhai Daren	793	744
Other payables to Shanghang	77	19
Total	870	763

The amounts due from/to related parties are unsecured, interest-free and payable on demand.

17. Fair value measurements

Fair value reflects the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Group considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the assets or liabilities.

The Group applies a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value

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17. Fair value measurements (continued)

measurement. This guidance specifies a hierarchy of valuation techniques, which is based on whether the inputs into the valuation technique are observable or unobservable. The hierarchy is as follows:

Level 1—Valuation techniques in which all significant inputs are unadjusted quoted prices from active markets for assets or liabilities that are identical to the assets or liabilities being measured.

Level 2—Valuation techniques in which significant inputs include quoted prices from active markets for assets or liabilities that are similar to the assets or liabilities being measured and/or quoted prices for assets or liabilities that are identical or similar to the assets or liabilities being measured from markets that are not active. Also, model-derived valuations in which all significant inputs and significant value drivers are observable in active markets are Level 2 valuation techniques.

Level 3—Valuation techniques in which one or more significant inputs or significant value drivers are unobservable. Unobservable inputs are valuation technique inputs that reflect the Group's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The fair value guidance describes three main approaches to measure the fair value of assets and liabilities: (1) market approach; (2) income approach and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

When available, the Group uses quoted market prices to determine the fair value of an asset or liability. If quoted market prices are not available, the Group will measure fair value using valuation techniques that use, when possible, current market-based or independently sourced market parameters, such as interest rates and currency rates. The Group did not have any financial instruments that were required to be measured at fair value on a recurring basis as of June 30, 2012.

The Group's financial instruments consist principally of cash, short-term deposits, accounts receivable, amounts due to/from related parties, accounts payable and certain accrued expenses. The recorded values of cash, accounts receivable, amounts due to/from related parties, accounts payable and certain accrued expenses are recorded at cost which approximates fair value.

18. Commitments and contingencies

(a) Operating lease commitments

The Group leases facilities in the PRC under non-cancellable operating leases expiring on different dates. Payments under operating leases are expensed on a straight-line basis over the periods of the respective leases.

Total office rental expenses under all operating leases were RMB3,028 and RMB6,818 for the six months ended June 30, 2011 and 2012, respectively.

As of June 30, 2012, future minimum payments under non-cancellable operating leases consist of the following:

Twelve months ended June 30,	Office rental RMB
2013	18,143
2014	17,877
2015	13,833
2016 and thereafter	5,024
Total	54,877

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18. Commitments and contingencies (continued)

(b) Capital commitments

As of June 30, 2012, total capital commitments for leasehold improvement, which was contracted but not yet reflected in the financial statements, amounted to RMB500.

(c) Litigation

The Group is not currently a party to, nor is aware of, any legal proceeding, investigation or claim which is likely to have a material adverse effect on the Group's business, financial condition, results of operations, or cash flows. The Group did not record any legal contingency accruals as of June 30, 2012.

19. Subsequent events

(a) On July 14, 2012, the Group disposed of its equity interest in Shenzhen Yingpeng to a related company, of which the Company's Chairman is also the Chairman of the related company, at fair value for cash consideration of RMB2,000.

(b) On July 15, 2012, the Group granted 533,000 restricted share units under the 2011 Incentive Scheme to employees that are subject to four years vesting period. The fair value of the restricted share units at the grant date was US$1.1284 per share.

(c) Pursuant to a shareholders' resolution on August 2, 2012, the four individual shareholders holding common shares of the Company, including Mr. David Xueling Li, CEO, Mr. Jun Lei, Chairman of the Company, Mr. Tony Bin Zhao, Chief Technology Officer, Mr. Jin Cao, General Manager of the Website Department transferred their common share interests in the Company to investment holding British Virgin Island companies, namely YYME Limited, Top Brand Holdings Limited, YY TZ Limited and CJ Entertainment Limited, respectively, of which they own 100% equity interest. Subsequent to the reorganization, the individual shareholders continued to beneficially hold the same common share interests in the Company, but now through an intermediate holding company.

(d) On September 1, 2012, the Group granted 6,151,300 restricted share units under the 2011 Incentive Scheme to certain eligible employees and they are subject to a four-year vesting period. The fair value determination of these restricted share units as at grant date was in progress.

(e) On September 10, 2012, the shareholders of one of the Group's investment companies resolved to liquidate the company and the liquidation procedures commenced. As of June 30, 2012, the carrying amount of such investment was approximately RMB649. The board of directors of the Company consider that the financial impact to the Group would not be significant.

(f) On September 19, 2012, the board of directors of the Company approved the Group's proposal to raise additional capital through an underwritten initial public offering of its shares in the United States of America (the "Proposed IPO") as a Qualified IPO.

On the same date, the board of directors of the Company resolved that upon the completion of the Proposed IPO, the Group will have a dual class common share structure. The Group's common shares will be divided into Class A common shares and Class B common shares. Holders of Class A common shares and Class B common shares have the same rights, except for voting rights and conversion rights. Specifically, both Class A and Class B common shareholders participate in the Company's income and losses on a pari passu basis. Holders of Class A common shares are entitled to one vote per share in all shareholders' meetings, while holders of Class B common shares are entitled to ten votes per share. Each Class B common share is convertible into one Class A common share at any time at the discretion of the Class B shareholders thereof,

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

19. Subsequent events (continued)

while Class A common shares are not convertible into Class B common shares under any circumstances. Upon any transfer of Class B common shares by a holder to any person or entity which is not an affiliate of such holder and which is not any of our founders or any affiliates of our founders, such Class B common shares shall be automatically and immediately converted into the equivalent number of Class A common shares. The board of directors of the Company also approved that all outstanding common shares prior to the completion of the Proposed IPO will be re-designated as, and all outstanding preferred shares prior to the completion of the Proposed IPO will be automatically converted into Class B common shares.

(g) On September 30, 2012, the Group granted 650,000 restricted share units under the 2011 Incentive Scheme to certain eligible employees and they are subject to a four-year vesting period. The fair value determination of these restricted share units as at grant date was in progress.

20. Restricted net assets

Relevant PRC laws and regulations permit payments of dividends by the Group’s subsidiaries and VIEs incorporated in the PRC only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. In addition, the Company’s subsidiaries and VIEs incorporated in the PRC are required to annually appropriate 10% of their net after-tax income to the statutory general reserve fund prior to payment of any dividends, unless such reserve funds have reached 50% of their respective registered capital. As a result of these and other restrictions under PRC laws and regulations, the Group’s subsidiaries and VIEs incorporated in the PRC are restricted in their ability to transfer a portion of their net assets to the Company either in the form of dividends, loans or advances, which restricted portion amounted to approximately RMB151,096 and RMB197,404 as of December 31, 2011 and June 30, 2012, respectively, as calculated under US GAAP. There are no differences between the US GAAP and PRC accounting standards in connection with the reported net assets of the legally owned subsidiaries in the PRC and VIEs. Even though the Company currently does not require any such dividends, loans or advances from the PRC entities for working capital and other funding purposes, the Company may in the future require additional cash resources from them due to changes in business conditions, to fund future acquisitions and development, or merely to declare and pay dividends or distributions to our shareholders. Except for the above, there is no other restriction on use of proceeds generated by the Group’s subsidiaries and VIEs to satisfy any obligations of the Company.

21. Unaudited pro forma balance sheet and earnings per share for conversion of preferred shares

All of the preferred shares shall automatically be converted into common shares at the conversion ratio of one preferred share to one common share immediately prior to (i) the closing of the Qualified IPO or (ii) at the election of a majority of the Series A Holders, a majority of the Series B Holders and a majority of the Series C Holders (each voting or consenting as a separate class).

The unaudited pro forma balance sheet as of June 30, 2012 presents an adjusted financial position as if the conversion of the preferred shares into common shares occurred on June 30, 2012. Accordingly, the carrying value of the preferred shares, in the amount of RMB2,607,555, was reclassified from preferred shares to common shares and additional paid in capital for such pro forma presentation.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

21. Unaudited pro forma balance sheet and earnings per share for conversion of preferred shares (continued)

The unaudited pro forma loss per share for the six months ended June 30, 2012 after giving effect to the conversion of the preferred shares into common shares as if the conversion occurred at January 1, 2012, respectively was as follows:

	For the six months ended June 30, 2012 RMB
Numerator:	
Net loss attributable to common shareholders	(105,805)
Pro forma effect of conversion of preferred shares	126,621
Pro forma net income attributable to common shareholders—Basic and diluted	20,816
Denominator:	
Denominator for basic calculation—weighted average number of common shares outstanding	537,420,517
Pro forma effect of conversion of preferred shares	359,424,310
Denominator for pro forma basic calculation	896,844,827
Dilutive effect of share options	17,533,247
Dilutive effect of restricted shares	35,631,449
Dilutive effect of restricted share units	3,788,083
Dilutive effect of share-based awards granted to CEO and Chairman	18,180,449
Denominator of pro-forma diluted calculation	971,978,055
Pro forma basic net income per share attributable to common shareholders	0.0232
Pro forma diluted net income per share attributable to common shareholders	0.0214

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 6. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences or committing a crime. Our second amended and restated memorandum and articles of association provide for indemnification of officers and directors for losses, damages, costs and expenses incurred in their capacities as such, except through their fraud or dishonesty.

Pursuant to the form of indemnification agreements filed as Exhibit 10.3 to this Registration Statement, we will agree to indemnify our directors and officers against certain liabilities and expenses incurred by such persons in connection with claims made by reason of their being such a director or officer.

The form of Underwriting Agreement to be filed as Exhibit 1.1 to this Registration Statement will also provide for indemnification of us and our officers and directors.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended (the "Securities Act") may be permitted to directors, officers or persons controlling us pursuant to the foregoing provisions, we have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

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ITEM 7. RECENT SALES OF UNREGISTERED SECURITIES.

During the past three years, we issued (including options and warrants to acquire its common shares), which were outstanding prior to the share exchange between Duowan Entertainment Corp. and YY Inc. on September 6, 2011. We believe that each of the following issuances was exempt from registration under the Securities Act in reliance on Regulation S under the Securities Act regarding sales by an issuer in offshore transactions. On September 6, 2011, YY Inc. entered into a share exchange agreement with the then shareholders of Duowan Entertainment Corp., under the terms of which YY Inc. issued one preferred or common share in exchange for each preferred or common share that the shareholders held in Duowan Entertainment Corp. As a result of the share exchange, YY Inc. became our ultimate holding company.

Purchaser	Date of Sale or Issuance	Number of Securities	Consideration	Underwriting Discount and Commission
An executive officer and employees	January 1, 2009	Options to purchase 17,345 common shares[1]	Past and future services	Not applicable
Tony Bin Zhao	July 1, 2009	2,554,401 restricted shares	Past and future services	Not applicable
Jin Cao	July 1, 2009	1,702,934 restricted shares	Past and future services	Not applicable
Granite Global Ventures III L.P.	December 3, 2009	21,755 series C-1 preferred shares[1]	US$852,796	Not applicable
Granite Global Ventures III L.P.	December 3, 2009	140,571 series C-2 preferred shares[1]	US$6,887,979	Not applicable
GGV III Entrepreneurs Fund L.P.	December 3, 2009	354 C-1 preferred shares[1]	US$13,867.80	Not applicable
GGV III Entrepreneurs Fund L.P.	December 3, 2009	2,286 series C-2 preferred shares[1]	US$112,014	Not applicable
Steamboat Ventures Asia, L.P.	December 3, 2009	7,896 C-1 preferred shares[1]	US$309,523.20	Not applicable
Steamboat Ventures Asia, L.P.	December 3, 2009	51,020 series C-2 preferred shares[1]	US$2,499,980	Not applicable
Morningside China TMT Fund I, L.P.	December 3, 2009	3,158 C-1 preferred shares[1]	US$123,793.60	Not applicable
Morningside China TMT Fund I, L.P.	December 3, 2009	20,408 series C-2 preferred shares[1]	US$999,992	Not applicable
An executive officer and employees	January 1, 2010	23,686,542 restricted shares	Past and future services	Not applicable

Purchaser	Date of Sale or Issuance	Number of Securities	Consideration	Underwriting Discount and Commission
An employee	April 1, 2010	2,000,000 restricted shares	Past and future services	Not applicable
Employees	July 1, 2010	20,060,000 restricted shares	Past and future services	Not applicable
David Xueling Li	July 9, 2010	13,369,813 common shares	Agreeing to enter into an employment agreement and a restricted share agreement with Duowan Entertainment Corp.	Not applicable
Jun Lei	July 9, 2010	29,678,483 common shares	Agreeing to enter into an employment agreement and a restricted share agreement with Duowan Entertainment Corp.	Not applicable
Tony Bin Zhao	August 13, 2010	17,768,380 common shares upon exercise of the warrant	None	Not applicable
Jin Cao	August 13, 2010	7,928,690 common shares upon exercise of the warrant	None	Not applicable
An employee	October 1, 2010	500,000 restricted shares	Past and future services	Not applicable
Executive officers and employees/consultant	January 1, 2011	10,846,800 restricted shares	Past and future services	Not applicable
Tiger Global Six YY Holdings	January 21, 2011	25,570,216 common shares	US$25,000,000	Not applicable
Tiger Global Six YY Holdings	January 21, 2011	Warrant to purchase 25,570,216 common shares	None	Not applicable
Tiger Global Six YY Holdings	February 11, 2011	25,570,216 common shares	US$25,000,000	Not applicable
Tiger Global Six YY Holdings	July 29, 2011	25,570,216 common shares upon exercise of the warrant	US$25,000,000	Not applicable
An executive officer and employees	September 16, 2011	9,097,000 restricted share units	Past and future services	Not applicable

Purchaser	Date of Sale or Issuance	Number of Securities	Consideration	Underwriting Discount and Commission
Employees	January 1, 2012	1,668,000 restricted share units	Past and future services	Not applicable
An executive officer and employees	March 31, 2012	6,597,921 restricted share units	Past and future services	Not applicable
Employees	July 15, 2012	533,000 restricted share units	Past and future services	Not applicable
Employees	September 1, 2012	6,151,300 restricted share units	Past and future services	Not applicable
Employees	September 30, 2012	650,000 restricted share units	Past and future services	Not applicable

(1) The number of the securities is presented to give retroactive effect to a 1:490 share split effected by Duowan Entertainment Corp. on July 9, 2010.

(2) Apart from the warrant to purchase 36,562 common shares in Duowan Entertainment Corp., Duowan Entertainment Corp. also paid Mr. Tony Bin Zhao RMB0.8 million in exchange for Mr. Zhao's termination of the option to purchase 5,553,000 common shares in NeoTasks Inc.

(3) Apart from the warrant to purchase 18,281 common shares in Duowan Entertainment Corp., Duowan Entertainment Corp. also paid Mr. Jin Cao RMB0.4 million in exchange for Mr. Cao's termination of the option to purchase 2,777,000 common shares in NeoTasks Inc.

ITEM 8. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) Exhibits

See Exhibit Index beginning on page II-9 of this registration statement.

(b) Financial Statement Schedules

Schedules have been omitted because the information required to be set forth therein is not applicable or is shown in the Consolidated Financial Statements or the Notes thereto.

ITEM 9. UNDERTAKINGS.

The undersigned registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the provisions described in Item 6, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant under Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form F-1 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Guangzhou, China, on October 15, 2012.

YY INC.

By: /S/ DAVID XUELING LI
Name: David Xueling Li
Title: Chief Executive Officer

POWERS OF ATTORNEY

Each person whose signature appears below constitutes and appoints David Xueling Li and Eric He as attorneys-in-fact with full power of substitution, for him or her in any and all capacities, to do any and all acts and all things and to execute any and all instruments which said attorney and agent may deem necessary or desirable to enable the registrant to comply with the Securities Act of 1933, as amended (the "Securities Act"), and any rules, regulations and requirements of the Securities and Exchange Commission thereunder, in connection with the registration under the Securities Act of Class A common shares of the registrant (the "Shares"), including, without limitation, the power and authority to sign the name of each of the undersigned in the capacities indicated below to the Registration Statement on Form F-1 (the "Registration Statement") to be filed with the Securities and Exchange Commission with respect to such Shares, to any and all amendments or supplements to such Registration Statement, whether such amendments or supplements are filed before or after the effective date of such Registration Statement, to any related Registration Statement filed pursuant to Rule 462(b) under the Securities Act, and to any and all instruments or documents filed as part of or in connection with such Registration Statement or any and all amendments thereto, whether such amendments are filed before or after the effective date of such Registration Statement; and each of the undersigned hereby ratifies and confirms all that such attorney and agent shall do or cause to be done by virtue hereof.

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Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ David Xueling Li David Xueling Li	Chief Executive Officer and Director (principal executive officer)	October 15, 2012
/s/ Eric He Eric He	Chief Financial Officer (principal financial and principal accounting officer)	October 15, 2012
/s/ Jun Lei Jun Lei	Chairman of the Board of Directors	October 15, 2012
/s/ Qin Liu Qin Liu	Director	October 15, 2012
/s/ Alexander Barrett Hartigan Alexander Barrett Hartigan	Director	October 15, 2012
/s/ Jenny Hong Wei Lee Jenny Hong Wei Lee	Director	October 15, 2012
/s/ Tony Bin Zhao Tony Bin Zhao	Director	October 15, 2012

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SIGNATURE OF AUTHORIZED REPRESENTATIVE IN THE UNITED STATES

Pursuant to the Securities Act of 1933, the undersigned, the duly authorized representative in the United States of YY Inc. has signed this registration statement or amendment thereto in New York on October 15, 2012.

Authorized U.S. Representative

By: /S/ DIANA ARIAS
Name: Diana Arias
Title: Senior Managing Officer
Law Debenture Corporate Services Inc.

YY INC.

EXHIBIT INDEX

Exhibit Number	Description of Document
1.1*	Form of Underwriting Agreement.
3.1	Amended and Restated Memorandum and Articles of Association of the Registrant, as currently in effect.
3.2*	Form of Second Amended and Restated Memorandum and Articles of Association of the Registrant, as effective upon the completion of this offering.
4.1*	Registrant's Specimen American Depositary Receipt (included in Exhibit 4.3).
4.2	Registrant's Specimen Certificate for Class A Common Shares.
4.3*	Form of Deposit Agreement among the Registrant, the depositary and holder of the American Depositary Receipts.
4.4	Investors' Rights Agreement dated September 6, 2011 among the Registrant, its common shareholders, preferred shareholders and several other parties named therein.
4.5	Right of First Refusal and Co-Sale Agreement dated September 6, 2011 among the Registrant, its common shareholders, preferred shareholders and several other parties named therein.
4.6	Share Exchange Agreement dated September 6, 2011, relating to Duowan Entertainment Corp.
5.1	Form of opinion of Conyers Dill & Pearman regarding the validity of the Class A common shares being registered.
8.1	Form of opinion of Conyers Dill & Pearman regarding certain Cayman Islands tax matters (included in Exhibit 5.1).
8.2	Opinion of Skadden, Arps, Slate, Meagher & Flom LLP regarding certain U.S. tax matters.
8.3	Opinion of Zhong Lun Law Firm regarding certain PRC tax matters.
10.1	2009 Employee Equity Incentive Scheme of the Registrant, as amended and restated.
10.2	2011 Share Incentive Plan and Amendment No. 1 to the 2011 Share Incentive Plan of the Registrant.
10.3	Form of Indemnification Agreement with the Registrant's directors and officers.
10.4	Form of Employment Agreement between the Registrant and an executive officer of the Registrant.
10.5	English translation of Exclusive Business Cooperation Agreement dated August 12, 2008 between Huanju Shidai (formerly known as Duowan Entertainment Information Technology (Beijing) Company Limited) and Guangzhou Huaduo.
10.6	English translation of Supplementary Agreement dated November 10, 2011 to Exclusive Business Cooperation Agreement between Huanju Shidai and Guangzhou Huaduo.
10.7	English translation of Confirmation Letter dated November 10, 2011 to Exclusive Business Cooperation Agreement between Huanju Shidai and Guangzhou Huaduo.
10.8	English translation of Exclusive Technology Support and Technology Services Agreement dated August 12, 2008 between Huanju Shidai and Guangzhou Huaduo.

Exhibit Number	Description of Document
10.9	English translation of Supplementary Agreement dated November 10, 2011 to Exclusive Technology Support and Technology Services Agreement between Huanju Shidai and Guangzhou Huaduo.
10.10	English translation of Confirmation letter dated November 10, 2011 to Exclusive Technology Support and Technology Services Agreement between Huanju Shidai and Guangzhou Huaduo.
10.11	English translation of Powers of Attorney dated September 16, 2011 issued to Huanju Shidai by each of the shareholders of Guangzhou Huaduo.
10.12	English translation of Exclusive Option Agreements dated September 16, 2011 among Huanju Shidai, Guangzhou Huaduo and each of the shareholders of Guangzhou Huaduo.
10.13	English translation of Equity Interest Pledge Agreements dated September 16, 2011 between Huanju Shidai and each of the shareholders of Guangzhou Huaduo.
10.14	English translation of Consent Letter dated November 10, 2011 issued by the shareholders of Guangzhou Huaduo.
10.15	English translation of Exclusive Business Cooperation Agreement dated December 3, 2009 between Huanju Shidai and Beijing Tuda.
10.16	English translation of Supplementary Agreement dated November 10, 2011 to Exclusive Business Cooperation Agreement between Huanju Shidai and Beijing Tuda.
10.17	English translation of Confirmation Letter dated November 10, 2011 to Exclusive Business Cooperation Agreement between Huanju Shidai and Beijing Tuda.
10.18	English translation of Exclusive Technology Support and Technology Services Agreement dated December 3, 2009 between Huanju Shidai and Beijing Tuda.
10.19	English translation of Supplementary Agreement dated November 10, 2011 to Exclusive Technology Support and Technology Services Agreement between Huanju Shidai and Beijing Tuda.
10.20	English translation of Confirmation Letter dated November 10, 2011 to Exclusive Technology Support and Technology Services Agreement between Huanju Shidai and Beijing Tuda.
10.21	English translation of Powers of Attorney dated May 27, 2011 issued to Huanju Shidai by each of the shareholders of Beijing Tuda.
10.22	English translation of Exclusive Option Agreements dated May 27, 2011 among Huanju Shidai, Beijing Tuda and each of the shareholders of Beijing Tuda.
10.23	English translation of Equity Interest Pledge Agreements dated July 1, 2011 between Huanju Shidai and each of the shareholders of Beijing Tuda.
10.24	English translation of Consent Letter dated November 10, 2011 issued by the shareholders of Beijing Tuda.
10.25**	English translation of the Joint Operation Agreement dated July 1, 2011 between the Zhuhai branch of Guangzhou Huaduo and Shenzhen 7th Road Technology Co., Ltd.
21.1	Subsidiaries of the Registrant.
23.1	Consent of PricewaterhouseCoopers Zhong Tian CPAs Limited Company, Independent Registered Public Accounting Firm.
23.2	Consent of Conyers Dill & Pearman (included in exhibit 5.1).
23.3	Consent of Skadden, Arps, Slate, Meagher & Flom LLP (included in exhibit 8.2).

Exhibit Number	Description of Document
23.4	Consent of Zhong Lun Law Firm (included in exhibit 99.2).
23.5	Consent of iResearch Consulting Group.
23.6	Consent of Data Center of China Internet.
24.1	Powers of Attorney (included on signature page).
99.1	Code of Business Conduct and Ethics of the Registrant.
99.2	Opinion of Zhong Lun Law Firm regarding certain PRC law matters.
99.3	Revised Draft Registration Statement on Form F-1, dated July 13, 2012.
99.4	Revised Draft Registration Statement on Form F-1, dated August 27, 2012.
99.5	Revised Draft Registration Statement on Form F-1, dated September 21, 2012.

* To be filed by amendment.
** Confidential treatment requested for certain confidential portions of this exhibit pursuant to Rule 406 under the Securities Act. In accordance with Rule 406, these confidential portions have been omitted and filed separately with the Commission.

Exhibit 3.1

THE COMPANIES LAW
EXEMPTED COMPANY LIMITED BY SHARES

AMENDED AND RESTATED
MEMORANDUM OF ASSOCIATION
OF

YY Inc.
(adopted by special resolution on September 6, 2011)

1. The name of the Company is **YY Inc.**

2. The Registered Office of the Company shall be at the offices of Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

3. Subject to the following provisions of this Memorandum, the objects for which the Company is established are unrestricted and shall include, but without limitation:

   (a) to act and to perform all the functions of a holding company in all its branches and to coordinate the policy and administration of any subsidiary company or companies wherever incorporated or carrying on business or of any group of companies of which the Company or any subsidiary company is a shareholder or which are in any manner controlled directly or indirectly by the Company; and

   (b) to act as an investment company and for that purpose to subscribe, acquire, hold, dispose, sell, deal in or trade upon any terms, whether conditionally or absolutely, shares, stock, debentures, debenture stock, annuities, notes, mortgages, bonds, obligations and securities, foreign exchange, foreign currency deposits and commodities, issued or guaranteed by any company wherever incorporated, or by any government, sovereign, ruler, commissioners, public body or authority, supreme, municipal, local or otherwise, by original subscription, tender, purchase, exchange, underwriting, participation in syndicates or in any other manner and whether or not fully paid up, and to meet calls thereon.

4. Subject to the following provisions of this Memorandum, the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided by Section 27(2) of the Companies Law.

5. Nothing in this Memorandum shall permit the Company to carry on a business for which a licence is required under the laws of the Cayman Islands unless duly licensed.

6. The Company shall not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands; provided that nothing in this clause shall be construed as to prevent the Company effecting and concluding contracts in the Cayman Islands, and exercising in the Cayman Islands all of its powers necessary for the carrying on of its business outside the Cayman Islands.

7. The liability of each member is limited to the amount from time to time unpaid on such member's shares.

8. The share capital of the Company is US$50,000 divided into 4,640,575,690 Common Shares of a par value of US$0.00001 each, and 359,424,310 Preferred Shares of a par value of US$0.00001 each, of which 136,100,930 shares shall be designated Series A Preferred Shares, 102,073,860 shares shall be designated Series B Preferred Shares, 16,249,870 shares shall be designated Series C-1 Preferred Shares, and 104,999,650 shares shall be designated Series C-2 Preferred Shares, with the power for the Company, insofar as is permitted by law, to redeem or purchase any of its shares and to increase or reduce the said share capital subject to the provisions of the Companies Law (Revised) and the Articles of Association of the Company and to issue any part of its capital, whether original, redeemed or increased, with or without any preference, priority or special privilege or subject to any postponement of rights or to any conditions or restrictions; and so that, unless the conditions of issue shall otherwise expressly declare, every issue of shares, whether declared to be preference or otherwise, shall be subject to the power hereinbefore contained.

9. The Company may exercise the power contained in the Companies Law to deregister in the Cayman Islands and be registered by way of continuation in another jurisdiction.

AMENDED AND RESTATED
ARTICLES OF ASSOCIATION
OF
YY Inc.

(adopted by special resolution on September 6, 2011)

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SCHEDULE A

ARTICLES OF ASSOCIATION
OF
YY Inc.

Table A

The regulations in Table A in the First Schedule to the Law (as defined below) do not apply to the Company.

INTERPRETATION

1. Definitions

1.1 In these Articles, the following words and expressions shall, where not inconsistent with the context, have the following meanings, respectively:

Alternate Director	an alternate director appointed in accordance with these Articles;
Articles	these Articles of Association including Schedule A attached hereto as altered from time to time;
Auditor	includes an individual or partnership;
Board	the board of directors appointed or elected pursuant to these Articles and acting at a meeting of directors at which there is a quorum or by written resolution in accordance with these Articles;
Common Shares	subject to Schedule A, common shares of a par value of US$0.00001 each in the Company;
Company	the company for which these Articles are approved and confirmed;
Conversion Shares	the Common Shares issuable upon conversion of the Preferred Shares.
Director	a director, including a sole director, for the time being of the Company and shall include an Alternate Director;
Duowan	Duowan Entertainment Corp., a business company incorporated in the British Virgin Islands with limited liability;

GGV	Granite Global Ventures III L.P. and GGV III Entrepreneurs Fund L.P., their general partners and any of their respective successors and assignees, collectively;
Investors	the Series A Investors, the Series B Investors, the Series C Investors and Tiger.
Investor Directors	the Series A Director, the Series B Director, the Series C Director and the Tiger Director, collectively;
Investors' Rights Agreement	means an investors rights agreement dated September 6, 2011 by and among the Company, certain Members of the Company and certain other parties thereto;
Key Holders	LI Xueling (□□□), LEI Jun (□□), CAO Jin (□□) and ZHAO Bin (□□), and "Key Holder" means any one of them;
Law	The Companies Law of the Cayman Islands and every modification, re-enactment or revision thereof for the time being in force;
Majority Preferred Holders	the holders of more than fifty percent (50%) of the then outstanding Series A Preferred Shares, Series B Preferred Shares and Series C Preferred Shares, voting or consenting together as a single class on a fully-diluted and as-if-converted basis.
Majority Series A Holders	the holders of more than fifty percent (50%) of the then outstanding Series A Preferred Shares, and the Conversion Shares issued upon conversion thereof, on a fully-diluted and as-converted basis.
Majority Series B Holders	the holders of more than fifty percent (50%) of the then outstanding Series B Preferred Shares, and the Conversion Shares issued upon conversion thereof, on a fully-diluted and as-converted basis.
Majority Series C Holders	collectively, the holders of more than fifty percent (50%) of the then outstanding Series C-1 Preferred Shares and the Series C-2 Preferred Shares, and the Conversion Shares issued upon conversion thereof, on a fully-diluted and as-converted basis.

Member	the person registered in the Register of Members as the holder of shares in the Company including holders of Preferred Shares and Common Shares and, when two or more persons are so registered as joint holders of shares, means the person whose name stands first in the Register of Members as one of such joint holders or all of such persons, as the context so requires;
Memorandum	the Memorandum of Association of the Company as may be amended and restated from time to time;
month	calendar month;
Morningside Group	Favor Star Limited and Morningside China TMT Fund I, L.P., and any of their respective successors and assignees, collectively;
notice	written notice as further provided in these Articles unless otherwise specifically stated;
Officer	any person appointed by the Board to hold an office in the Company;
ordinary resolution	subject to Schedule A, a resolution passed at a general meeting (or, if so specified, a meeting of Members holding a class of shares) of the Company by a simple majority of the votes cast (meaning votes of the shares that were present at the meeting and entitled to vote thereon and were voted and did not abstain), or a written resolution passed by the unanimous consent of all Members entitled to vote;
paid-up	paid-up or credited as paid-up;
Preferred Directors	has the meaning ascribed to it in Article 38.2 hereof;
Preferred Shares	Series A Preferred Shares, Series B Preferred Shares, Series C-1 Preferred Shares and Series C-2 Preferred Shares;
Register of Directors and Officers	the register of directors and officers referred to in these Articles;

Register of Members	the register of Members referred to in these Articles;
Registered Office	the Registered Office for the time being of the Company;
Right of First Refusal and Co-Sale Agreement	the right of first refusal and co-sale agreement dated September 6, 2011 by and among the Company, Duowan, the Key Holders and the Investors;
Seal	the common seal or any official or duplicate seal of the Company;
Secretary	the person appointed to perform any or all of the duties of secretary of the Company and includes any deputy or assistant secretary and any person appointed by the Board to perform any of the duties of the Secretary;
Series A Director	has the meaning ascribed to it in Article 38.2 hereof;
Series B Director	has the meaning ascribed to it in Article 38.2 hereof;
Series C Director	has the meaning ascribed to it in Article 38.2 hereof;
Series A Investor	each of Favor Star Limited and Morningside China TMT Fund I, L.P., and together, the “Series A Investors”;
Series B Investor	each of Morningside China TMT Fund I, L.P. and Steamboat, and together, the “Series B Investors”;
Series C Investor	each of Morningside China TMT Fund I, L.P., Steamboat. and GGV, and together, the “Series C Investors”;
Series A Preferred Shares	series A convertible and redeemable preferred shares of a par value of US$0.00001 each in the Company;
Series B Preferred Shares	series B convertible and redeemable preferred shares of a par value of US$0.00001 each in the Company;

Series C Preferred Shares	Series C-1 Preferred Shares and Series C-2 Preferred Shares;
Series C-1 Preferred Shares	series C-1 convertible and redeemable preferred shares of a par value of US$0.00001 each in the Company;
Series C-2 Preferred Shares	series C-2 convertible and redeemable preferred shares of a par value of US$0.00001 each in the Company;
share	includes Common Shares, Preferred Shares and a fraction of a share;
special resolution	subject to Schedule A, (i) a resolution passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or by proxy at a general meeting of which notice specifying the intention to propose a resolution as a special resolution has been duly given (and for the avoidance of doubt, unanimity qualifies as a majority); or (ii) a written resolution passed by unanimous consent of all Members entitled to vote;
Steamboat	Steamboat Ventures Asia, L.P., and any of its successors or assignees;
Tiger	Tiger Global Six YY Holdings, and its permitted assigns and successors;
Tiger Director	has the meaning ascribed to it in Article 38.2 hereof;
written resolution	a resolution passed in accordance with Article 36 or 61; and
year	calendar year.

1.2 In these Articles, where not inconsistent with the context:

(a) words denoting the plural number include the singular number and vice versa;

(b) words denoting the masculine gender include the feminine and neuter genders;

(c) words importing persons include companies, associations or bodies of persons whether corporate or not;

(d) the words:

(i) "may" shall be construed as permissive; and

(ii) "shall" shall be construed as imperative;

(e) a reference to statutory provision shall be deemed to include any amendment or re-enactment thereof; and

(f) unless otherwise provided herein, words or expressions defined in the Law shall bear the same meaning in these Articles.

1.3 In these Articles expressions referring to writing or its cognates shall, unless the contrary intention appears, include facsimile, printing, lithography, photography, electronic mail and other modes of representing words in visible form.

1.4 Headings used in these Articles are for convenience only and are not to be used or relied upon in the construction hereof.

SHARES

2. Power to Issue Shares

2.1 Subject to these Articles and in particular Schedule A and to any resolution of the Members to the contrary, and without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, the Board shall have the power to issue any unissued shares of the Company on such terms and conditions as it may determine and any shares or class of shares (including the issue or grant of options, warrants and other rights, renounceable or otherwise in respect of shares) may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital, or otherwise, provided that no share shall be issued at a discount except in accordance with the Law.

3. Redemption, Purchase, Surrender and Treasury Shares

3.1 Subject to the Law and Schedule A, the Company is authorised to issue shares which are to be redeemed or are liable to be redeemed at the option of the Company or a Member and may make payments in respect of such redemption in accordance with the Law.

3.2 Subject to Schedule A, the Company is authorised to purchase any share in the Company (including a redeemable share) by agreement with the holder and may make payments in respect of such purchase in accordance with the Law.

3.3 Subject to Schedule A, the Company authorises the Board to determine the manner or any of the terms of any redemption or purchase.

3.4 A delay in payment of the redemption price shall not affect the redemption but, in the case of a delay of more than thirty days, interest shall be paid for the period from the due date until actual payment at a rate which the Board, after due enquiry, estimates to be representative of the rates being offered by Class A banks in the Cayman Islands for thirty day deposits in the same currency.

3.5 Subject to Schedule A, the Company authorises the Board pursuant to section 37(5) of the Law to make a payment in respect of the redemption or purchase of its own shares otherwise than out of its profits, share premium account, or the proceeds of a fresh issue of shares.

3.6 No share may be redeemed or purchased unless it is fully paid-up.

3.7 The Company may accept the surrender for no consideration of any fully paid share (including a redeemable share) unless, as a result of the surrender, there would no longer be any issued shares of the company other than shares held as treasury shares.

3.8 Subject to Schedule A, the Company is authorised to hold treasury shares in accordance with the Law.

3.9 Subject to Schedule A, the Board may designate as treasury shares any of its shares that it purchases or redeems, or any shares surrendered to it, in accordance with the Law.

3.10 Shares held by the Company as treasury shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred in accordance with the Law.

4. Rights Attaching to Shares

4.1 Subject to Article 2.1, the Memorandum of Association and any resolution of the Members to the contrary and without prejudice to any special rights conferred thereby on the holders of any other shares or class of shares, the share capital of the Company shall be divided into 4,640,575,690 Common Shares of a par value of US$0.00001 each, and 359,424,310 Preferred Shares of a par value of US$0.00001 each, of which 136,100,930 shares shall be designated Series A Preferred Shares, 102,073,860 shares shall be designated Series B Preferred Shares, 16,249,870 shares shall be designated Series C-1 Preferred Shares, and 104,999,650 shares shall be designated Series C-2 Preferred Shares.

4.2 Subject to the provisions of these Articles and in particular Schedule A, each share in the Company confers upon the Member:

(a) be entitled to one vote per share;

(b) be entitled to such dividends as the Board may from time to time declare;

(c) in the event of a winding-up or dissolution of the Company, whether voluntary or involuntary or for the purpose of a reorganization or otherwise or upon any distribution of capital, be entitled to the surplus assets of the Company; and

(d) generally be entitled to enjoy all of the rights attaching to shares.

5. Calls on Shares

5.1 The Board may make such calls as it thinks fit upon the Members in respect of any monies (whether in respect of nominal value or premium) unpaid on the shares allotted to or held by such Members and, if a call is not paid on or before the day appointed for payment thereof, the Member may at the discretion of the Board be liable to pay the Company interest on the amount of such call at such rate as the Board may determine, from the date when such call was payable up to the actual date of payment. The Board may differentiate between the holders as to the amount of calls to be paid and the times of payment of such calls.

5.2 The Company may accept from any Member the whole or a part of the amount remaining unpaid on any shares held by him, although no part of that amount has been called up.

5.3 The Company may make arrangements on the issue of shares for a difference between the Members in the amounts and times of payments of calls on their shares.

6. Joint and Several Liability to Pay Calls

The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.

7. Forfeiture of Shares

7.1 If any Member fails to pay, on the day appointed for payment thereof, any call in respect of any share allotted to or held by such Member, the Board may, at any time thereafter during such time as the call remains unpaid, direct the Secretary to forward such Member a notice in writing in the form, or as near thereto as circumstances admit, of the following:

Notice of Liability to Forfeiture for Non-Payment of Call
[ ] (the "Company")

You have failed to pay the call of [amount of call] made on the [ ] day of [ ], 20[ ], in respect of the [number] share(s) [number in figures] standing in your name in the Register of Members of the Company, on the [ ] day of [ ], 20[ ], the day appointed for payment of such call. You are hereby notified that unless you pay such call together with interest thereon at the rate of [ ] per annum computed from the said [ ] day of [ ], 20[ ] at the Registered Office of the Company the share(s) will be liable to be forfeited.

Dated this [ ] day of [ ], 20[ ]

____

[Signature of Secretary] By Order of the Board

7.2 If the requirements of such notice are not complied with, any such share may at any time thereafter before the payment of such call and the interest due in respect thereof be forfeited by a resolution of the Board to that effect, and such share shall thereupon become the property of the Company and may be disposed of as the Board shall determine. Without limiting the generality of the foregoing, the disposal may take place by sale, repurchase, redemption or any other method of disposal permitted by and consistent with these Articles and the Law.

7.3 The Company is under no obligation to refund any moneys to the Member whose shares have been forfeited and cancelled pursuant to this Article. Upon forfeiture and cancellation of the shares the Member is discharged from any further obligation to the Company with respect to the shares forfeited and cancelled.

7.4 The Board may accept the surrender of any shares which it is in a position to forfeit on such terms and conditions as may be agreed. Subject to those terms and conditions, a surrendered share shall be treated as if it had been forfeited.

8. Share Certificates

8.1 Every Member shall be entitled to a certificate under the common seal (if any) or a facsimile thereof of the Company or bearing the signature (or a facsimile thereof) of a Director or the Secretary or a person expressly authorised to sign specifying the number and, where appropriate, the class of shares held by such Member and whether the same are fully paid up and, if not, specifying the amount paid on such shares. The Board may by resolution determine, either generally or in a particular case, that any or all signatures on certificates may be printed thereon or affixed by mechanical means.

8.2 If any share certificate shall be proved to the satisfaction of the Board to have been worn out, lost, mislaid, or destroyed the Board may cause a new certificate to be issued and request an indemnity for the lost certificate if it sees fit.

8.3 Share certificates may not be issued in bearer form.

8.4 Each certificate representing shares issued by the Company shall be endorsed with the following legends:

"THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AND HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. NO SUCH TRANSFER MAY BE EFFECTED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL IN A FORM SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT OF 1933.

THE SALE, PLEDGE, HYPOTHECATION OR TRANSFER OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE IS SUBJECT TO, AND IN CERTAIN CASES PROHIBITED BY, THE TERMS AND CONDITIONS OF A INVESTORS' RIGHT AGREEMENT AND A CERTAIN RIGHT OF FIRST REFUSAL AND CO-SALE AGREEMENT, BOTH BY AND AMONG THE SHAREHOLDERS, THE COMPANY AND CERTAIN OTHER HOLDERS OF SHARES OF THE COMPANY. COPIES OF SUCH AGREEMENTS MAY BE OBTAINED UPON WRITTEN REQUEST TO THE SECRETARY OF THE COMPANY."

The legend shall be removed upon termination of the Investors' Rights Agreement at the request of the holder.

9. Fractional Shares

Subject to Schedule A, the Company may issue its shares in fractional denominations and deal with such fractions to the same extent as its whole shares and shares in fractional denominations shall have in proportion to the respective fractions represented thereby all of the rights of whole shares including (but without limiting the generality of the foregoing) the right to vote, to receive dividends and distributions and to participate in a winding-up.

REGISTRATION OF SHARES

10. Register of Members

10.1 The Board shall cause to be kept in one or more books a Register of Members which may be kept in or outside the Cayman Islands at such place as the Board shall appoint and shall enter therein the following particulars:-

(a) the name and address of each Member, the number, and (where appropriate) the class of shares held by such Member and the amount paid or agreed to be considered as paid on such shares;

(b) the date on which each person was entered in the Register of Members; and

(c) the date on which any person ceased to be a Member.

10.2 The Board may cause to be kept in any country or territory one or more branch registers of such category or categories of members as the Board may determine from time to time and any branch register shall be deemed to be part of the Company's Register of Members.

10.3 Any register maintained by the Company in respect of listed shares may be kept by recording the particulars set out in Article 10.1 in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the relevant approved stock exchange.

11. Registered Holder Absolute Owner

11.1 The Company shall be entitled to treat the registered holder of any share as the absolute owner thereof and accordingly shall not be bound to recognise any equitable claim or other claim to, or interest in, such share on the part of any other person.

11.2 No person shall be entitled to recognition by the Company as holding any share upon any trust and the Company shall not be bound by, or be compelled in any way to recognise, (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any other right in respect of any share except an absolute right to the entirety of the share in the holder. If, notwithstanding this Article, notice of any trust is at the holder's request entered in the Register of Members or on a share certificate in respect of a share, then, except as aforesaid:

(a) such notice shall be deemed to be solely for the holder's convenience;

(b) the Company shall not be required in any way to recognise any beneficiary, or the beneficiary, of the trust as having an interest in the share or shares concerned;

(c) the Company shall not be concerned with the trust in any way, as to the identity or powers of the trustees, the validity, purposes or terms of the trust, the question of whether anything done in relation to the shares may amount to a breach of trust or otherwise; and

(d) the holder shall keep the Company fully indemnified against any liability or expense which may be incurred or suffered as a direct or indirect consequence of the Company entering notice of the trust in the Register of Members or on a share certificate and continuing to recognise the holder as having an absolute right to the entirety of the share or shares concerned.

12. Transfer of Registered Shares

12.1 An instrument of transfer shall be in writing in the form of the following, or as near thereto as circumstances admit, or in such other form as the Board may accept:

Transfer of a Share or Shares
[ ] (the "Company")

FOR VALUE RECEIVED………………. [amount] , I, [name of transferor] hereby sell, assign and transfer unto [transferee] of [address] , [number] of shares of the Company.

DATED this [ ] day of [ ] , 20[ ]

Signed by:	In the presence of:
______________________	______________________
Transferor	Witness
______________________	______________________
Transferee	Witness

12.2 Subject to Schedule A, such instrument of transfer shall be signed by or on behalf of the transferor and transferee, provided that, in the case of a fully paid share, the Board may accept the instrument signed by or on behalf of the transferor alone. The transferor shall be deemed to remain the holder of such share until the same has been transferred to the transferee in the Register of Members.

12.3 Subject to Schedule A, the Board may refuse to recognise any instrument of transfer unless it is accompanied by the certificate in respect of the shares to which it relates and by such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer.

12.4 Subject to Schedule A, the joint holders of any share may transfer such share to one or more of such joint holders, and the surviving holder or holders of any share previously held by them jointly with a deceased Member may transfer any such share to the executors or administrators of such deceased Member.

12.5 Subject to Schedule A and any agreement signed among the Company and its members (in particular, the First Right of Refusal and Co-Sale Agreement) to the contrary, the Board may not resolve to refuse or delay the transfer of a share unless the Member has failed to pay an amount due in respect of the share or the Member intends to transfer the shares in violation of Schedule A or any agreement signed among the Company and its members (in particular, the First Right of Refusal and Co-Sale Agreement). If the Board refuses to register a transfer of any share the Secretary shall, within three months after the date on which the transfer was lodged with the Company, send to the transferor and transferee notice of the refusal.

13. Transmission of Registered Shares

13.1 In the case of the death of a Member, the survivor or survivors where the deceased Member was a joint holder, and the legal personal representatives of the deceased Member where the deceased Member was a sole holder, shall be the only persons recognised by the Company as having any title to the deceased Member’s interest in the shares. Nothing herein contained shall release the estate of a deceased joint holder from any liability in respect of any share which had been jointly held by such deceased Member with other persons. Subject to the provisions of Section 39 of the Law, for the purpose of this Article, legal personal representative means the executor or administrator of a deceased Member or such other person as the Board may, in its absolute discretion, decide as being properly authorised to deal with the shares of a deceased Member.

13.2 Any person becoming entitled to a share in consequence of the death or bankruptcy of any Member maybe registered as a Member upon such evidence as the Board may deem sufficient or may elect to nominate some person to be registered as a transferee of such share, and in such case the person becoming entitled shall execute in favour of such nominee an instrument of transfer in writing in the form, or as near thereto as circumstances admit, of the following:

Transfer by a Person Becoming Entitled on Death/Bankruptcy of a Member
[ ] (the "Company")

I/We, having become entitled in consequence of the [death/bankruptcy] of [name and address of deceased Member] to [number] share(s) standing in the Register of Members of the Company in the name of the said [name of deceased/bankrupt Member] instead of being registered myself/ourselves, elect to have [name of transferee] (the "Transferee") registered as a transferee of such share(s) and I/we do hereby accordingly transfer the said share(s) to the Transferee to hold the same unto the Transferee, his or her executors, administrators and assigns, subject to the conditions on which the same were held at the time of the execution hereof; and the Transferee does hereby agree to take the said share(s) subject to the same conditions.

DATED this [ ] day of [ ] , 20[ ]

Signed by:	In the presence of:
Transferor	Witness
Transferee	Witness

13.3 On the presentation of the foregoing materials to the Board, accompanied by such evidence as the Board may require to prove the title of the transferor, the transferee shall be registered as a Member. Notwithstanding the foregoing, the Board shall, in any case, have the same right to decline or suspend registration as it would have had in the case of a transfer of the share by that Member before such Member's death or bankruptcy, as the case may be.

13.4 Where two or more persons are registered as joint holders of a share or shares, then in the event of the death of any joint holder or holders the remaining joint holder or holders shall be absolutely entitled to the said share or shares and the Company shall recognise no claim in respect of the estate of any joint holder except in the case of the last survivor of such joint holders.

14. Listed Shares

Notwithstanding anything to the contrary in these Articles and subject to Schedule A, title to listed shares maybe evidenced and transferred in accordance with the laws applying to and the rules and regulations of the relevant approved stock exchange that are or shall be applicable to such listed shares.

ALTERATION OF SHARE CAPITAL

15. Power to Alter Capital

15.1 Subject to the Law and Schedule A, the Company may from time to time by ordinary resolution alter the conditions of its Memorandum of Association to:

(a) increase its capital by such sum divided into shares of such amounts as the resolution shall prescribe or, if the Company has shares without par value, increase its share capital by such number of shares without nominal or par value, or increase the aggregate consideration for which its shares may be issued, as it thinks expedient;

(b) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;

(c) convert all or any of its paid-up shares into stock, and reconvert that stock into paid-up shares of any denomination;

(d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum of Association; or

(e) cancel shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled or, in the case of shares without par value, diminish the number of shares into which its capital is divided.

15.2 For the avoidance of doubt it is declared that paragraph 15.1(b), 15.1(c) and 15.1(d) do not apply if at any time the shares of the Company have no par value.

15.3 Subject to the Law and Schedule A, the Company may from time to time by Special Resolution reduce its share capital.

16. Variation of Rights Attaching to Shares

If, at any time, the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound-up and subject to Schedule A, be varied with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of a resolution passed by a majority of the votes cast at a separate general meeting of the holders of the shares of the class at which meeting the necessary quorum shall be two persons at least holding or representing by proxy one-third of the issued shares of the class. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

17. Dividends

17.1 The Board may, subject to these Articles and in particular Schedule A and any direction of the Company in general meeting, declare a dividend to be paid to the Members, in proportion to the number of shares held by them, and such dividend may be paid in cash or wholly or partly by the distribution of specific assets (which may consist of the shares or securities of any other company).

17.2 Subject to Schedule A, where the Board determines that a dividend shall be paid wholly or partly by the distribution of specific assets, the Board may settle all questions concerning such distribution. Without limiting the generality of the foregoing, the Board may fix the value of such specific assets and vest any such specific assets in trustees on such terms as the Board thinks fit.

17.3 Dividends may be declared and paid out of profits of the Company, realised or unrealised, or from any reserve set aside from profits which the Board determines is no longer needed, or not in the same amount. Dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Law.

17.4 No unpaid dividend shall bear interest as against the Company.

17.5 The Company may pay dividends in proportion to the amount paid up on each share where a larger amount is paid up on some shares than on others.

17.6 The Board may, subject to Schedule A, declare and make such other distributions (in cash or in specie) to the Members as may be lawfully made out of the assets of the Company. No unpaid distribution shall bear interest as against the Company.

17.7 The Board may fix any date as the record date for determining the Members entitled to receive any dividend or other distribution, but, unless so fixed, the record date shall be the date of the Directors' resolution declaring same.

18. Power to Set Aside Profits

18.1 The Board may, subject to Schedule A, before declaring a dividend, set aside out of the surplus or profits of the Company, such sum as it thinks proper as a reserve to be used to meet contingencies or for equalising dividends or for any other purpose. Pending application, such sums may be employed in the business of the Company or invested, and need not be kept separate from other assets of the Company. The Board may also, subject to Schedule A, without placing the same to reserve, carry forward any profit which it decides not to distribute.

18.2 Subject to any direction from the Company in general meeting and subject to Schedule A, the Board may on behalf of the Company exercise all the powers and options conferred on the Company by the Law in regard to the Company's share premium account.

19. Method of Payment

19.1 Any dividend, interest, or other monies payable in cash in respect of the shares may be paid by cheque or draft sent through the post directed to the Member at such Member's address in the Register of Members, or to such person and to such address as the holder may in writing direct.

19.2 In the case of joint holders of shares, any dividend, interest or other monies payable in cash in respect of shares may be paid by cheque or draft sent through the post directed to the address of the holder first named in the Register of Members, or to such person and to such address as the joint holders may in writing direct. If two or more persons are registered as joint holders of any shares any one can give an effectual receipt for any dividend paid in respect of such shares.

19.3 The Board may deduct from the dividends or distributions payable to any Member all monies due from such Member to the Company on account of calls or otherwise.

20. Capitalisation

20.1 The Board may, subject to Schedule A, resolve to capitalise any sum for the time being standing to the credit of any of the Company's share premium or other reserve accounts or to the credit of the profit and loss account or otherwise available for distribution by applying such sum in paying up unissued shares to be allotted as fully paid bonus shares pro rata to the Members.

20.2 The Board may, subject to Schedule A, resolve to capitalise any sum for the time being standing to the credit of a reserve account or sums otherwise available for dividend or distribution by applying such amounts in paying up in full partly paid or nil paid shares of those Members who would have been entitled to such sums if they were distributed by way of dividend or distribution.

MEETINGS OF MEMBERS

21. Annual General Meetings

The Company may in each year hold a general meeting as its annual general meeting. The annual general meeting of the Company may be held at such time and place as the Chairman or any two Directors or any Director and the Secretary or the Board shall appoint.

22. Extraordinary General Meetings

22.1 General meetings other than annual general meetings shall be called extraordinary general meetings.

22.2 The Chairman or any two Directors or any Director and the Secretary or the Board may convene an extraordinary general meeting of the Company whenever in their judgment such a meeting is necessary.

23. Requisitioned General Meetings

23.1 The Board shall, on the requisition of Members holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up share capital of the Company as at the date of the deposit carries the right to vote at general meetings of the Company, forthwith proceed to convene an extraordinary general meeting of the Company. To be effective the requisition shall state the objects of the meeting, shall be in writing, signed by the requisitionists, and shall be deposited at the Registered Office. The requisition may consist of several documents in like form each signed by one or more requisitionists.

23.2 If the Board does not, within twenty-one days from the date of the requisition, duly proceed to call an extraordinary general meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene an extraordinary general meeting; but any meeting so called shall not be held more than ninety days after the requisition. An extraordinary general meeting called by requisitionists shall be called in the same manner, as nearly as possible, as that in which general meetings are to be called by the Board.

24. Notice

24.1 At least five days' notice of an annual general meeting shall be given to each Member entitled to attend and vote thereat, stating the date, place and time at which the meeting is to be held and if different, the record date for determining Members entitled to attend and vote at the general meeting, and, as far as practicable, the other business to be conducted at the meeting.

24.2 At least five days' notice of an extraordinary general meeting shall be given to each Member entitled to attend and vote thereat, stating the date, place and time at which the meeting is to be held and the general nature of the business to be considered at the meeting.

24.3 The Board may fix any date as the record date for determining the Members entitled to receive notice of and to vote at any general meeting of the Company but, unless so fixed, as regards the entitlement to receive notice of a meeting or notice of any other matter, the record date shall be the date of despatch of the notice and, as regards the entitlement to vote at a meeting, and any adjournment thereof, the record date shall be the date of the original meeting.

24.4 A general meeting of the Company shall, notwithstanding that it is called on shorter notice than that specified in these Articles, be deemed to have been properly called if it is so agreed by (i) all the Members entitled to attend and vote thereat in the case of an annual general meeting; and (ii) in the case of an extraordinary general meeting, by seventy-five percent of the Members entitled to attend and vote thereat.

24.5 The accidental omission to give notice of a general meeting to, or the non-receipt of a notice of a general meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.

25. Giving Notice

25.1 A notice may be given by the Company to any Member either by delivering it to such Member in person or by sending it to such Member's address in the Register of Members or to such other address given for the purpose. For the purposes of this Article, a notice may be sent by letter mail, courier service, cable, telex, telecopier, facsimile, electronic mail or other mode of representing words in a legible form.

25.2 Any notice required to be given to a Member shall, with respect to any shares held jointly by two or more persons, be given to whichever of such persons is named first in the Register of Members and notice so given shall be sufficient notice to all the holders of such shares.

25.3 Any notice shall be deemed to have been served at the time when the same would be delivered in the ordinary course of transmission and, in proving such service, it shall be sufficient to prove that the notice was properly addressed and prepaid, if posted, and the time when it was posted, delivered to the courier or to the cable company or transmitted by telex, facsimile, electronic mail, or such other method as the case may be.

26. Postponement of General Meeting

The Board may postpone any general meeting called in accordance with the provisions of these Articles provided that notice of postponement is given to each Member before the time for such meeting. Fresh notice of the date, time and place for the postponed meeting shall be given to each member in accordance with the provisions of these Articles.

27. Participating in Meetings by Telephone

Members may participate in any general meeting by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.

28. Quorum at General Meetings

28.1 A meeting of Members is duly constituted if, at the commencement of and throughout the meeting, there are present in person or by proxy the holders of a majority of the aggregate voting power of the then outstanding Common Shares entitled to notice of and to attend and vote at such meeting of Members, the holders of at least a majority of the aggregate voting power of the then outstanding Series A Preferred Shares (on an as if converted basis) entitled to notice of and to attend and vote at such meeting of Meeting, the holders of at least a majority of the aggregate voting power of the then outstanding Series B Preferred Shares (on an as if converted basis) entitled to notice of and to attend and vote at such general meeting, the holders of at least a majority of the aggregate voting power of the then outstanding Series C-1 Preferred Shares (on an as if converted basis) entitled to notice of and to attend and vote at such general meeting, and the holders of at least a majority of the aggregate voting power of the then outstanding Series C-2 Preferred Shares (on an as if converted basis) entitled to notice of and to attend and vote at such general meeting, provided always that if the Company has one Member of record the quorum shall be that one Member present in person or by proxy. No business shall be transacted at any general meeting unless the aforesaid quorum of Members is present at the time when the meeting proceeds to business.

28.2 If within half an hour from the time appointed for the meeting a quorum is not present, the meeting shall stand adjourned to the same day one week later, at the same time and place or to such other day, time or place as the Board may determine.

29. Chairman to Preside

Unless otherwise agreed by a majority of those attending and entitled to vote thereat, the Chairman, if there be one, shall act as chairman at all meetings of the Members at which such person is present. In his absence a chairman shall be appointed or elected by those present at the meeting and entitled to vote. The Chairman shall not be entitled to a second or casting vote.

30. Voting on Resolutions

30.1 Subject to the provisions of the Law, Schedule A and these Articles, any question proposed for the consideration of the Members at any general meeting shall be decided by the affirmative votes of a majority of the votes cast in accordance with the provisions of these Articles and in the case of an equality of votes the resolution shall fail.

30.2 No Member shall be entitled to vote at a general meeting unless such Member has paid all the calls on all shares held by such Member.

30.3 At any general meeting a resolution put to the vote of the meeting shall, in the first instance, be voted upon by a show of hands and, subject to any rights or restrictions for the time being lawfully attached to any class of shares and subject to the provisions of these Articles, every Member present in person and every person holding a valid proxy at such meeting shall be entitled to one vote and shall cast such vote by raising his hand.

30.4 At any general meeting if an amendment shall be proposed to any resolution under consideration and the chairman of the meeting shall rule on whether the proposed amendment is out of order, the proceedings on the substantive resolution shall not be invalidated by any error in such ruling.

30.5 At any general meeting a declaration by the chairman of the meeting that a question proposed for consideration has, on a show of hands, been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in a book containing the minutes of the proceedings of the Company shall, subject to the provisions of these Articles and Schedule A, be conclusive evidence of that fact.

31. Power to Demand a Vote on a Poll

31.1 Notwithstanding the foregoing, a poll may be demanded by the Chairman or at least one Member.

31.2 Where a poll is demanded, subject to any rights or restrictions for the time being lawfully attached to any class of shares, every person present at such meeting shall have one vote for each share of which such person is the holder or for which such person holds a proxy and such vote shall be counted by ballot as described herein, or in the case of a general meeting at which one or more Members are present by telephone, in such manner as the chairman of the meeting may direct and the result of such poll shall be deemed to be the resolution of the meeting at which the poll was demanded and shall replace any previous resolution upon the same matter which has been the subject of a show of hands. A person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

31.3 A poll demanded for the purpose of electing a chairman of the meeting or on a question of adjournment shall be taken forthwith and a poll demanded on any other question shall be taken in such manner and at such time and place at such meeting as the chairman of the meeting may direct and any business other than that upon which a poll has been demanded may be proceeded with pending the taking of the poll.

31.4 Where a vote is taken by poll, each person present and entitled to vote shall be furnished with a ballot paper on which such person shall record his vote in such manner as shall be determined at the meeting having regard to the nature of the question on which the vote is taken, and each ballot paper shall be signed or initialled or otherwise marked so as to identify the voter and the registered holder in the case of a proxy. At the conclusion of the poll, the ballot papers shall be examined and counted by a committee of not less than two Members or proxy holders appointed by the chairman for the purpose and the result of the poll shall be declared by the chairman.

32. Voting by Joint Holders of Shares

In the case of joint holders, the vote of the senior who tenders a vote (whether in person or by proxy) shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members.

33. Instrument of Proxy

33.1 An instrument appointing a proxy shall be in writing or transmitted by electronic mail in substantially the following form or such other form as the chairman of the meeting shall accept:

Proxy
[ ] (the "Company")

I/We, [insert names here] , being a Member of the Company with [number] shares, HEREBY APPOINT [name] of [address] or failing him, [name] of [address] to be my/our proxy to vote for me/us at the meeting of the Members to be held on the [ ] day of [ ], 20[ ] and at any adjournment thereof. (Any restrictions on voting to be inserted here.)

Signed this [ ] day of [ ] , 20[ ]

____

Member(s)

33.2 The instrument of proxy shall be signed or, in the case of a transmission by electronic mail, electronically signed in a manner acceptable to the chairman, by the appointor or by the appointor's attorney duly authorised in writing, or if the appointor is a corporation, either under its seal or signed or, in the case of a transmission by electronic mail, electronically signed in a manner acceptable to the chairman, by a duly authorised officer or attorney.

33.3 A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf.

33.4 The decision of the chairman of any general meeting as to the validity of any appointment of a proxy shall be final.

34. Representation of Corporate Member

34.1 A corporation which is a Member may, by written instrument, authorise such person or persons as it thinks fit to act as its representative at any meeting of the Members and any person so authorised shall be entitled to exercise the same powers on behalf of the corporation which such person represents as that corporation could exercise if it were an individual Member, and that Member shall be deemed to be present in person at any such meeting attended by its authorised representative or representatives.

34.2 Notwithstanding the foregoing, the chairman of the meeting may accept such assurances as he thinks fit as to the right of any person to attend and vote at general meetings on behalf of a corporation which is a Member.

35. Adjournment of General Meeting

The chairman of a general meeting may, with the consent of the Members at any general meeting at which a quorum is present, and shall if so directed by the meeting, adjourn the meeting. Unless the meeting is adjourned to a specific date, place and time announced at the meeting being adjourned, fresh notice of the date, place and time for the resumption of the adjourned meeting shall be given to each Member entitled to attend and vote thereat, in accordance with these Articles.

36. Written Resolutions

36.1 Subject to Schedule A, anything which may be done by resolution of the Company in general meeting or by resolution of a meeting of any class of the Members may, without a meeting and without any previous notice being required, be done by resolution in writing signed by, or in the case of a Member that is a corporation whether or not a company within the meaning of the Law, on behalf of, all the Members who at the date of the resolution would be entitled to attend the meeting and vote on the resolution.

36.2 A resolution in writing may be signed by, or in the case of a Member that is a corporation whether or not a company within the meaning of the Law, on behalf of, all the Members, or all the Members of the relevant class thereof, in as many counterparts as may be necessary.

36.3 A resolution in writing made in accordance with this Article is as valid as if it had been passed by the Company in general meeting or by a meeting of the relevant class of Members, as the case may be, and any reference in any Article to a meeting at which a resolution is passed or to Members voting in favour of a resolution shall be construed accordingly.

36.4 A resolution in writing made in accordance with this Article shall constitute minutes for the purposes of the Law.

36.5 For the purposes of this Article, the date of the resolution is the date when the resolution is signed by, or in the case of a Member that is a corporation whether or not a company within the meaning of the Law, on behalf of, the last Member to sign and any reference in any Article to the date of passing of a resolution is, in relation to a resolution made in accordance with this Article, a reference to such date.

37. Directors Attendance at General Meetings

The Directors of the Company shall be entitled to receive notice of, attend and be heard at any general meeting.

DIRECTORS AND OFFICERS

38. Election of Directors

38.1 The Directors shall be elected or appointed in writing in the first place by the subscribers to the Memorandum of Association or by a majority of them. There shall be no shareholding qualification for Directors unless prescribed by special resolution.

38.2 The Board shall consists of a maximum of nine (9) directors who shall be appointed in accordance with the following provisions:

(i) for so long as Morningside Group continues to hold 45,138,261 or more of the shares of the Company (as adjusted for any share splits, share dividends, combinations, recapitalizations or similar transactions), it shall be entitled to designate and appoint one (1) Director, initially to be LIU Qin ("**Series A Director**");

(ii) for so long as Steamboat continues to hold 45,138,261 or more of the shares of the Company (as adjusted for any share splits, share dividends, combinations, recapitalizations or similar transactions), it shall be entitled to designate and appoint one (1) Director, initially to be Alex Hartigan ("**Series B Director**");

(iii) for so long as GGV continues to hold 45,138,261 or more of the shares of the Company (as adjusted for any share splits, share dividends, combinations, recapitalizations or similar transactions), it shall be entitled to designate and appoint one (1) Director, initially to be Jenny LEE ("**Series C Director**", together with the Series A Director and the Series B Director, the "**Preferred Directors**" and individually, a "**Preferred Director**");

(iv) for so long as the Key Holders continues to hold 90,276,522 or more of the shares of the Company (as adjusted for any share splits, share dividends, combinations, recapitalizations or similar transactions), they shall be entitled to collectively designate and appoint four (4) Directors (one of whom will also be the chief executive officer of the Company ("**CEO Director**")), initially to be LI Xueling (□□□), who will be the CEO Director, and LEI Jun (□□) (together with the CEO Director, the "**Key Holder Directors**"), with two vacancies to be designated and appointed by the Key Holders thereafter;

(v) the Key Holders (except CAO Jin (□□) and ZHAO Bin (□□)) shall be entitled to designate and appoint one more director (the "**Management Director**") with the approval of the majority of the Investor Directors (which approval shall not be unreasonably withheld), who shall initially be Zhao Bin (□□); and

(v) for so long as Tiger continues to hold 45,138,261 or more of the shares of the Company (as adjusted for any share splits, share dividends, combinations, recapitalizations or similar transactions), it shall be entitled to appoint and designate one director to the Company, who shall initially be Yasin, Nazar Abdenabi ("**Tiger Director**").

38.3 Subject to Article 38.2 above, the Company may from time to time by ordinary resolution appoint any person to be a Director. Each Member agrees to vote all of his, her or its shares from time to time and at all times in whatever manner as shall be necessary to effectuate the appointments as referred to in Article 38.2. All Members agree to execute any written consents required to effectuate the obligations as referred to in Article 38.2, and the Company agrees at the request of any Member entitled to designate directors to call a special meeting of shareholders for the purpose of electing directors.

39. Number of Directors

The Board shall consist of not less than one Director or such number in excess thereof as specified in Article 38.2.

40. Term of Office of Directors

Subject to Schedule A, an appointment of a Director may be on terms that the Director shall automatically retire from office (unless he has sooner vacated office) at the next or a subsequent annual general meeting or upon any specified event or after any specified period; but no such term shall be implied in the absence of express provision.

41. Alternate Directors

41.1 Subject to Schedule A, a Director may at any time appoint any person (including another Director) to be his Alternate Director and may at any time terminate such appointment. An appointment and a termination of appointment shall be by notice in writing signed by the Director and deposited at the Registered Office or delivered at a Board meeting.

41.2 The appointment of an Alternate Director shall determine on the happening of any event which, if he were a Director, would cause him to vacate such office or if his appointor ceases for any reason to be a Director.

41.3 An Alternate Director shall be entitled to receive notices of Board meetings and shall be entitled to attend and vote as a Director at any such meeting at which his appointor is not personally present and generally at such meeting to perform all the functions of his appointor as a Director; and for the purposes of the proceedings at such meeting these Articles shall apply as if he (instead of his appointor) were a Director, save that he may not himself appoint an Alternate Director or a proxy.

41.4 If an Alternate Director is himself a Director or attends a Board meeting as the Alternate Director of more than one Director, his voting rights shall be cumulative.

41.5 Unless the Board determines otherwise, an Alternate Director may also represent his appointor at meetings of any committee of the Board on which his appointor serves; and the provisions of this Article shall apply equally to such committee meetings as to Board meetings.

41.6 Save as provided in these Articles an Alternate Director shall not, as such, have any power to act as a Director or to represent his appointor and shall not be deemed to be a Director for the purposes of these Articles.

41.7 A Director who is not present at a Board meeting, and whose Alternate Director (if any) is not present at the meeting, may be represented at the meeting by a proxy duly appointed, in which event the presence and vote of the proxy shall be deemed to be that of the Director. All the provisions of these Articles regulating the appointment of proxies by Members shall apply equally to the appointment of proxies by Directors.

42. Removal of Directors

42.1 Subject to Article 42.1 below, the Company may from time to time by ordinary resolution remove any Director from office, whether or not appointing another in his stead.

42.2 Each Member also agrees to vote all of his, her or its shares from time to time and at all times in whatever manner as shall be necessary to ensure that (i) no director elected pursuant to Article 38.2 may be removed from office unless (A) such removal is directed or approved by the affirmative vote of the holders of fifty percent (50%) or more of the shares entitled under Article 38.2 to designate that director; or (B) the person(s) or entity(ies) originally entitled to designate or approve such director or occupy such Board seat pursuant to Article 38.2 is no longer so entitled to designate or approve such director or occupy such Board seat; and (ii) any vacancies created by the resignation, removal or death of a director elected pursuant to Article 38.2 shall be filled pursuant to Article 38.2.

43. Vacancy in the Office of Director

The office of Director shall be vacated if the Director:

(a) is removed from office pursuant to these Articles;

(b) dies or becomes bankrupt, or makes any arrangement or composition with his creditors generally;

(c) is or becomes of unsound mind or an order for his detention is made under the Mental Health Law of the Cayman Islands or any analogous law of a jurisdiction outside the Cayman Islands, or dies; or

(d) resigns his office by notice in writing to the Company.

44. Remuneration of Directors

The remuneration (if any) of the Directors shall, subject to any direction that may be given by the Company in general meeting and Schedule A, be determined by the Board as it may from time to time determine and shall be deemed to accrue from day to day. The Directors may also be paid all travel, hotel and other expenses properly incurred by them in attending and returning from Board meetings, any committee appointed by the Board, general meetings of the Company, or in connection with the business of the Company or their duties as Directors generally.

45. Defect in Appointment of Director

All acts done in good faith by the Board or by a committee of the Board or by any person acting as a Director shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any Director or person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and was qualified to be a Director.

46. Directors to Manage Business

The business of the Company shall be managed and conducted by the Board. In managing the business of the Company, the Board may exercise all such powers of the Company as are not, by the Law or by these Articles, required to be exercised by the Company in general meeting subject, nevertheless, to these Articles and in particular Schedule A, the provisions of the Law and to such directions as may be prescribed by the Company in general meeting.

47. Powers of the Board of Directors

47.1 Without limiting the generality of Article 46, the Board may, subject to Schedule A:

(a) appoint, suspend, or remove any manager, secretary, clerk, agent or employee of the Company and may fix their remuneration and determine their duties;

(b) exercise all the powers of the Company to borrow money and to mortgage or charge or otherwise grant a security interest in its undertaking, property and uncalled capital, or any part thereof, and may issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Company or any third party;

(c) appoint one or more Directors to the office of managing director or chief executive officer of the Company, who shall, subject to the control of the Board, supervise and administer all of the general business and affairs of the Company;

(d) appoint a person to act as manager of the Company's day-to-day business and may entrust to and confer upon such manager such powers and duties as it deems appropriate for the transaction or conduct of such business;

(e) by power of attorney, appoint any company, firm, person or body of persons, whether nominated directly or indirectly by the Board, to be an attorney of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Board) and for such period and subject to such conditions as it may think fit and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Board may think fit and may also authorise any such attorney to sub-delegate all or any of the powers, authorities and discretions so vested in the attorney;

(f) procure that the Company pays all expenses incurred in promoting and incorporating the Company;

(g) delegate any of its powers (including the power to sub-delegate) to a committee of one or more persons appointed by the Board and every such committee shall conform to such directions as the Board shall impose on them. Subject to any directions or regulations made by the Board for this purpose, the meetings and proceedings of any such committee shall be governed by the provisions of these Articles regulating the meetings and proceedings of the Board, including provisions for written resolutions;

(h) delegate any of its powers (including the power to sub-delegate) to any person on such terms and in such manner as the Board sees fit;

(i) present any petition and make any application in connection with the liquidation or reorganisation of the Company;

(j) in connection with the issue of any share, pay such commission and brokerage as may be permitted by law; and

(k) authorise any company, firm, person or body of persons to act on behalf of the Company for any specific purpose and in connection therewith to execute any agreement, document or instrument on behalf of the Company.

47.2 Each of the Preferred Directors shall have a right to serve as a member of the Company's compensation committee, audit committee, and any other committees or subcommittees of the Board of Directors.

47.3 The CEO Director shall have the power to nominate any senior management personnel (other than the chief financial officer), provided that the nomination made by the CEO Director shall be subject to the approval of the Board in accordance with the procedures as provided under these Articles.

48. Register of Directors and Officers

48.1 The Board shall cause to be kept in one or more books at the Registered Office of the Company a Register of Directors and Officers in accordance with the Law and shall enter therein the following particulars with respect to each Director and Officer:

(a) first name and surname; and

(b) address.

48.2 The Board shall, within the period of thirty days from the occurrence of:-

(a) any change among its Directors and Officers; or

(b) any change in the particulars contained in the Register of Directors and Officers,

cause to be entered on the Register of Directors and Officers the particulars of such change and the date on which such change occurred, and shall notify the Registrar of Companies of any such change that takes place.

49. Officers

Subject to Schedule A, the Officers shall consist of a Secretary and such additional Officers as the Board may determine all of whom shall be deemed to be Officers for the purposes of these Articles.

50. Appointment of Officers

Subject to Schedule A, the Secretary (and additional Officers, if any) shall be appointed by the Board from time to time.

51. Duties of Officers

Subject to Schedule A, the Officers shall have such powers and perform such duties in the management, business and affairs of the Company as may be delegated to them by the Board from time to time.

52. Remuneration of Officers

Subject to Schedule A, the Officers shall receive such remuneration as the Board may determine.

53. Conflicts of Interest

53.1 Any Director, or any Director’s firm, partner or any company with whom any Director is associated, may act in any capacity for, be employed by or render services to the Company on such terms, including with respect to remuneration, as may be agreed between the parties. Nothing herein contained shall authorise a Director or Director’s firm, partner or company to act as Auditor to the Company.

53.2 A Director who is directly or indirectly interested in a contract or proposed contract or arrangement with the Company shall declare the nature of such interest as required by law.

53.3 Following a declaration being made pursuant to this Article, and unless disqualified by the chairman of the relevant Board meeting, a Director may vote in respect of any contract or proposed contract or arrangement in which such Director is interested and may be counted in the quorum for such meeting.

54. Indemnification and Exculpation of Directors and Officers

54.1 The Directors, Officers and Auditors of the Company and any trustee for the time being acting in relation to any of the affairs of the Company and every former director, officer, auditor or trustee and their respective heirs, executors, administrators, and personal representatives (each of which persons being referred to in this Article as an "indemnified party") shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, or in their respective offices or trusts, and no indemnified party shall be answerable for the acts, receipts, neglects or defaults of the others of them or for joining in any receipts for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to the Company shall or may be lodged or deposited for safe custody, or for insufficiency or deficiency of any security upon which any moneys of or belonging to the Company shall be placed out on or invested, or for any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts, or in relation thereto, PROVIDED THAT this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the said persons. Each Member agrees to waive any claim or right of action such Member might have, whether individually or by or in the right of the Company, against any Director or Officer on account of any action taken by such Director or Officer, or the failure of such Director or Officer to take any action in the performance of his duties with or for the Company, PROVIDED THAT such waiver shall not extend to any matter in respect of any fraud or dishonesty which may attach to such Director or Officer.

54.2 The Company may purchase and maintain insurance for the benefit of any Director or Officer of the Company against any liability incurred by him in his capacity as a Director or Officer of the Company or indemnifying such Director or Officer in respect of any loss arising or liability attaching to him by virtue of any rule of law in respect of any negligence, default, breach of duty or breach of trust of which the Director or Officer may be guilty in relation to the Company or any subsidiary thereof.

54.3 Without prejudice to the forgoing Article, for so long as any Series A Director, Series B Director, Series C Director or the Tiger Director serves on the Board, the Company shall use its commercially reasonable best efforts to purchase and maintain:

(i) liability insurance from a carrier and in an amount as shall be agreed by the Board, provided that such insurance coverage is available at commercially reasonable rates as determined by the Board, in relation to any person who is or was a director or an officer of the Company, or who at the request of the Company is or was serving as a director, an officer or a liquidator of, or in any other capacity is or was acting for, another company or a partnership, joint venture, trust or other enterprise, against any liability asserted against the person andincurred by the person in that capacity, whether or not the Company has or would have had the power to indemnify the person against the liability under Article 54.1; and

(ii) key man death and disability insurance, with the proceeds payable to the Company, on any director, officer, employee or consultant of the Company whom the Board determines it is advisable to so insure, from a carrier and in an amount as shall be agreed by the Board, provided that such insurance coverage is available at commercially reasonable rates as determined by the Board.

MEETINGS OF THE BOARD OF DIRECTORS

55. Board Meetings

The Board or any committee thereof may meet for the transaction of business, adjourn and otherwise regulate its meetings as it sees fit, provided that the Board shall hold at least one (1) meeting every year. Upon the requests of three (3) Directors, an interim board meeting shall be convened accordingly. Subject to Schedule A, a resolution put to the vote at a Board meeting shall be carried by the affirmative votes of a majority of the votes cast and in the case of an equality of votes the resolution shall fail.

56. Notice of Board Meetings

A Director shall be given not less than three (3) days notice of meetings of directors, but a meeting of directors held without three (3) days notice having been given to all directors shall be valid if all the Directors entitled to vote at the meeting who do not attend, waive notice of the meeting; and for this purpose, the presence of a Director at the meeting shall be deemed to constitute waiver on his part. The inadvertent failure to give notice of a meeting to a Director, or the fact that a Director has not received the notice, does not invalidate the meeting. Notices and agendas of meetings of directors as well as copies of all board papers shall be sent to the Series A Director, the Series B Director, the Series C Director and the Tiger Director at least three (3) days prior to each meeting of directors.

57. Participation in Meetings by Telephone

Directors may participate in any Board meeting by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.

58. Quorum at Board Meetings

The quorum for any meeting of Directors (which shall exist at the time of any voting as well as the attendance of the meeting) shall be six (6) Directors, including at least a majority of Investor Directors.

59. Board to Continue in the Event of Vacancy

The continuing Directors may act notwithstanding any vacancy in their body, save that if their number is reduced below the number fixed by or pursuant to these Articles as the necessary quorum for a meeting of directors, the continuing Directors or Director may appoint directors to fill any vacancy that has arisen or summon a meeting of Members.

60. Chairman

The chairman of the Board ("**Chairman**") shall be appointed by the CEO Director and a majority of the Investor Directors, including the affirmative vote or consent of at least one (1) Key Holder Director. At every meeting of the directors the Chairman shall preside as chairman of the meeting. If there is no chairman of the Board or if the Chairman is not present at the meeting the vice chairman of the Board shall preside. If there is no vice chairman of the Board or if the vice chairman of the Board is not present at the meeting, the Directors present shall choose someone of their number to be chairman of the meeting. In the event of a deadlock with respect to any action submitted to the Board for a vote or written consent, the Chairman shall not have a second or casting vote.

61. Written Resolutions

61.1 Subject to Schedule A, anything which may be done by resolution of the Directors may, without a meeting and without any previous notice being required, be done by resolution in writing signed by, or in the case of a Director that is a corporation whether or not a company within the meaning of the Law, on behalf of, all the Directors. For the purposes of this Article only, "the Directors" shall not include an Alternate Director.

61.2 A resolution in writing may be signed by, or in the case of a Director that is a corporation whether or not a company within the meaning of the Law, on behalf of, all the Directors in as many counterparts as may be necessary.

61.3 A resolution in writing made in accordance with this Article is as valid as if it had been passed by the Directors in a director's meeting, and any reference in any Article to a meeting at which a resolution is passed or to Directors voting in favour of a resolution shall be construed accordingly.

61.4 A resolution in writing made in accordance with this Article shall constitute minutes for the purposes of the Law.

61.5 For the purposes of this Article, the date of the resolution is the date when the resolution is signed by, or in the case of a Director that is a corporation whether or not a company within the meaning of the Law, on behalf of, the last Director to sign and any reference in any Article to the date of passing of a resolution is, in relation to a resolution made in accordance with this Article, a reference to such date.

62. Validity of Prior Acts of the Board

No regulation or alteration to these Articles made by the Company in general meeting shall invalidate any prior act of the Board which would have been valid if that regulation or alteration had not been made.

CORPORATE RECORDS

63. Minutes

The Board shall cause minutes to be duly entered in books provided for the purpose:

(a) of all elections and appointments of Officers;

(b) of the names of the Directors present at each Board meeting and of any committee appointed by the Board; and

(c) of all resolutions and proceedings of general meetings of the Members, Board meetings, meetings of managers and meetings of committees appointed by the Board.

64. Register of Mortgages and Charges

64.1 The Board shall cause to be kept the Register of Mortgages and Charges required by the Law.

64.2 The Register of Mortgages and Charges shall be open to inspection in accordance with the Law, at the Registered Office of the Company on every business day in the Cayman Islands, subject to such reasonable restrictions as the Board may impose, so that not less than two hours in each such business day be allowed for inspection.

65. Form and Use of Seal

65.1 The Company may adopt a seal, which shall bear the name of the Company in legible characters, and which may, at the discretion of the Board, be followed with or preceded by its dual foreign name or translated name (if any), in such form as the Board may determine. The Board may adopt one or more duplicate seals for use in or outside Cayman; and, if the Board thinks fit, a duplicate Seal may bear on its face of the name of the country, territory, district or place where it is to be issued.

65.2 The Seal (if any) shall only be used by the authority of the Board or of a committee of the Board authorised by the Board in that behalf; and, until otherwise determined by the Board, the Seal shall be affixed in the presence of a Director or the Secretary or an assistant secretary or some other person authorised for this purpose by the Board or the committee of the Board.

65.3 Notwithstanding the foregoing, the Seal (if any) may without further authority be affixed by way of authentication to any document required to be filed with the Registrar of Companies in the Cayman Islands, and may be so affixed by any Director, Secretary or assistant secretary of the Company or any other person or institution having authority to file the document as aforesaid.

ACCOUNTS

66. Books of Account

66.1 Subject to Schedule A, the Board shall cause to be kept proper books of account including, where applicable, material underlying documentation including contracts and invoices, and with respect to:-

(a) all sums of money received and expended by the Company and the matters in respect of which the receipt and expenditure takes place;

(b) all sales and purchases of goods by the Company; and

(c) all assets and liabilities of the Company.

66.2 Subject to Schedule A, such books of account shall be kept and proper books of account shall not be deemed to be kept with respect to the matters aforesaid if there are not kept, at such place as the Board thinks fit, such books as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions.

66.3 Such books of account shall be retained for a minimum period of five years from the date on which they are prepared.

66.4 Subject to Schedule A, no Member (not being a Director) shall have any right of inspecting any account or book or document of the Company.

67. Financial Year End

The financial year end of the Company shall be 31st December in each year but, subject to any direction of the Company in general meeting, the Board may from time to time prescribe some other period to be the financial year, provided that the Board may not without the sanction of an ordinary resolution prescribe or allow any financial year longer than eighteen months.

AUDITS

68. Audit

Nothing in these Articles shall be construed as making it obligatory to appoint Auditors.

69. Appointment of Auditors

69.1 The Company may, subject to Schedule A, in general meeting appoint Auditors to hold office for such period as the Members may determine.

69.2 Whenever there are no Auditors appointed as aforesaid the Board may, subject to Schedule A, appoint Auditors to hold office for such period as the Board may determine or earlier removal from office by the Company in general meeting.

69.3 The Auditor may be a Member but no Director, Officer or employee of the Company shall, during his continuance in office, be eligible to act as an Auditor of the Company.

70. Remuneration of Auditors

Unless fixed by the Company in general meeting and subject to Schedule A, the remuneration of the Auditor shall be as determined by the Board.

71. Duties of Auditor

The Auditor shall make a report to the Members on the accounts examined by him and on every set of financial statements laid before the Company in general meeting, or circulated to Members, pursuant to this Article and Schedule A, during the Auditor's tenure of office.

72. Access to Records

72.1 The Auditor shall at all reasonable times have access to the Company's books, accounts and vouchers and shall be entitled to require from the Company's Directors and Officers such information and explanations as the Auditor thinks necessary for the performance of the Auditor's duties and, if the Auditor fails to obtain all the information and explanations which, to the best of his knowledge and belief, are necessary for the purposes of their audit, he shall state that fact in his report to the Members.

72.2 The Auditor shall be entitled to attend any general meeting at which any financial statements which have been examined or reported on by him are to be laid before the Company and to make any statement or explanation he may desire with respect to the financial statements.

VOLUNTARY WINDING-UP AND DISSOLUTION

73. Winding-Up

73.1 The Company may, subject to Schedule A, be voluntarily wound-up by a special resolution of the Members.

73.2 If the Company shall be wound up the liquidator may, subject to Schedule A and with the sanction of a special resolution, divide amongst the Members in specie or in kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like sanction, vest the whole or any part of such assets in the trustees upon such trusts for the benefit of the Members as the liquidator shall think fit, but so that no Member shall be compelled to accept any shares or other securities or assets whereon there is any liability.

CHANGES TO CONSTITUTION

74. Changes to Articles

Subject to the Law and to the conditions contained in its memorandum of association, these Articles and in particular Schedule A, the Company may, by special resolution, alter or add to its Articles.

75. Changes to the Memorandum of Association

Subject to the Law and these Articles and in particular Schedule A, the Company may from time to time by special resolution alter its Memorandum of Association with respect to any objects, powers or other matters specified therein.

76. Discontinuance

The Board may, subject to Schedule A, exercise all the powers of the Company to transfer by way of continuation the Company to a named country or jurisdiction outside the Cayman Islands pursuant to the Law.

77. Schedule A

Schedule A attached hereto shall constitute an integral part of these Articles, in case of any discrepancy, contradiction or inconsistency between these Articles and Schedule A, the terms of Schedule A shall be the prevailing terms upon the subject matters.

78. Investors' Rights Agreement and Right of First Refusal and Co-Sale Agreement

78.1 In the case of any discrepancy, contradiction or inconsistency between these Articles or the Memorandum of Association and the Investors' Rights Agreement, the terms of the Investors' Rights Agreement shall be the prevailing terms upon the subject matters.

78.2 In the case of any discrepancy, contradiction or inconsistency between these Articles or the Memorandum of Association and the Right of First Refusal and Co-Sale Agreement, the terms of the Right of First Refusal and Co-Sale Agreement shall be the prevailing terms upon the subject matters.

Schedule A

RIGHTS AND PREFERENCES OF THE PREFERRED SHARES

The rights and restrictions pertaining to the Common Shares and Preferred Shares shall be as hereinafter specified in this Schedule.

SECTION 1

DEFINITIONS

For the purposes of this Schedule A, in addition to the terms defined in the Articles and the context below, the following terms shall have the meanings set out below:

"**Affiliate**" means, with respect to any specified Person, any other Person who or which, directly or indirectly, controls, is controlled by, or is under common control with such specified Person, including, without limitation, any partner, officer, director, member or employee of such Person and any venture capital fund now or hereafter existing that is controlled by or under common control with one or more general partners or managing members of, or shares the same management company with, such Person.

"**Control Documents**" means the series of documents by which the Beijing WFOE (as defined in the Investors' Rights Agreement) wields effective control over, and obtains economic benefits from, Beijing Tuda Technology Co., Limited (□□□□□□□□□□□□) and Guangzhou Huaduo Network Technology Co., Ltd. (□□□□□□□□□□□□).

"**Common Share Purchase Agreement**" means the common share and warrant purchase agreement entered into by and among Duowan, Tiger and certain other parties described therein on or around January 12, 2011.

"**Common Share Equivalents**" means, with respect to any shareholder of the Company, Common Shares owned by such shareholder together with the Common Shares into or for which any issued and outstanding Preferred Shares or any other issued and outstanding convertible securities (excluding, for the avoidance of doubt, unexercised options or warrants) owned by such shareholder shall be convertible.

"**Competitor**" means Sina.com, qq.com, Ispeak.cn and such other companies which provide team voice chat software used for personal computers in the PRC. For the purpose of this definition, the term "Competitor" shall not include the limited partners of any Investor.

"**Equity Securities**" means any Common Shares or Common Share Equivalents or any warrants, options and rights exercisable for any shares of the Company, the Preferred Shares convertible into Common Shares, and instruments convertible or exchangeable for Common Shares.

“**Group Companies**” means the Company together with every other company which is for the time being its Subsidiary or holding company or in which the Company or any of its Subsidiaries or holding company directly or indirectly owns any shares or interest, and “**Group Company**” means any one of them.

“**Hong Kong**” means the Hong Kong Special Administrative Region.

“**HK GAAP**” means the “Hong Kong Generally Accepted Accounting Principles”.

“**Investor Directors**” means the Preferred Directors (as defined in Article 38.2) and the Tiger Director (as defined in Article 38.2), collectively;

“**Person**” or “**person**” shall be construed as broadly as possible and shall include an individual, a partnership, a limited liability company, a company, an association, a trust, a joint venture or unincorporated organization and any government organization or authority.

“**PRC**” means, for the purpose of this Schedule, the People’s Republic of China, excluding Hong Kong, Macau Special Administrative Region and Taiwan.

“**Qualified IPO**” means a firm commitment public offering of Common Shares of the Company or other equity or debt securities of the Company (or as the case may be, the shares or securities of the relevant entity resulting from any merger, reorganisation or other arrangements made by or to the Company for the purposes of public offering) in the United States that has been registered under the Securities Act and on a recognized securities exchange such as NASDAQ or the New York Stock Exchange, or in a similar public offering of Common Shares in a jurisdiction and on a recognized securities exchange outside of the United States, including without limitation, the Hong Kong Stock Exchange, provided that (i) the market capitalization of the Company upon completion of such initial public offering shall be no less than US$1,500,000,000 and such public offering and the aggregate proceeds (before deduction of underwriting discounts and registration expenses) is approved by majority of the Board (including the affirmative consent of the majority of the Investor Directors), or (ii) such public offering and the aggregate proceeds (before deduction of underwriting discounts and registration expenses) is approved by majority of the Board (including the affirmative consent of each of the Series A Director, the Series B Director, the Series C Director and the Tiger Director), and provided further that such public offering is made at an equivalent price and yields equivalent offering proceeds and there is regulatory approval for such offering.

“**Securities Act**” means the U.S. Securities Act of 1933 and the rules and regulations promulgated thereunder, as amended from time to time.

“**Series A Original Issue Date**” means the date on which the first share of Series A Preferred Shares of Duowan was issued under the Series A Share Purchase Agreement.

“**Series A Original Issue Price**” means the price at which Series A Preferred Shares of Duowan was issued under the Series A Share Purchase Agreement (as adjusted for any share splits, share dividends, combinations, recapitalizations or similar transactions).

"**Series B Original Issue Date**" means the date on which the first share of Series B Preferred Shares of Duowan was issued under the Series B Share Purchase Agreement.

"**Series B Original Issue Price**" means the price at which Series B Preferred Shares of Duowan was issued under the Series B Share Purchase Agreement (as adjusted for any share splits, share dividends, combinations, recapitalizations or similar transactions).

"**Series C-1 Original Issue Date**" means the date on which the first share of Series C-1 Preferred Shares of Duowan was issued under the Series C Share Purchase Agreement.

"**Series C-1 Original Issue Price**" means the price at which Series C-1 Preferred Shares of Duowan was issued under the Series C Share Purchase Agreement (as adjusted for any share splits, share dividends, combinations, recapitalizations or similar transactions).

"**Series C-2 Original Issue Date"** means the date on which the first share of Series C-2 Preferred Shares of Duowan was issued under the Series C Share Purchase Agreement.

"**Series C-2 Original Issue Price**" means the price at which Series C-2 Preferred Shares of Duowan was issued under the Series C Share Purchase Agreement (as adjusted for any share splits, share dividends, combinations, recapitalizations or similar transactions).

"**Series A Share Purchase Agreement**" means that the Series A Convertible Preferred Shares Purchase Agreement dated June 2, 2008 with respect to the issuance and sale of the Series A Preferred Shares of Duowan.

"**Series B Share Purchase Agreement**" means that the Series B Convertible Preference Share Purchase Agreement dated August 8, 2008 with respect to the issuance and sale of the Series B Preferred Shares of Duowan.

"**Series C Share Purchase Agreement**" means that the Series C Convertible Preferred Shares Purchase Agreement dated November 20, 2009 with respect to the issuance and sale of the Series C Preferred Shares of Duowan.

"**Subsidiary**" or "**subsidiary**" means, as of the relevant date of determination, with respect to any Person (the "subject entity"), (i) any Person (x) more than fifty percent (50%) of whose shares or other interests entitled to vote in the election of directors or (y) more than a fifty percent (50%) interest in whose profits or capital are owned or controlled directly or indirectly by the subject entity or through one (1) or more Subsidiaries of the subject entity, (ii) any Person whose assets, or portions thereof, are consolidated with the interest of the subject entity and are recorded on the accounting books of the subject entity for financial reporting purposes in accordance with International Financial Reporting Standards or U.S. GAAP, or (iii) any Person with respect to which the subject entity has the power to otherwise direct the business and policies directly or indirectly, or through another subsidiary. For the avoidance of doubt, the Subsidiaries of the Company shall include the Group Companies.

"**U.S. GAAP**" means the "United States Generally Accepted Accounting Principles".

1. **INFORMATION AND INSPECTION RIGHTS**

1.1 Delivery of Financial Statements

Commencing on the date of the Investors' Rights Agreement, and for so long as an Investor continues to hold three percent (3%) or more of the shares in the capital of the Company, the Company will deliver the following to such Investor with respect to the Company:

(i) Within ninety (90) days after the end of each fiscal year of the Company, (i) a consolidated income statement for the Company for such fiscal year; (ii) a statement of cash flows for the Company for such fiscal year; (iii) a consolidated balance sheet for the Company as of the end of the fiscal year, audited and certified by an international recognized accounting firm approved by the Board (with the affirmative consent of a majority of the Investor Directors); and (iv) a management report including a comparison of the financial results of such fiscal year with the corresponding annual budget, all prepared in English and in accordance with HK GAAP or U.S. GAAP;

(ii) Within twenty-one (21) days of the end of each month, (i) a consolidated unaudited income statement for such calendar month; (ii) a statement of cash flows for such calendar month; (iii) a consolidated balance sheet for the Company as of the end of such calendar month; and (iv) a management report including a comparison of the actual results of such period with the projection in the annual budget, all prepared in English and in accordance with the HK GAAP or U.S. GAAP (except for year-end adjustments and except for the absence of notes);

(iii) No later than thirty (30) days prior to the end of each fiscal year, a proposed budget and business plan for the next fiscal year to be submitted to the Board for approval (collectively, the "**Budget**"), prepared on a monthly basis including, revenues, expenses, cash position, balance sheets and sources and applications of funds statements (including any anticipated or planned capital expenditure or borrowings) for such months and, as soon as prepared, any other budgets or revised budgets prepared by the Company;

(iv) Copies of all other documents or other information sent to any Person in such Person's capacity as a shareholder of the Company; and

(v) Copies of all other documents or other information as the Investors or any assignee of an Investor may reasonably request.

1.2 Inspection Rights

For so long as an Investor continues to hold three percent (3%) or more of the shares in the Company, the Company shall, subject to such Investor complying with the confidentiality requirements, permit such Investor, at its own expense, by itself or through its authorized agent, to visit and inspect, during normal business hours following reasonable notice by such Investor to the Company and only in a manner so as not to interfere with the normal business operations of the Group Companies, any of the properties of the Group Companies, and examine the books of account and records of the Group Companies, and discuss the affairs, finances and accounts of the Group Companies with the directors, officers, management employees, accountants, legal counsel and investment bankers of such companies, all at such reasonable times as may be requested in writing by such Investor; provided, that with respect to any of the preceding obligations of the Company with respect to a Group Company that is not controlled by the Company through the ownership of voting securities, the Company shall be required only to use its commercially reasonable best efforts to fulfil such obligations; provided, further, that such Investor may be excluded from access to any material, records or other information (a) if the applicable Group Company is restricted from making such disclosure pursuant to a bona fide agreement with a third party; (b) if such disclosure will jeopardize the attorney-client privilege, except to the extent such Investor agrees in writing to keep all such information confidential upon terms acceptable to the Company on advice of counsel; or (c) if the Company reasonably considers such information to be a trade secret or similar confidential information.

2A. GENERAL RIGHT OF PARTICIPATION

2A.1 General

All holders of the Preferred Shares (including Common Shares issued upon conversion of the Preferred Shares as referred to herein below and the Affiliates of such holders to which rights under this Section 2A have been duly assigned in accordance with Section 3 below (each a “**Participation Rights Holder**”) shall have a right of first offer to purchase such Participation Rights Holder’s pro rata share (as defined below), of all (or any part) of any New Securities (as defined in Section 2A.3 of this Schedule) that the Company may from time to time issue after the date of the Investors’ Rights Agreement (the “**Right of Participation**”).

2A.2 Pro Rata Share

A Participation Rights Holder’s “**pro rata share**” for purposes of the Right of Participation is the ratio of (i) the number of Common Share Equivalents then held by such Participation Rights Holder, to (ii) the sum of the total number of Common Shares (assuming full conversion and exercise of all convertible or exercisable securities, including such Participation Rights Holder’s Common Share Equivalents) then outstanding immediately prior to the issuance of New Securities giving rise to the Right of Participation.

2A.3 New Securities

"**New Securities**" shall mean any shares of the Company designated as "preferred shares," Common Shares or other voting shares of the Company, whether now authorized or not, and rights, options or warrants to purchase such preferred shares, Common Shares or other voting shares and securities of any type whatsoever that are, or may become, convertible or exchangeable into such preferred shares, Common Shares or other voting shares (including shares issued or issuable by way of debt instrument or conversion of convertible loans), provided, however, that the term "New Securities" shall not include:

(a) Common Shares issued or issuable upon conversion or exercise of the Preferred Shares;

(b) up to 118,166,946 Common Shares (as adjusted for share splits, subdivision, consolidation, recapitalizations, reclassifications, and similar transactions prior to such date) issued or issuable to officers, employees, consultants or directors of the Company either in connection with the provision of services to the Company or on exercise of any options to purchase Common Shares granted under the Share Option Plan), provided that the Share Option Plan (as defined in the Investors' Rights Agreement) is approved by the majority of the Board, including the affirmative consent of a majority of the Investor Directors;

(c) Common Shares issued or issuable as a result of any share split or share consolidation or the like which does not affect the total number of shares in the Company; provided that the prices at which the Common Shares shall be deliverable upon conversion of the Series A Preferred Shares, Series B Preferred Shares and Series C Preferred Shares in effect prior to the issuance of such equity securities shall have already been adjusted as a result of and in accordance with Section 9 of this Schedule;

(d) Common Shares issued or issuable as a dividend or distribution generally to members of the Company in proportion to their holdings of Common Shares (with all issued and outstanding Preferred Shares counted as issued and outstanding Common Shares on a fully-diluted and as-converted basis);

(e) Common Shares issued in consideration of an acquisition or a merger approved by the affirmative vote or consent of (i) the Majority Preferred Holders, and (ii) a majority of the Investor Directors;

(f) Common Shares issued in a Qualified IPO;

(g) Securities issued to strategic partners of the Company or of its Subsidiaries approved by the affirmative vote or consent of (i) the Majority Preferred Holders, and (ii) a majority of the Investor Directors; and

(h) Securities issued pursuant to the consent in writing of all the Members.

2A.4 Procedures

(a) First Participation Notice. In the event that the Company proposes to undertake an issuance of New Securities (in a single transaction or a series of related transactions), it shall give to each Participation Rights Holder written notice of its intention to issue New Securities (the "**First Participation Notice**"), describing the amount and the type of New Securities and the price and the terms upon which the Company proposes to issue such New Securities. Each of the Participation Rights Holders shall have fifteen (15) days from the date of receipt of any such First Participation Notice to agree in writing to purchase up to all of such Participation Rights Holder's pro rata share of such New Securities for the price and upon the terms and conditions specified in the First Participation Notice by giving written notice to the Company and stating therein the quantity of New Securities to be purchased (not to exceed such Participation Rights Holder's pro rata share). If any Participation Rights Holder fails to so agree in writing within such fifteen (15) day period to purchase such Participation Rights Holder's full pro rata share of an offering of New Securities, then such Participation Rights Holder shall forfeit the right hereunder to purchase that part of its pro rata share of such New Securities that it did not so agree to purchase.

(b) Second Participation Notice; Oversubscription. If any New Securities which were available for purchase by a Participation Rights Holder under Section 2A.4(a) of this Schedule are not subscribed for in accordance with that subsection, the Company shall promptly give notice (the "**Second Participation Notice**") to each Participating Rights Holders who exercised its Right of Participation with respect to its full pro rata share (the "**Right Participants**") in accordance with Section 2A.4(a) above. The Right Participants shall have ten (10) days from the date of receipt of the Second Participation Notice (the "**Second Participation Period**") to notify the Company of its desire to purchase more than its pro rata share of the New Securities, stating the number of the additional New Securities it proposes to buy. Such notice may be made by telephone if confirmed in writing within two (2) Business Days thereafter. If as a result thereof, such oversubscription exceeds the total number of the remaining New Securities which remain available for purchase, the oversubscribing Right Participants will be cut back by the Company with respect to their oversubscriptions to that number of remaining New Securities equal to the product obtained by multiplying (i) the number of the remaining New Securities available for subscription by (ii) a fraction the numerator of which is the number of Common Share Equivalents held by each oversubscribing Right Participant notified and the denominator of which is the total number of Common Share Equivalents held by all the oversubscribing Right Participants. Each oversubscribing Right Participant shall be obligated to buy such number of additional New Securities as determined by the Company pursuant to this Section 2A.4(b) and the Company shall so notify the Right Participants within fifteen (15) Business Days of the date of the Second Participation Notice.

2A.5 Failure to Exercise

Upon the expiration of the Second Participation Period, or in the event no Participation Rights Holder exercises the Right of Participation, after fifteen (15) days following the delivery of the First Participation Notice, the Company shall have sixty (60) days thereafter to offer the remaining New Securities described in the First Participation Notice (with respect to which the Participation Rights Holders' rights of first offer hereunder were not exercised) at the same or higher price and upon non-price terms not more favorable to the purchasers thereof than specified in the First Participation Notice in accordance with Section 2B below.

2B. PREFERRED RIGHT OF PARTICIPATION

2B.1 General

Subject to the rights set forth in Section 2A above, the holders of the Preferred Shares and the Affiliates of the holders of the Preferred Shares to which rights under this Section 2B have been duly assigned in accordance with the Investors' Rights Agreement (each holder of the Preferred Shares and each such assignee being hereinafter referred to as a "**Preferred Participation Rights Holder**") shall have a subsequent right of first offer to purchase such Preferred Participation Rights Holder's pro rata share (as defined below), of all (or any part) of any New Securities that the Company may from time to time issue after the date of the Investors' Rights Agreement that have not already been purchased by the Participation Rights Holders in accordance with Section 2A above (the "**Preferred Right of Participation**").

2B.2 Pro Rata Share

A Preferred Participation Rights Holder's "**pro rata share**" for purposes of the Preferred Right of Participation is the ratio of (i) the number of Common Share Equivalents then held by such Preferred Participation Rights Holder, to (ii) the sum of the total number of Common Shares (assuming full conversion and exercise of all convertible or exercisable securities, including such Preferred Participation Rights Holder's Common Share Equivalents) then outstanding immediately prior to the issuance of New Securities giving rise to the Preferred Right of Participation.

2B.3 Procedures

(a) Participation Notice. In the event that the Participation Rights Holders do not exercise, or partially exercise, their rights set forth in Section 2A above, the Company shall then give to each Preferred Participation Rights Holder written notice of its intention to issue New Securities (the "**Preferred Participation Notice**"), describing the amount and the type of New Securities that are available for such Preferred Participation Rights Holder to purchase and the price and the terms upon which the Company proposes to issue such New Securities. Each Preferred Participation Rights Holder shall have fifteen (15) days from the date of receipt of any such Preferred Participation Notice to agree in writing to purchase up to all of such Preferred Participation Rights Holder's pro rata share of such New Securities for the price and upon the terms and conditions specified in the Preferred Participation Notice by giving written notice to the Company and stating therein the quantity of New Securities to be purchased (not to exceed such Preferred Participation Rights Holder's pro rata share). If any Preferred Participation Rights Holder fails to so agree in writing within such fifteen (15) day period to purchase such Preferred Participation Rights Holder's full pro rata share of an offering of New Securities, then such Preferred Participation Rights Holder shall forfeit the right hereunder to purchase that part of its pro rata share of such New Securities that it did not so agree to purchase.

(b) Second Preferred Participation Notice; Oversubscription. If any New Securities which were available for purchase by a Preferred Participation Rights Holder under Section 2B.3(a) are not subscribed for in accordance with that subsection, the Company shall promptly give notice (the "**Second Preferred Participation Notice**") to each Preferred Participation Rights Holders who exercised its Preferred Right of Participation with respect to its full pro rata share (the "**Preferred Right Participants**") in accordance with Section 2B.3(a) above. The Preferred Right Participants shall have ten (10) days from the date of receipt of the Second Preferred Participation Notice (the "**Second Preferred Participation Period**") to notify the Company of its desire to purchase more than its pro rata share of the New Securities, stating the number of the additional New Securities it proposes to buy. Such notice may be made by telephone if confirmed in writing within two (2) Business Days thereafter. If as a result thereof, such oversubscription exceeds the total number of the remaining New Securities which remain available for purchase, the oversubscribing Preferred Right Participants will be cut back by the Company with respect to their oversubscriptions to that number of remaining New Securities equal to the product obtained by multiplying (i) the number of the remaining New Securities available for subscription by (ii) a fraction the numerator of which is the number of Common Share Equivalents held by each oversubscribing Preferred Right Participant notified and the denominator of which is the total number of Common Share Equivalents held by all the oversubscribing Preferred Right Participants. Each oversubscribing Preferred Right Participant shall be obligated to buy such number of additional New Securities as determined by the Company pursuant to this Section 2B.3(b) and the Company shall so notify the Preferred Right Participants within fifteen (15) Business Days of the date of the Second Preferred Participation Notice.

2B.4 Failure to Exercise

Upon the expiration of the Second Preferred Participation Period, or in the event no Preferred Participation Rights Holder exercises the Preferred Right of Participation, after fifteen (15) days following the delivery of the Preferred Participation Notice, the Company shall have sixty (60) days thereafter to sell the remaining New Securities described in the Preferred Participation Notice (with respect to which the Preferred Participation Rights Holders' rights of first offer hereunder were not exercised) at the same or higher price and upon non-price terms not more favorable to the purchasers thereof than specified in the Preferred Participation Notice. In the event that the Company has not issued and sold such New Securities within such sixty (60) day period, then the Company shall not thereafter issue or sell any New Securities without again first offering such New Securities first to the Participation Rights Holders pursuant to Section 2A above and second to the Preferred Participation Rights Holders pursuant to this Section 2B.

2B.5. Most Favoured Investor

In the event that the Company grants subsequent purchasers of the Company's securities rights that are superior to the rights granted in Section 2A and Section 2B of this Schedule, the Company shall grant each Investor the same rights.

3. **ASSIGNMENT AND TRANSFER**

Each of the Investor shall be entitled to transfer all or any of the shares of the Preferred Shares or Common Shares held by it, provided that such transferee shall agree in writing to be bound to the same extent by the terms of the Investors' Rights Agreement as if it were a holder of Preferred Shares or Common Shares at the time the Investors' Rights Agreement was executed, provided, further, that such transferee shall not be a Competitor.

4. **DRAG-ALONG RIGHT**

In the event that (i) the holders of more than fifty percent (50%) of the then outstanding Series A Preferred Shares, Series B Preferred Shares and Series C Preferred Shares voting or consenting together as a single class on a fully-diluted and as-converted basis, approve in writing a transaction or series of transactions with respect to the Company that qualifies as a Deemed Liquidation Event (as defined in Section 6(e) of this Schedule), and (ii) the minimum aggregate purchase price offered by the potential acquirer in such transaction or series of transactions exceeds US$1,500,000,000 (a "**Qualified Trade Sale**"); provided that the Members holding more than 50% Common Shares in the Company have approved the terms and conditions of such Qualified Trade Sale and have committed to participate in such Qualified Trade Sale, then each of the remaining Investors and the holders of Common Shares hereby agrees with respect to all shares that he, she or it holds and any other Company securities over which he, she or it otherwise exercises dispositive power:

(a) in the event such Qualified Trade Sale requires the approval of shareholders, (a) if the matter is to be brought to a vote at a shareholder meeting, after receiving proper notice of any meeting of shareholders of the Company to vote on the approval of the Qualified Trade Sale, to be present, in person or by proxy, as a holder of shares, at all such meetings and be counted for the purposes of determining the presence of a quorum at such meetings; and (b) to vote (in person, by proxy or by action by written consent, as applicable) all shares in favor of such Qualified Trade Sale and in opposition of any and all other proposals that could reasonably be expected to delay or impair the ability of the Company to consummate such Qualified Trade Sale;

(b) in the event that the Qualified Trade Sale is to be effected by the sale of shares held by another Member (the "**Selling Shareholder**") without the need for shareholder approval, to sell all shares of the Company beneficially held by such Shareholder (or in the event that the Selling Shareholder is selling fewer than all of its shares held in the Company, shares in the same proportion as the Selling Shareholder is selling) to the person to whom the Selling Shareholder propose to sell its shares, for the same per-share consideration (on a fully-diluted and as-converted basis) and on the same terms and conditions as the Selling Shareholder, except that the Member will not be required to sell its shares unless the liability for indemnification, if any, of the Member in such sale of the Company is several, not joint, and is pro rata in accordance with the Member's relative share ownership of the Company, and will not exceed the consideration payable to the Member, if any, in such transaction (except in the case of potential liability for fraud or willful misconduct by the Member);

(c) to refrain from exercising any dissenters' rights or rights of appraisal under applicable laws at any time with respect to such Qualified Trade Sale;

(d) to execute and deliver all related documentation and take such other action in support of the Qualified Trade Sale as shall reasonably be requested by the Company; and

(e) not to deposit, and to cause their Affiliates not to deposit, except as provided in the Investors' Rights Agreement, any voting securities owned by such party or Affiliate in a voting trust or subject any such voting securities to any arrangement or agreement with respect to the voting of such securities, unless specifically requested to do so by the acquirer in connection with a Qualified Trade Sale.

5. **DIVIDEND RIGHTS**

(a) When and if any dividends or other distributions are declared by the Board, with respect to any other class or series of shares of the Company, no such dividends or distributions shall be paid, whether in cash, in property, or in any other shares of the Company unless and until dividend or other distribution in like amount was first paid in full on the Series C Preferred Shares.

(b) Following the payment of any dividend to Series C Preferred Shares in accordance with Section 5(a) above, no dividends or other distributions shall be paid, whether in cash, in property, or in any other shares of the Company, with respect to any other class or series of shares of the Company, unless and until dividend in like amount was first paid in full on the Series B Preferred Shares.

(c) Following the payment of any dividend to Series B Preferred Shares in accordance with Section 5(b) above, no dividends or other distributions shall be paid, whether in cash, in property, or in any other shares of the Company, with respect to any other class or series of shares of the Company, unless and until dividend in like amount was first paid in full on the Series A Preferred Shares.

(d) In the event the Company shall declare a distribution (other than any distribution described in Section 6 below) payable in cash, securities of other persons, evidences of indebtedness issued by the Company or other persons, assets or options or rights to purchase any such securities or evidences of indebtedness or any combination of the foregoing, then, in each such case, the holders of Preferred Shares shall be entitled to a proportionate share of any such dividend or distribution as though the holders of Preferred Shares were the holders of the number of Common Shares of the Company into which their Preferred Shares are convertible as of the record date fixed for the determination of the holders of Common Shares entitled to receive such distribution. In the event of any dividend or distribution declared pursuant to this Section 5(c), the amounts payable to the holders of Series C Preferred Shares shall be paid in preference to, and satisfied before, the amounts payable to any holders of Series B Preferred Shares, the holders of Series A Preferred Shares and holders of Common Shares, and the amounts payable to the holders of Series B Preferred Shares shall be paid in preference to, and satisfied before, the amounts payable to any holders of Series A Preferred Shares and holders of Common Shares, and Series A Preferred Shares shall be paid in preference to, and satisfied before, the amounts payable to any holders of Common Shares.

6. **LIQUIDATION PREFERENCE**

Subject to Section 6(g) below, in the event of any liquidation, dissolution or winding up of the Company, either voluntary or involuntary (a "**Liquidation Event**"), distributions to the members of the Company shall be made in the following manner:

(a) The holders of the Series C-1 Preferred Shares and the holders of Series C-2 Preferred Shares shall be entitled to receive, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of the Series B Preferred Shares, the holders of the Series A Preferred Share and the holders of the Common Shares or any other class or series of shares by reason of their ownership of such shares, the amount equal to one hundred percent (100%) of the Series C-1 Original Issue Price for each Series C-1 Preferred Share, and one hundred percent (100%) of the Series C-2 Original Issue Price for each Series C-2 Preferred Share respectively then held by them and an amount equal to all accrued or declared but unpaid dividends on the Series C-1 Preferred Shares ("**Series C-1 Liquidation Payment**") or the Series C-2 Preferred Shares ("**Series C-2 Liquidation Payment**"), as the case may be. If upon the occurrence of a liquidation, dissolution or winding up of the Company the assets and funds thus distributed among the holders of the Series C-1 Preferred Shares and Series C-2 Preferred Shares shall be insufficient to permit the payment to such holders of the full preferential amount, then the entire assets and funds of the Company legally available for distribution shall be distributed ratably among the holders of the Series C-1 Preferred Shares and Series C-2 Preferred Shares in proportion to the preferential amount each such holder is otherwise entitled to receive.

(b) After payment of the Series C-1 Liquidation Payment to the holders of the Series C-1 Preferred Shares and the payment of the Series C-2 Liquidation Payment to the holders of the Series C-2 Preferred Shares, the holders of the Series B Preferred Shares shall be entitled to receive, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of the Series A Preferred Shares and holders of the Common Shares or any other class or series of shares by reason of their ownership of such shares, the amount equal to one hundred percent (100%) of the Series B Original Issue Price for each Series B Preferred Share then held by them and an amount equal to all accrued or declared but unpaid dividends on the Series B Preferred Shares ("**Series B Liquidation Payment**"). If upon the occurrence of a liquidation, dissolution or winding up of the Company the assets and funds thus distributed among the holders of the Series B Preferred Shares shall be insufficient to permit the payment to such holders of the full preferential amount, then the entire assets and funds of the Company legally available for distribution shall be distributed ratably among the holders of the Series B Preferred Shares in proportion to the preferential amount each such holder is otherwise entitled to receive.

(c) After payment of the Series B Liquidation Payment to the holders of the Series B Preferred Shares, the holders of the Series A Preferred Shares shall be entitled to receive, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of the Common Shares or any other class or series of shares by reason of their ownership of such shares, the amount equal to one hundred and fifty percent (150%) of the Series A Original Issue Price for each Series A Preferred Share then held by them and an amount equal to all accrued or declared but unpaid dividends on the Series A Preferred Shares ("**Series A Liquidation Payment**"). If upon the occurrence of a liquidation, dissolution or winding up of the Company the assets and funds thus distributed among the holders of the Series A Preferred Shares shall be insufficient to permit the payment to such holders of the full preferential amount, then the entire assets and funds of the Company legally available for distribution shall be distributed ratably among the holders of the Series A Preferred Shares in proportion to the preferential amount each such holder is otherwise entitled to receive.

(d) After setting apart or paying in full the Series C-1 Liquidation Payment, Series C-2 Liquidation Payment, Series B Liquidation Payment and Series A Liquidation Payment due pursuant to Section 6(a), (b) and (c) above, the remaining assets of the Company available for distribution to members, if any, shall be distributed to the holders of the Preferred Shares and the Common Shares on a pro rata basis, based on the number of Common Shares then held by each holder (and, in the case of holders of Preferred Shares, assuming that the Preferred Shares were converted into Common Shares immediately prior to such distribution).

(e) The following events shall be treated as a "Liquidation Event" under this Section 6 (each a "**Deemed Liquidation Event**") unless waived in writing by the Majority Series A Holders, Majority Series B Holders and Majority Series C Holders (each voting or consenting as a separate class):

(i) any consolidation, amalgamation, scheme of arrangement or merger of the Company with or into any other person or any other corporate reorganization in which the members of the Company immediately prior to such consolidation, amalgamation, merger, scheme of arrangement or reorganization own less than a majority of the Company's voting power immediately after such consolidation, merger, amalgamation, scheme of arrangement or reorganization, or any transaction or series of related transactions to which the Company is a party in which in at least a majority of the Company's voting power is transferred;

(ii) a sale, transfer, lease or other disposition of all or substantially all of the assets of the Company and the Group Companies, taken as a whole (or any series of related transactions resulting in such sale, transfer, or lease of all or substantially all of the assets of the Company and the Group Companies, taken as a whole);

(iii) a sale of a majority of the outstanding voting securities of the Company; or

(iv) the unilateral termination or amendment by the Domestic Companies (as defined in the Investors' Rights Agreement), the WFOEs (as defined in the Investors' Rights Agreement) or the Key Holders of the Control Documents by and among the Key Holders, the WFOEs and the Domestic Companies,

and upon any such event, any proceeds resulting to the shareholders of the Company therefrom shall be distributed in accordance with the terms of Section 6 of this Schedule.

(f) Subject to Section 6(g) below, in the event the Company proposes to distribute assets other than cash in connection with any liquidation, dissolution or winding up of the Company, the value of the assets to be distributed to the holder of the Series A Preferred Shares, Series B Preferred Shares, Series C Preferred Shares or the Common Shares shall be determined in good faith by the Board, or by a liquidator if one is appointed. Any securities not subject to investment letter or similar restrictions on free marketability shall be valued as follows:

(i) If traded on a securities exchange, the value shall be deemed to be the average of the security's closing prices on such exchange over the thirty (30) day period ending one (1) day prior to the distribution;

(ii) If actively traded over-the-counter, the value shall be deemed to be the average of the closing bid prices over the thirty (30) day period ending one (1) day prior to the distribution; and

(iii) If there is no active public market, the value shall be the fair market value thereof as determined in good faith by the Board.

The method of valuation of securities subject to investment letter or other restrictions on free marketability shall be adjusted to make an appropriate discount from the market value determined as above in clauses (i), (ii) or (iii) to reflect the fair market value thereof as determined in good faith by the Board, or by a liquidator if one is appointed. Any of the Majority Series C Holders, Majority Series B Holders and/or Majority Series A Holders shall have the right to challenge any determination by the Board of fair market value pursuant to this section, in which case the determination of fair market value shall be made by an independent appraiser selected jointly by the Board and the challenging parties, the cost of such appraisal to be borne equally by the Company and the challenging parties.

(g) Notwithstanding any provisions set out in this Section 6(a) through (f) and elsewhere, in the event that the valuation of the Company at the occurrence of a Liquidation Event or a Deemed Liquidation Event exceeds US$1 billion, such event shall not be subject to the liquidation preference as set out in Section 6(a) through (f) and each holder of the Preferred Shares shall participate the distribution of any of the assets or surplus funds of the Company or any proceeds derived from such event together with the holders of the Common Shares on a pro rata basis, based on the number of Common Shares then held by each holder on an as-if-converted basis.

7. VOTING RIGHTS

Except as otherwise required by law or as set forth herein, the holder of each Common Share issued and outstanding shall have one vote for each Common Share held by such holder, and the holders of Preferred Shares shall be entitled to the number of votes equal to the number of Common Shares into which such Preferred Shares held by such holder could be converted at the record date for determination of the Members entitled to vote on such matters, or, if no such record date is established, at the date such vote is taken or any written consent of shareholders is solicited, such votes to be counted together with all other shares of the Company having general voting power and not counted separately as a class. Holders of Common Shares and Preferred Shares shall be entitled to notice of any members' meeting in accordance with the Articles.

8. CONVERSION

The holders of the Preferred Shares shall have conversion rights as follows (the "**Conversion Rights**"):

(a) Right to Convert

(i) Unless converted earlier pursuant to Section 8(b) below, each Series A Preferred Share shall be convertible, at the option of the holder thereof, at any time after the Series A Original Issue Date into such number of fully paid and nonassessable Common Shares as determined by dividing one hundred fifty percent (150%) of the Series A Original Issue Price by the Series A Conversion Price, determined as hereinafter provided, in effect at the time of the conversion. The price at which Common Shares shall be deliverable upon conversion of the Series A Preferred Shares (the "**Series A Conversion Price**") shall initially be one hundred fifty percent (150%) of the Series A Original Issue Price. Such initial Series A Conversion Price shall be subject to adjustment as hereinafter provided. Nothing in this Section 8(a)(i) shall limit the automatic conversion rights of Series A Preferred Shares described in Section 8(b) below.

(ii) Unless converted earlier pursuant to Section 8(b) below, each Series B Preferred Share shall be convertible, at the option of the holder thereof, at any time after the Series B Original Issue Date into such number of fully paid and nonassessable Common Shares as determined by dividing 100% of the Series B Original Issue Price by the Series B Conversion Price, determined as hereinafter provided, in effect at the time of the conversion. The price at which Common Shares shall be deliverable upon conversion of the Series B Preferred Shares (the "**Series B Conversion Price**") shall initially be 100% of the Series B Original Issue Price. Such initial Series B Conversion Price shall be subject to adjustment as hereinafter provided. Nothing in this Section 8(a)(ii) shall limit the automatic conversion rights of Series B Preferred Shares described in Section 8(b) below.

(iii) Unless converted earlier pursuant to Section 8(b) below, each Series C-1 Preferred Share shall be convertible, at the option of the holder thereof, at any time after the Series C-1 Original Issue Date into such number of fully paid and nonassessable Common Shares as determined by dividing 100% of the Series C-1 Original Issue Price by the Series C-1 Conversion Price, determined as hereinafter provided, in effect at the time of the conversion. The price at which Common Shares shall be deliverable upon conversion of the Series C-1 Preferred Shares (the "**Series C-1 Conversion Price**") shall initially be 100% of the Series C-1 Original Issue Price. Such initial Series C-1 Conversion Price shall be subject to adjustment as hereinafter provided. Nothing in this Section 8(a)(iii) shall limit the automatic conversion rights of Series C-1 Preferred Shares described in Section 8(b) below.

(iv) Unless converted earlier pursuant to Section 8(b) below, each Series C-2 Preferred Share shall be convertible, at the option of the holder thereof, at any time after the Series C-2 Original Issue Date into such number of fully paid and nonassessable Common Shares as determined by dividing 100% of the Series C-2 Original Issue Price by the Series C-2 Conversion Price, determined as hereinafter provided, in effect at the time of the conversion. The price at which Common Shares shall be deliverable upon conversion of the Series C-2 Preferred Shares (the "**Series C-2 Conversion Price**") shall initially be 100% of the Series C-2 Original Issue Price. Such initial Series C-2 Conversion Price shall be subject to adjustment as hereinafter provided. Nothing in this Section 8(a)(iv) shall limit the automatic conversion rights of Series C-2 Preferred Shares described in Section 8(b) below.

(b) Automatic Conversion

(i) Each Preferred Share shall automatically be converted into Common Shares at the then effective conversion price with respect to such Preferred Share (i) at the closing of a Qualified IPO, or (ii) at the election of the Majority Series A Holders, Majority Series B Holders and Majority Series C Holders (each voting or consenting as a separate class). In the event of the automatic conversion of the Preferred Shares immediately prior to a Qualified IPO, the person(s) entitled to receive the Common Shares issuable upon such conversion of Preferred Shares shall not be deemed to have converted such Preferred Shares until immediately prior to the closing of such sale of securities.

(ii) Notwithstanding the failure of the holder or holders of any Preferred Shares to surrender the certificates for such shares on or prior to the date of any automatic conversion pursuant to this Section 8(b), all rights with respect to such shares shall immediately cease and terminate at the time of such automatic conversion, except only the right of the holders thereof to receive Common Shares in exchange therefor and to receive payment of any dividends declared but unpaid thereon.

(c) Mechanics of Conversion

(i) No fractional Common Share shall be issued upon conversion of the Preferred Shares. All Common Shares (including any fractions thereof) issuable upon conversion of more than one (1) Preferred Share by a holder thereof shall be aggregated for purposes of determining whether the issuance would result in the issuance of any fractional share. Before any holder of Preferred Shares shall be entitled to convert the same into full Common Shares and to receive certificates therefor, the holder shall surrender the certificate or certificates therefor, duly endorsed, at the principal office of the Company or of any transfer agent for the Preferred Shares to be converted and shall give written notice to the Company at such office that the holder elects to convert the same. The Company shall, as soon as practicable thereafter, issue and deliver at such office to such holder of Preferred Shares a certificate or certificates for the number of Common Shares to which the holder shall be entitled as aforesaid and a check payable to the holder in the amount of any cash amounts payable as the result of a conversion into fractional Common Shares. Preferred Shares converted into Common Shares shall be cancelled and shall not be reissued. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the certificate or certificates for the Preferred Shares to be converted, and the person or persons entitled to receive the Common Shares issuable upon such conversion shall be treated for all purposes as the record holder or holders of such Common Shares on such date. For the avoidance of doubt, no conversion shall prejudice the right of a holder of Preferred Shares to receive dividends and other distributions declared but not paid as at the date of conversion on the Preferred Shares being converted.

(ii) Conversion of the Preferred Shares shall be effected in such manner as the Board may, subject to the relevant applicable laws and statutes, determine, including, without prejudice to the generality of the foregoing, redeeming or repurchasing the relevant Preferred Shares and applying the proceeds thereof towards payment for the new Common Shares. The holders of Preferred Shares requesting conversion shall be deemed irrevocably to authorize the Board to apply the proceeds arising from the redemption payable to it in subscribing for such Common Shares. For the purposes of the repurchase or redemption and without prejudice to other provisions of the Articles, the Directors may, subject to the Company being able to satisfy its liabilities as they become due in the ordinary course of business, make payments out of capital or in exchange for new Common Shares of equal value.

(d) Availability of Shares Issuable upon Conversion

The Company shall at all times keep available out of its authorized but unissued Common Shares, free of liens of any kind, solely for the purpose of effecting the conversion of the Preferred Shares such number of its Common Shares as shall from time to time be sufficient to effect the conversion of all outstanding Preferred Shares, and if at any time the number of authorized but unissued Common Shares shall not be sufficient to effect the conversion of all then outstanding Preferred Shares in addition to such other remedies as shall be available to the holder of such Preferred Shares, the Company will use its commercially reasonable efforts to take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued Common Shares to such number of shares as shall be sufficient for such purposes.

(e) Cessation of Certain Rights on Conversion

Subject to Section 8(c) above, on the date of conversion of any Preferred Share to Common Shares, the holder of the Preferred Shares to be converted shall cease to be entitled to any rights in respect of that share (unless otherwise provided by contract) and accordingly his name shall be removed from the Register of Members as the holder of such Preferred Shares and shall correspondingly be inserted onto the Register of Members as the holder of the number of Common Shares into which such Preferred Shares convert.

(f) Common Shares resulting from Conversion

The Common Shares resulting from the conversion of Preferred Shares:

(i) shall be credited as fully paid and non-assessable;

(ii) shall rank pari passu in all respects and form one class with the Common Shares then in issue and;

(iii) shall entitle the holder to all dividends payable on the Common Shares by reference to a record date after the date of conversion.

9. **ADJUSTMENT TO CONVERSION PRICE**

(a) Special Definitions

For purposes of this Section 9, the following definitions shall apply:

(i) "**Options**" mean rights, options or warrants to subscribe for, purchase or otherwise acquire either Common Shares or Convertible Securities.

(ii) "**Conversion Price**" means the Series A Conversion Price, Series B Conversion Price, Series C-1 Conversion Price or Series C-2 Conversion Price.

(iii) "**Convertible Securities**" means any notes, debentures, preferred shares or other securities or rights, which are ultimately convertible or exercisable into, or exchangeable for, Common Shares;

(iv) "**Additional Equity Securities**" (each an "**Additional Equity Security**") means all Equity Securities (including reissued shares) issued (or, pursuant to Section 9(c) below, deemed to be issued) by the Company after the date of the Initial Closing (as defined in the Common Share Purchase Agreement), other than the following Equity Securities ("**Exempted Securities**"):

(A) Series A Preferred Shares, Series B Preferred Shares, Series C Preferred Shares or Common Shares issuable upon conversion thereof;

(B) up to 118,166,946 Common Shares (as adjusted for share splits, sub-division, consolidation, recapitalizations, re-classifications, and similar transactions prior to such date) issued or issuable to officers, employees, consultants or directors of the Company either in connection with the provision of services to the Company or on exercise of any options to purchase Common Shares granted under the Share Option Plan (as defined in the Investors' Rights Agreement), provided that the Share Option Plan is approved by the majority of the Board of the Company, including the affirmative consent of at least a majority of the Investor Directors;

(C) Common Shares issued or issuable as a result of any share split or share consolidation or the like which does not affect the total number of shares in the Company; provided that the Series A Conversion Price, Series B Conversion Price, Series C-1 Conversion Price and Series C-2 Conversion Price in effect prior to the issuance of such equity securities shall have already been adjusted as a result of and in accordance with Clause Section 9(g) below;

(D) Common Shares issued or issuable as a dividend or distribution to members of the Company in accordance with the Articles and in proportion to their holdings of Common Shares (with all issued and outstanding Preferred Shares counted as issued and outstanding Common Shares on a fully-diluted and as-if-converted basis);

(E) Common Shares issued in consideration of an acquisition or a merger approved by the affirmative vote or consent of (i) the Majority Preferred Holders (voting or consenting together as a single class and not as a separate class); and (ii) at least a majority of the Investor Directors;

(F) Common Shares issued in a Qualified IPO;

(G) Securities issued to strategic partners of the Company or of its Subsidiaries approved by the affirmative vote or consent of (i) the Majority Preferred Holders (voting or consenting together as a single class and not as a separate class); and (ii) at least a majority of the Investor Directors; and

(H) Securities issued pursuant to the consent in writing of all the Shareholders.

(b) No Adjustment of Conversion Price

No adjustment in the Conversion Price shall be made in respect of the issuance of Additional Equity Securities unless the consideration per share for an Additional Equity Securities issued or deemed to be issued by the Company is less than the Conversion Price in effect on the date of and immediately prior to such issue with respect to a Preferred Share. Notwithstanding any provisions to the contrary, no adjustment in the Conversion Price shall be made in respect of the issuance of the Exempted Securities.

(c) Deemed Issue of Additional Equity Securities

Subject to Section 9(b) above, in the event the Company at any time or from time to time shall issue any Options or Convertible Securities or shall fix a record date for the determination of holders of any class of securities entitled to receive any such Options or Convertible Securities, then the maximum number (as set forth in the instrument relating thereto without regard to any provisions contained therein for a subsequent adjustment of such number that would result in an adjustment pursuant to clause (ii) below) of Common Shares issuable upon the exercise of such Options or, in the case of Convertible Securities and Options therefor, the conversion or exchange of such Convertible Securities, shall be deemed to be Additional Equity Securities issued as of the time of such issue or, in case such a record date shall have been fixed, as of the close of business on such record date, provided that:

(i) no further adjustment in the Series A Conversion Price, Series B Conversion Price, Series C-1 Conversion Price or Series C-2 Conversion Price shall be made upon the subsequent issue of Convertible Securities or Common Shares upon the exercise of such Options or conversion or exchange of such Convertible Securities;

(ii) if such Options or Convertible Securities by their terms provide, with the passage of time or otherwise, for any increase or decrease in the consideration payable to the Company, or increase or decrease in the number of Common Shares issuable, upon the exercise, conversion or exchange thereof, the Series A Conversion Price, Series B Conversion Price, Series C-1 Conversion Price and Series C-2 Conversion Price computed upon the original issue of such Options or Convertible Securities (or upon the occurrence of a record date with respect thereto), and any subsequent adjustments based thereon, shall, upon any such increase or decrease becoming effective, be recomputed to reflect such increase or decrease insofar as it affects such Options or the rights of conversion or exchange under such Convertible Securities;

(iii) upon the expiration of any such Options or any rights of conversion or exchange under such Convertible Securities which shall not have been exercised, the Series A Conversion Price, Series B Conversion Price, Series C-1 Conversion Price and Series C-2 Conversion Price computed upon the original issue thereof (or upon the occurrence of a record date with respect thereto), and any subsequent adjustments based thereon, shall, upon such expiration, be recomputed as if:

(A) in the case of Convertible Securities or Options for Common Shares, the only Additional Equity Securities issued were Common Shares, if any, actually issued upon the exercise of such Options or the conversion or exchange of such Convertible Securities and the consideration received therefor was the consideration actually received by the Company for the issue of all such Options, whether or not exercised, plus the consideration actually received by the Company upon such exercise, or for the issue of all such Convertible Securities which were actually converted or exchanged, plus the additional consideration, if any, actually received by the Company upon such conversion or exchange, and

(B) in the case of Options for Convertible Securities, only the Convertible Securities, if any, actually issued upon the exercise thereof were issued at the time of issue of such Options, and the consideration received by the Company for the Additional Equity Securities deemed to have been then issued was the consideration actually received by the Company for the issue of all such Options, whether or not exercised, plus the consideration deemed to have been received by the Company upon the issue of the Convertible Securities with respect to which such Options were actually exercised;

(iv) no readjustment pursuant to clause (ii) or (iii) above shall have the effect of increasing the Series A Conversion Price, Series B Conversion Price, Series C-1 Conversion Price or Series C-2 Conversion Price to an amount which exceeds the lower of (A) the Series A Conversion Price, Series B Conversion Price, Series C-1 Conversion Price or Series C-2 Conversion Price as the case may be, on the original adjustment date, or (B) the Series A Conversion Price Series B Conversion Price, Series C-1 Conversion Price or Series C-2 Conversion Price, as the case may be, that would have resulted from any issuance of Additional Equity Securities between the original adjustment date and such readjustment date;

(v) in the case of any Options which expire by their terms not more than 30 days after the date of issue thereof, no adjustment of the Series A Conversion Price, Series B Conversion Price, Series C-1 Conversion Price or Series C-2 Conversion Price shall be made until the expiration or exercise of all such Options, whereupon such adjustment shall be made in the manner provided in clause (iii) above.

(d) Adjustment of the Preferred Conversion Price Upon Issuance of Additional Equity Securities.

(i) In the event that after the Series A Original Issue Date the Company shall issue Additional Equity Securities without consideration or for a consideration per share received by the Company less than the Series A Conversion Price in effect on the date of and immediately prior to such issue, then and in such event, the Series A Conversion Price shall be reduced, concurrently with such issue, to a price (calculated to the nearest cent) equal to the consideration per share of such Additional Equity Securities which shall be determined in accordance with the following formula set forth in paragraph (v) below.

(ii) In the event that after the Series B Original Issue Date the Company shall issue Additional Equity Securities without consideration or for a consideration per share received by the Company less than the Series B Conversion Price in effect on the date of and immediately prior to such issue, then and in such event, the Series B Conversion Price shall be reduced, concurrently with such issue, to a price (calculated to the nearest cent) equal to the consideration per share of such Additional Equity Securities which shall be determined in accordance with the following formula set forth in paragraph (v) below.

(iii) In the event that after the Series C-1 Original Issue Date the Company shall issue Additional Equity Securities without consideration or for a consideration per share received by the Company less than the Series C-1 Conversion Price in effect on the date of and immediately prior to such issue, then and in such event, the Series C-1 Conversion Price shall be reduced, concurrently with such issue, to a price (calculated to the nearest cent) equal to the consideration per share of such Additional Equity Securities which shall be determined in accordance with the following formula set forth in paragraph (v) below.

(iv) In the event that after the Series C-2 Original Issue Date the Company shall issue Additional Equity Securities without consideration or for a consideration per share received by the Company less than the Series C-2 Conversion Price in effect on the date of and immediately prior to such issue, then and in such event, the Series C-2 Conversion Price shall be reduced, concurrently with such issue, to a price (calculated to the nearest cent) equal to the consideration per share of such Additional Equity Securities which shall be determined in accordance with the following formula set forth in paragraph (v) below.

(v) Formula.

$$CP_1 = CP_0 \times \frac{CSO + (AC / CP_0)}{CSO + AS}$$

Where

CP_1 = *the adjusted applicable Conversion Price for the Series A Preferred Shares, Series B Preferred Shares, Series C-1 Preferred Shares or Series C-2 Preferred Shares*

CP_0 = *the applicable Conversion Price for the Series A Preferred Shares, Series B Preferred Share, Series C-1 Preferred Shares or Series C-2 Preferred Shares in effect immediately prior to the issuance of Additional Equity Securities*

CSO = *the total number of shares of Common Shares outstanding immediately prior to the issuance of Additional Equity Securities*

AC = *the total consideration (measured in dollars) received by the Company for issue of the additional securities*

AS = *the total number of Additional Equity Securities*

For the purposes of this section, in arriving at the adjusted applicable Conversion Price, Common Shares outstanding shall include Common Shares issuable upon conversion of all the Series A Preferred Shares, Series B Preferred Shares, Series C-1 Preferred Shares and Series C-2 Preferred Shares then issued and outstanding.

(e) Determination of Consideration

For purposes of this Clause 5.3A.1.5, the consideration received by the Company for the issue of any Additional Equity Securities shall be computed as follows:

(i) *Cash and Property*. Except as provided in clause (ii) below, such consideration shall:

(A) insofar as it consists of cash, be computed at the aggregate amount of cash received by the Company excluding amounts paid or payable for accrued interest or accrued dividends;

(B) insofar as it consists of property other than cash, be computed at the fair value thereof at the time of such issue, as determined in good faith by the Directors; provided, however, that no value shall be attributed to any services performed by any employee, officer or director of the Company; and provided further that at least a majority of the Preferred Shares shall each have the right to challenge such determination by the Directors, in which case such determination of fair value shall be made by an independent appraiser selected jointly by the Directors and the challenging parties, the cost of such appraisal to be borne equally by the Company and the challenging parties; and

(C) in the event Additional Equity Securities are issued together with other shares or securities or other assets of the Company for consideration which covers both, be the proportion of such consideration so received with respect to such Additional Equity Securities, computed as provided in clauses (A) and (B) above, as determined in good faith by the Directors.

(ii) *Options and Convertible Securities*. The consideration per share received by the Company for Additional Equity Securities deemed to have been issued pursuant to Section 9(c), relating to Options and Convertible Securities, shall be determined by dividing

(A) the total amount, if any, received or receivable by the Company as consideration for the issue of such Options or Convertible Securities, plus the minimum aggregate amount of additional consideration (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such consideration) payable to the Company upon the exercise of such Options or the conversion or exchange of such Convertible Securities, or in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities; by

(B) the maximum number of Common Shares (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or the conversion or exchange of such Convertible Securities.

(f) Adjustments for Allotments of Fully Paid Shares Pursuant to a Capitalization of Profits or Reserves

In the event the Company at any time or from time to time makes, or files a record date for the determination of holders of Common Shares any allotment of fully paid Common Shares pursuant to a capitalization of profits or reserves, the Series A Conversion Price, Series B Conversion Price, Series C-1 Conversion Price and the Series C-2 Conversion Price then in effect shall, concurrently with the effectiveness of such allotment, be proportionately decreased.

(g) Adjustments for Shares Dividends, Subdivisions, Redemptions, Combinations or Consolidations of Common Shares

In the event the outstanding Common Shares shall be subdivided (by share dividend, share split, or otherwise), into a greater number of Common Shares, the Series A Conversion Price and Series B Conversion Price, Series C-1 Conversion Price and the Series C-2 Conversion Price then in effect shall, concurrently with the effectiveness of such subdivision, be proportionately decreased. In the event the outstanding Common Shares shall be redeemed or combined or consolidated, by reclassification or otherwise, into a lesser number of Common Shares, the Series A Conversion Price, Series B Conversion Price, Series C-1 Conversion Price and Series C-2 Preferred Shares then in effect shall, concurrently with the effectiveness of such redemption, combination or consolidation, be proportionately increased.

(h) Adjustments for Other Distributions

In the event the Company at any time or from time to time makes, or files a record date for the determination of holders of Common Shares any distribution payable in securities or assets of the Company, then and in each such event provision shall be made so that the holders of the Preferred Shares shall receive upon conversion thereof, in addition to the number of Common Shares receivable thereupon, the amount of securities or assets of the Company which they would have received had their Preferred Shares been converted into Common Shares on the date of such event and had they thereafter, during the period from the date of such event to and including the date of conversion, retained such securities or assets receivable by them as aforesaid during such period, subject to all other adjustment called for during such period under this Section 9 with respect to the rights of the holders of the Preferred Shares.

(i) Adjustments for Reclassification, Exchange and Substitution

If the Common Shares issuable upon conversion of the Preferred Shares shall be changed into the same or a different number of shares of any other class or classes of shares, whether by shares reorganization, reclassification or otherwise (other than a subdivision or combination of shares provided for above), then and in each such event the holder of each Preferred Share shall have the right thereafter to convert such share into the kind and amount of shares and other securities and property receivable upon such reorganization or reclassification or other change by holders of the number of Common Shares that would have been subject to receipt by the holders upon conversion of the Preferred Shares immediately before that change, all subject to further adjustment as provided herein.

(j) Certificate as to Adjustments

Upon the occurrence of each adjustment or readjustment of the Series A Conversion Price, Series B Conversion Price, Series C-1 Conversion Price or the Series C-2 Conversion Price pursuant to this Section 9, the Company at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and furnish to each holder of Preferred Shares a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Company shall, upon the written request at any time of any holder of Preferred Shares, furnish or cause to be furnished to such holder a like certificate setting forth (i) such adjustments and readjustments, (ii) the Series A Conversion Price, (ii) the Series B Conversion Price, (iii) the Series C-1 Conversion Price, (iv) Series C-2 Conversion Price and (v) the number of Common Shares and the amount, if any, of other property which sat the time would be received upon the conversion of the Preferred Shares.

(k) Miscellaneous

(i) All calculations under this Section 9 shall be made to the nearest cent. Upon conversion of such number of Preferred Shares, the resultant aggregate number of Common Shares to be issued to each holder of Preferred Shares if not a whole number (but part or fraction of a Common Share), shall be rounded down to the nearest multiple of one (1) Common Share such that the resultant aggregate number of Common Shares to be issued to such holder of Preferred Shares shall be a whole number.

(ii) No adjustment in the Series A Conversion Price, Series B Conversion Price, Series C-1 Conversion Price or Series C-1 Conversion Price need be made if such adjustment would result in a change in such conversion price of less than US$0.01. Any adjustment of less than US$0.01 which is not made shall be carried forward and shall be made at the time of and together with any subsequent adjustment which, on a cumulative basis, amounts to an adjustment of US$0.01 or more in such conversion price.

10. PROTECTIVE PROVISIONS

10.1 Matters Requiring Approval of the Majority Series A Holders, the Majority Series B Holders, the Majority Series C Holders and Tiger

For so long as (A) any Preferred Shares remain outstanding; or (B) any shares owned by Tiger or its Affiliates in the Company, in addition to any other vote or consent required elsewhere in the Investors' Rights Agreement, the Articles or by any applicable statute, the Company shall not directly or indirectly, without the approval of the affirmative vote of (i) the Majority Series A Holders, (ii) the Majority Series B Holders; (iii) the Majority Series C Holders; and (iv) Tiger (each voting or consenting as a separate class), take any action (whether by amendment of the Memorandum or the Articles, through any merger, amalgamation, combination or similar transaction or otherwise, and whether in a single transaction or a series of related transactions) that:

(i) alters or changes the rights, preferences or privileges of the Common Shares, the Series A Preferred Shares, the Series B Preferred Shares and/or the Series C Preferred Shares;

(ii) redeems or repurchases any shares of the Company (other than pursuant to this Schedule, the equity incentive agreements with service providers giving any Group Company the right to repurchase shares upon the termination of service);

(iii) authorizes or issues any equity security with rights, preferences or privileges senior to or on a parity with the Common Shares, the Series A Preferred Shares, the Series B Preferred Shares and/or the Series C Preferred Shares;

(iv) amends or waives any provision of the Memorandum and Articles in a manner that would alter or change the rights, preferences or privileges of any Common Shares, Series A Preferred Shares, Series B Preferred Shares and/or Series C Preferred Shares; and

(v) takes any action which would result in any transaction involving both a Group Company and the shareholder or any of the employees, officers or directors of the Group Company or its subsidiaries or any affiliate of such shareholder, employee, officer, or director in excess of US$200,000 in a single transaction or in a series of transactions on the same subject matter (except for transactions entered into from time to time in the ordinary course of the business of the Company or its subsidiaries);

provided, always that in no circumstance shall Tiger's consent or approval be required if and when any holder of the Preferred Shares exercises its redemption right and liquidation preference pursuant to this Schedule and the Articles, provided, further that Tiger's right under this Section 10 shall not prejudice in any way the exercise by the holders of the Preferred Shares of their drag-along rights under Section 4 herein and the Articles.

10.2 Matters Requiring the Approval of the Series A Holders, the Series B Holders and the Series C Holders

For so long as any Preferred Shares remain outstanding, in addition to any other vote or consent required elsewhere in the Investors' Rights Agreement, the Articles or by any applicable statute, the Company shall not directly or indirectly, without the approval of the affirmative vote of the Majority Preferred Holders (voting together as a single class but not as separate classes), take any action (whether by amendment of the Memorandum or the Articles, through any merger, amalgamation, combination or similar transaction or otherwise, and whether in a single transaction or a series of related transactions) that:

(i) results in any merger, consolidation, or other corporate reorganization, or any transaction or series of transactions in which in excess of fifty percent (50%) of any of the Group Companies' voting power is transferred or in which all or substantially all of the assets of any Group Company are sold;

(ii) increases or decreases the authorized size of the board of directors of any Group Company;

(iii) results in the liquidation, dissolution or winding up of any Group Company or a Deemed Liquidation Event (as defined in Section 6 of this Schedule);

(iv) declares or allows the accrual of a dividend on any class or series of shares of the Company or take any action to decide not to declare the distributable profits of the Company as dividend;

(v) extends any loan or guarantees any Group Company for indebtedness in excess of US$1,000,000 in the aggregate to any third party;

(vi) issues debt in excess of US$1,000,000;

(vii) purchases any shares, securities or equity interest in, or otherwise acquire the business or assets of, any other company, body corporate, partnership or other business entity, involving an aggregate amount in excess of an aggregate amount of US$1,000,000;

(viii) authorizes any new issuance of any equity securities of any Group Company, excluding (a) any issuance of Common Shares upon conversion of the Preferred Shares; and (b) the issuance of Common Shares (or options or warrants thereof) under the Share Option Plan (as defined in the Investors' Rights Agreement) approved by the Board, including the affirmative consents of a majority of the Investor Directors; and

(ix) increases or decreases the authorized number of Common Shares or Preferred Shares.

10.3 Matters Requiring the Approval of the Series A Director, the Series B Director and the Series C Director

For so long as any Preferred Share remains outstanding, in addition to any other vote or consent required elsewhere in the Memorandum and Articles or by the Law, the Company shall not (and shall not permit any wholly-owned subsidiary of the Company or cause any other Group Company to), without first obtaining the written approval of the Board of the Company (by vote or written consent, as provided by laws), which must include the approval of at least two (2) of the Preferred Directors (as defined herein) voting together to take any action that:

(i) acquires (by way of purchase or otherwise) any interest in any real property except a lease of office premises;

(ii) executes any lease of any property for an annual rental payment in excess of US$500,000;

(iii) establishes or acquires any subsidiary;

(iv) sells or disposes any Group Company, or create any encumbrance over, any of its assets or undertakings with a book value in excess of US$500,000;

(v) appoints, removes, dismisses or terminates the employment of any Group Company's chief executive officer, chief financial officer, chief technology officer and chief operating officer of any Group Company, or determine the amount of such persons' remuneration, compensation and other benefits, including the grant of any share options or similar rights; provided that the Chief Financial Officer of the Company and all of his direct reports shall be appointed by the Board in accordance with the nomination of a written consent from the Majority Preferred Holders (voting together as a single class but not as separate classes);

(vi) appoints and removes auditors of any Group Company or causes any material change in the accounting and financial policies of any Group Company; and

(vii) incurs an expenditure or indebtedness (including bank borrowing) that has been projected in its annual budget of an amount representing a deviation of ten percent (10%) or more from the Board-approved annual budget (either in one transaction or in a series of related transactions) or an expenditure or indebtedness of any amount representing a deviation of ten percent (10%) or more from the Board-approved annual budget (either in one transaction or in a series of related transactions) that has not already been projected in its annual budget

11. REDEMPTION RIGHTS

Notwithstanding any provisions to the contrary in the Memorandum and Articles, the Preferred Shares shall be redeemable at the option of holders of the Preferred Shares as provided herein:

(a) Preferred Share Optional Redemption Date

(i) Redemption Notice.

At any time after June 30, 2015 (a "**Standard Redemption Event**"), the Majority Series A Holders, the Majority Series B Holders or the Majority Series C Holders may require that the Company redeem all or any lesser portion of its then outstanding Preferred Shares by providing the Company with no less than thirty (30) days' written notice (any such notice, a "**Redemption Notice**").

(ii) Redemption Date.

If (i) the Company has at least US$3,000,000 of cash or cash equivalents on the balance sheet (on a consolidated basis), and (ii) the Company has generated over US$1,000,000 in free cash flow in the preceding twelve (12) months, then, following receipt of a Redemption Notice, the Company shall within seven (7) business days deliver a copy of the Redemption Notice to each holder of record of a Preferred Share, at the address last shown on the records of the Company for such holder(s). Such Redemption Notice shall be accompanied by a notice indicating that certain holders of Preferred Shares have elected redemption of all or any lesser portion of their Preferred Shares pursuant to the provisions of this Section 11, shall specify the redemption date (the "**Redemption Date**"), and shall direct the holders of such shares to submit their share certificates to the Company on or before the scheduled Redemption Date.

With respect to a Standard Redemption Event, each holder of Preferred Shares shall have the right to have its Preferred Shares redeemed on such Redemption Date together with the holder of Preferred Shares that delivered the Redemption Notice subject to the Articles.

(iii) Postponement of Redemption Date.

Notwithstanding the foregoing, if (i) the Company does not have at least US$3,000,000 of cash or cash equivalents on the balance sheet (on a consolidated basis), or (ii) the Company has not generated over US$1,000,000 in net profit in the preceding twelve (12) months immediately preceding such Redemption Date, then the Redemption Date shall be postponed until such time as the Company meets the foregoing financial thresholds.

(b) Redemption Price

(i) Series C-1 Redemption Price.

The redemption price for each Series C-1 Preferred Share redeemed pursuant to this Section 11 (the "**Series C-1 Redemption Price**") shall be equal to the greater of:

(1) the fair market value of the Series C-1 Preferred Shares as of the Redemption Date of such Series C-1 Preferred Share, or

(2) one hundred percent (100%) of the Series C-1 Original Issue Price (as proportionally adjusted for any share splits, share dividends, combinations, recapitalizations or similar transactions), plus all declared or accrued but unpaid dividends thereon up until the date of redemption (including their proportionate share in case of any partial year), proportionally adjusted for any share splits, share dividends, combinations, recapitalizations or similar transactions, plus an amount that would give the holder of Series C-1 Preferred Shares an internal rate of return of no less than ten percent (10%) per annum, calculated according to the following formula:

Series C-1 Redemption Price = $IP \times (1.10)^{N}$, where

IP = Series C-1 Original Issue Price; and

N= a fraction the numerator of which is the number of calendar days between the date of the original issuance of the Series C-1 Preferred Shares and the Redemption Date and the denominator of which is 365 (as adjusted for any share splits, share dividends, combinations, recapitalizations or similar transactions).

(ii) Series C-2 Redemption Price.

The redemption price for each Series C-2 Preferred Share redeemed pursuant to this Section 11 (the "**Series C-2 Redemption Price**") shall be equal to the greater of:

(1) the fair market value of the Series C-2 Preferred Shares as of the Redemption Date of such Series C-2 Preferred Share, or

(2) one hundred percent (100%) of the Series C-2 Original Issue Price (as adjusted for any share splits, share dividends, combinations, recapitalizations or similar transactions), plus all declared or accrued but unpaid dividends thereon up until the date of redemption (including their proportionate share in case of any partial year), proportionally adjusted for any share splits, share dividends, combinations, recapitalizations or similar transactions, plus an amount that would give the holder of Series C-2 Preferred Shares an internal rate of return of no less than ten percent (10%) per annum, calculated according to the following formula:

Series C-2 Redemption Price = $IP \times (1.10)^{N}$, where

IP = Series C-2 Original Issue Price; and

N= a fraction the numerator of which is the number of calendar days between the date of the original issuance of the Series C-2 Preferred Shares and the Redemption Date and the denominator of which is 365 (as adjusted for any share splits, share dividends, combinations, recapitalizations or similar transactions).

(iii) Series B Redemption Price.

The redemption price for each Series B Preferred Share redeemed pursuant to this Section 11 (the "**Series B Redemption Price**") shall be equal to the greater of:

(1) the fair market value of the Series B Preferred Shares as of the Redemption Date of such Series B Preferred Share, or

(2) one hundred percent (100%) of the Series B Original Issue Price (as adjusted for any share splits, share dividends, combinations, recapitalizations or similar transactions), plus all declared or accrued but unpaid dividends thereon up until the date of redemption (including their proportionate share in case of any partial year), proportionally adjusted for any share splits, share dividends, combinations, recapitalizations or similar transactions, plus an amount that would give the holder of Series B Preferred Shares an internal rate of return of no less than ten percent (10%) per annum, calculated according to the following formula:

Series B Redemption Price = $IP \times (1.10)^N$, where

IP = Series B Original Issue Price; and

N= a fraction the numerator of which is the number of calendar days between the date of the original issuance of the Series B Preferred Shares and the Redemption Date and the denominator of which is 365 (as adjusted for any share splits, share dividends, combinations, recapitalizations or similar transactions).

(iv) Series A Redemption Price.

The redemption price for each Series A Preferred Share redeemed pursuant to this Section 11 (the "**Series A Redemption Price**") shall be equal to the greater of:

(i) the fair market value of the Series A Preferred Shares as of the Redemption Date of such Series A Preferred Share, or

(ii) one hundred and fifty percent (150%) of the Series A Original Issue Price (as adjusted for any share splits, share dividends, combinations, recapitalizations or similar transactions), plus all declared or accrued but unpaid dividends thereon up until the date of redemption (including their proportionate share in case of any partial year), proportionally adjusted for any share splits, share dividends, combinations, recapitalizations or similar transactions, plus an amount that would give the holder of Series A Preferred Shares an internal rate of return of no less than ten percent (10%) per annum, calculated according to the following formula:

Series A Redemption Price = $IP \times (1.10)^N$, where

IP = one hundred fifty percent (150%) of the Series A Original Issue Price; and

N= a fraction the numerator of which is the number of calendar days between the date of the original issuance of the Series A Preferred Shares and the Redemption Date and the denominator of which is 365 (as adjusted for any share splits, share dividends, combinations, recapitalizations or similar transactions).

(c) Procedure

The closing (the "**Redemption Closing**") of the redemption of any Preferred Shares pursuant to this Section 11 will take place on the Redemption Date. At the Redemption Closing, subject to applicable law, the Company will, from any source of assets or funds legally available therefor,

(A) first, before redeeming any other class of shares, redeem each Series C-1 Preferred Share and each Series C-2 Preferred Share by paying in cash therefor the Series C-1 Redemption Price or Series C-2 Redemption Price (as the case may be) against surrender by such holder at the Company's principal office of the certificate representing such share.

(B) second, after payment in full of the Series C-1 Redemption Price and Series C-2 Redemption Price of the Series C-1 Preferred Shares and Series C-2 Preferred Shares (as the case may be) to be redeemed, redeem each Series B Preferred Share by paying in cash therefor the Series B Redemption Price against surrender by such holder at the Company's principal office of the certificate representing such share.

(C) third, after payment in full of the Series C-1 Redemption Price and Series C-2 Redemption Price of the Series C-1 Preferred Shares and Series C-2 Preferred Shares (as the case may be) to be redeemed and after payment in full of the Series B Redemption Price of the Series B Preferred Shares to be redeemed, redeem each Series A Preferred Share by paying in cash therefor the Series A Redemption Price against surrender by such holder at the Company's principal office of the certificate representing such share.

From and after the Redemption Closing, if the Company makes the Series A Redemption Price, the Series B Redemption Price, the Series C-1 Redemption Price or the Series C-2 Redemption Price, as the case may be, available to a holder of a Preferred Share, all rights of the holder of such Preferred Share (except the right to receive the Series A Redemption Price, the Series B Redemption Price, the Series C-1 Redemption Price or the Series C-2 Redemption Price, as the case may be, therefor) will cease with respect to such Preferred Share, and such Preferred Share will not thereafter be transferred on the books of the Company or be deemed outstanding for any purpose whatsoever. To the extent that the Company's assets of funds which are legally available to make any redemption payment under this Section 11(c) are insufficient, the payment of the applicable redemption price shall be made in accordance with Section 11(d) below.

(d) Insufficient Funds

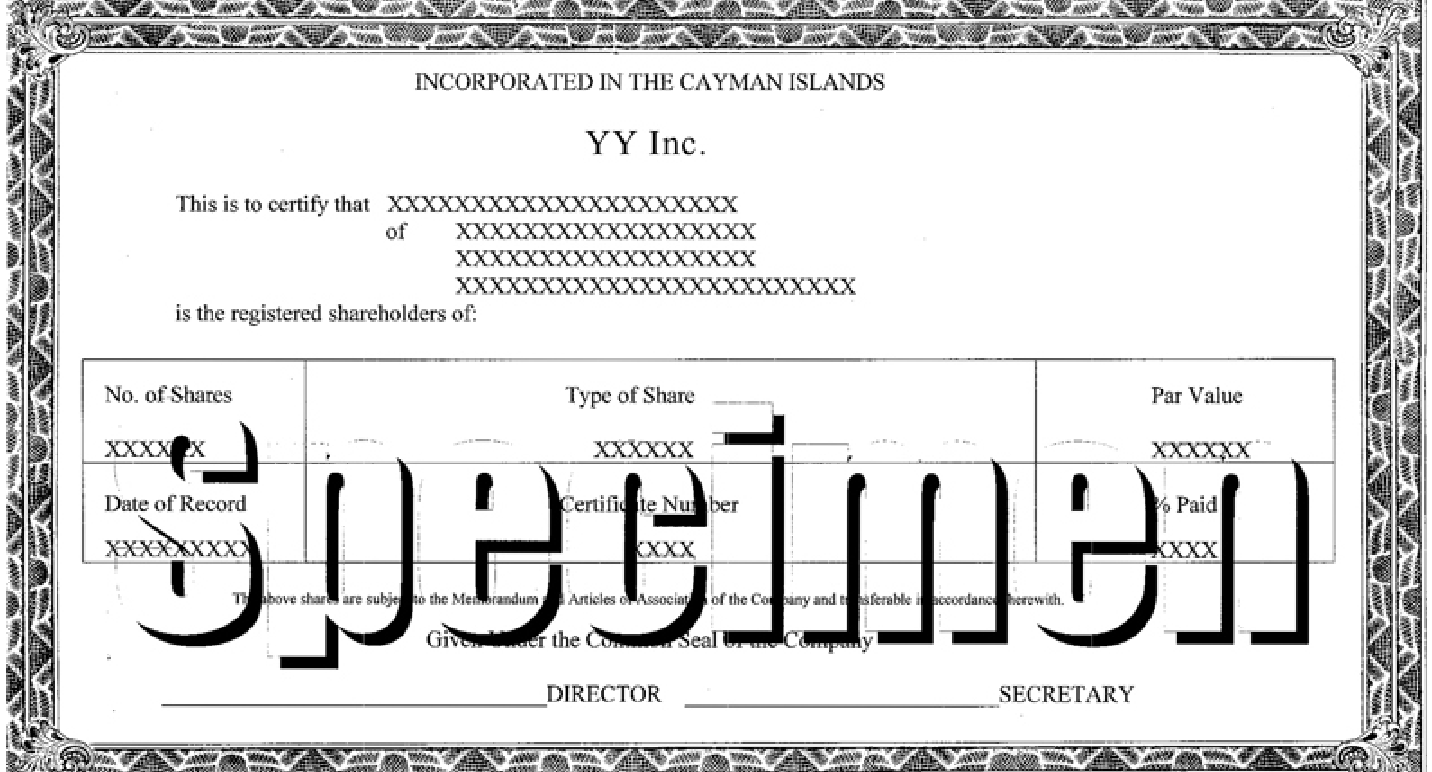
(i) If the Company's assets or funds which are legally available on the date that any redemption payment under this Section 11 is due are insufficient to pay in full all redemption payments to be paid at the Redemption Date, or if the Company is otherwise prohibited by applicable law from making such redemption, those assets or funds which are legally available shall be used to the extent permitted by applicable law to pay all redemption payments due on such date ratably in proportion to the full amounts to which the holders to which such redemption payments are due would otherwise be respectively entitled thereon, in the order set forth in this Section 11, with the Series C-1 Redemption Price and Series C-2 Redemption Price being paid in full in accordance with Section 11(c)(A) above, prior to the payment of the Series B Redemption Price pursuant to Section 11(c)(B) above and the payment of the Series A Redemption Price pursuant to Section 11(c)(C) above, respectively.

(ii) If there are insufficient assets or funds to redeem each Series C-1 Preferred Share and Series C-2 Preferred Shares by paying in cash therefor the Series C-1 Redemption Price and Series C-2 Redemption Price (as applicable), then the Series C-1 Preferred Shares and Series C-2 Preferred Shares shall be redeemed ratably in proportion to the full amounts to which the holders to which such redemption payments are due would otherwise be respectively entitled thereon. If, after payment in full of the Redemption Price of the Series C-1 Preferred Shares and Series C-2 Preferred Shares to be redeemed, there are insufficient assets or funds to redeem each Series B Preferred Share by paying in cash therefor the Series B Redemption Price and (as applicable), then the Series B Preferred Shares shall be redeemed ratably in proportion to the full amounts to which the holders to which such redemption payments are due would otherwise be respectively entitled thereon. If, after payment in full of the Redemption Price of the Series C-1 Preferred Shares, Series C-2 Preferred Shares and Series B Preferred Shares to be redeemed, there are insufficient assets or funds to redeem each Series A Preferred Share by paying in cash therefor the Series A Redemption Price and (as applicable), then the Series A Preferred Shares shall be redeemed ratably in proportion to the full amounts to which the holders to which such redemption payments are due would otherwise be respectively entitled thereon. Thereafter, all assets or funds of the Company that become legally available for the redemption of shares shall immediately be used to pay the redemption payment which the Company did not pay on the date that such redemption payments were due, in the order set forth in Section 11(c) above. Notwithstanding the above, the period from the Redemption Date to the actual payment in full of the Series A Redemption Price, the Series B Redemption Price, the Series C-1 Redemption Price or the Series C-2 Redemption Price, as the case may be, shall not exceed two (2) years.

(e) Without limiting any rights of the holders of Preferred Shares which are set forth in this Section, or are otherwise available under law, the balance of any shares subject to redemption hereunder with respect to which the Company has become obligated to pay the redemption payment but which it has not paid in full shall continue to have all the powers, designations, preferences and relative participating, optional, and other special rights (including, without limitation, rights to accrue dividends) which such shares had prior to such date, until the redemption payment has been paid in full with respect to such shares.

Exhibit 4.2

Matter:	FEI/SEI:	Issued To: XXXXXXXXX
Type of Share: XXX	Certificate No.XX	
No. of Shares XXX	Transfer to Cert#______	Date of Record: XXXXXXX
Amount Paid XXX	Number of Shares: XXXX	
Par Value XXXX	Transfer Date: XXXX	



INCORPORATED IN THE CAYMAN ISLANDS

YY Inc.

This is to certify that XXXXXXXXXXXXXXXXXXXXXX
of XXXXXXXXXXXXXXXXXXX
XXXXXXXXXXXXXXXXXXX
XXXXXXXXXXXXXXXXXXXXXXXXX
is the registered shareholders of:

No. of Shares	Type of Share	Par Value
XXXXXX	XXXXXX	XXXXXX
Date of Record	Certificate Number	% Paid
XXXXXXXXX	XXXX	XXXX

The above shares are subject to the Memorandum and Articles of Association of the Company and transferable in accordance therewith.

Given Under the Common Seal of the Company

____________________ DIRECTOR ____________________ SECRETARY

Exhibit 4.4

Execution Version

INVESTORS' RIGHTS AGREEMENT

This INVESTORS' RIGHTS AGREEMENT (this "**Agreement**") is entered into as of September 6, 2011 by and among:

(1) YY Inc., a limited liability company duly incorporated and validly existing under the laws of the Cayman Islands (the "**Company**");

(2) Duowan Entertainment Corp., a limited liability company duly incorporated and validly existing under the laws of the British Virgin Islands (the "**Duowan BVI**");

(3) NeoTasks Inc., an exempted limited liability company duly incorporated and validly existing under the laws of the Cayman Islands (the "**Cayman Subsidiary**");

(4) NeoTasks Limited, a limited liability company duly incorporated and validly existing under the laws of Hong Kong (the "**Hong Kong Subsidiary**");

(5) Duowan Entertainment Information Technology (Beijing) Co., Ltd. (多玩娱乐信息技术(北京)有限公司), a wholly foreign-owned enterprise duly incorporated and validly existing under the laws of the PRC (the "**Beijing WFOE**");

(6) Zhuhai Duowan Technology Limited (珠海多玩科技有限公司), a wholly foreign-owned enterprise duly incorporated and validly existing under the laws of the PRC ("**Zhuhai WFOE**", together with the Beijing WFOE, the "**WFOEs**" and individually, a "**WFOE**");

(7) Zhuhai Duowan Information and Technology Co., Limited (珠海多玩信息技术有限公司), a limited liability company duly incorporated and validly existing under the laws of the PRC ("**Zhuhai Duowan**");

(8) Guangzhou Huaduo Network Technology Co., Limited (广州华多网络科技有限公司), a limited liability company duly incorporated and validly existing under the laws of the PRC ("**Guangzhou Huaduo**");

(9) Beijing Tuda Technology Co., Limited (北京途达科技有限责任公司), a limited liability company duly incorporated and validly existing under the laws of the PRC ("**Beijing Tuda**", together with Zhuhai Duowan and Guangzhou Huaduo, the "**Domestic Companies**" and individually, a "**Domestic Company**");

(10) the Persons listed on Exhibit A hereto (each a "**Key Holder**" and collectively, the "**Key Holders**");

(11) the Persons listed on Exhibit B hereto (each a "**Series A Investor**" and collectively, the "**Series A Investors**");

(12) the Persons listed on Exhibit C hereto (each a "**Series B Investor**" and collectively, the "**Series B Investors**");

(13) the Persons listed on Exhibit D hereto (each a "**Series C Investor**" and collectively, the "**Series C Investors**"); and

(14) Tiger Global Six YY Holdings, a limited liability company duly incorporated and validly existing under the laws of Mauritius ("**Tiger**", together with the Series A Investors, the Series B Investors and the Series C Investors, the "**Investors**" and individually, an "**Investor**").

RECITALS

WHEREAS:

(A) the Key Holders, the Series A Investors, the Series B Investors, the Series C Investors, MTIL and Tiger were the legal and beneficial holders of all of the issued share capital of Duowan BVI immediately prior to the share exchange pursuant to a certain Share Exchange Agreement, dated September 6, 2011, among the Company and other parties thereto (the "**Share Exchange Agreement**");

(B) the Key Holders, the Series A Investors, the Series B Investors, the Series C Investors, MTIL and Tiger were parties to that certain Third Amended and Restated Investors' Rights Agreement dated January 21, 2011, among Duowan BVI and the parties thereto (the "**BVI Investors' Rights Agreement**");

(C) the Series A Investors entered into a series A convertible preferred shares purchase agreement dated June 2, 2008 with Duowan BVI, the Key Holders and certain other parties thereto (the "**Series A Preferred Share Purchase Agreement**") with respect to the issuance and sale by Duowan BVI of 277,757 no par value convertible redeemable series A preferred shares at a consideration of US$2,000,000.00 to the Series A Investors;

(D) the Series B Investors entered into a series B preference share purchase agreement dated August 8, 2008 with Duowan BVI, the Key Holders and certain other parties thereto (the "**Series B Preferred Share Purchase Agreement**") with respect to the issuance and sale by Duowan BVI of 208,314 no par value convertible redeemable series B preferred shares at a consideration of US$5,000,015.30 to the Series B Investors;

(E) the Series C Investors entered into a series C preferred share purchase agreement dated November 20, 2009 with Duowan BVI, the Key Holders and certain other parties thereto (the "**Series C Preferred Share Purchase Agreement**") with respect to the issuance and sale by Duowan BVI of 33,163 no par value convertible redeemable series C-1 preferred shares at a consideration of US$1,299,989.60 and of 214,285 no par value convertible redeemable series C-2 preferred shares at a consideration of US$10,499,965.00 to the Series C Investors;

(F) Duowan BVI sub-divided all of its then authorised and issued Shares by means of a 490-for-1 share split which was approved by the shareholders' resolutions on July 9, 2010;

(G) Tiger entered into a common share purchase agreement and warrant purchase agreement dated January 21, 2011 with Duowan BVI, the Key Holders and certain other parties thereto (the "**Common Share Purchase Agreement**") with respect to the issuance and sale by Duowan BVI of 51,140,432 no par value common shares in Duowan BVI at an aggregate consideration of US$50,000,000 and a warrant (the "**Warrant**") to purchase 25,570,216 no par value common shares in Duowan BVI at a consideration of US$25,000,000 to Tiger. On July 29, 2011, Tiger exercised the Warrant and 25,570,216 no par value common shares in Duowan BVI were issued to Tiger accordingly; and

(H) in connection with the share exchange (the "**Share Exchange**") pursuant to the Share Exchange Agreement, the parties hereto now wish to enter into this Agreement and a Right of First Refusal and Co-Sale Agreement among the parties hereto, dated on or about the date of this Agreement, for the purposes of regulating the rights and obligations among them as well as the business and management of the Group Companies.

WITNESSETH

NOW, THEREFORE, in consideration of the premises set forth above, the mutual promises and covenants set forth herein and other good and valuable consideration, the parties hereby agree as follows:

1. DEFINITIONS.

1.1 Certain Defined Terms. As used in this Agreement, the following terms shall have the following respective meanings:

"**Affiliate**" means, with respect to a Person, any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person. For purposes of this Agreement, "control" means, when used with respect to any Person, power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "**affiliated**," "**controlling**" and "**controlled**" have meanings correlative to the foregoing.

"**Agreement**" has the meaning ascribed to it in the Preamble to this Agreement.

"**Beijing Tuda**" has the meaning ascribed to it in the Preamble to this Agreement.

"**Beijing WFOE**" has the meaning ascribed to it in the Preamble to this Agreement.

"**Board**" means the board of Directors of the Company.

"**Budget**" has the meaning ascribed to it in Section 2.1(c).

"**Business Day**" means any day that is not a Saturday, Sunday, legal holiday or other day on which commercial banks are required or authorized by laws to be closed in Hong Kong, Cayman Islands, British Virgin Islands, the PRC or New York.

"**BVI Investors Rights Agreement**" means the third amended and restated investors' right agreement dated January 21, 2011 entered into by and among Duowan BVI, the Key Holders, the Series A Investors, the Series B Investors, the Series C Investors, MTIL, Tiger and certain other parties, together with the exhibits and schedules attached thereto.

"**Cayman Subsidiary**" has the meaning ascribed to it in the Preamble to this Agreement.

"**Centre**" has the meaning ascribed to it in Section 8.2(b).

"**CEO Director**" has the meaning ascribed to it in Section 6.1(a).

"**CFC**" has the meaning ascribed to it in Section 2.4(c).

"**Chairman**" has the meaning ascribed to it in Section 6.1(c).

"**Code**" means the United States Internal Revenue Code of 1986, as amended from time to time.

"**Commission**" means (i) with respect to any offering of securities in the United States, the Securities and Exchange Commission of the United States or any other federal agency at the time administering the Securities Act, and (ii) with respect to any offering of securities in a jurisdiction other than the United States, the regulatory body of the jurisdiction with authority to supervise and regulate the sale of securities in that jurisdiction.

"**Common Share Equivalent**" means, with respect to any shareholder of the Company, Common Shares owned by such shareholder together with the Common Shares into or for which any issued and outstanding Preferred Shares or any other issued and outstanding convertible securities (excluding, for the avoidance of doubt, unexercised options or warrants) owned by such shareholder shall be convertible.

"**Common Shares**" means common shares of par value of US$0.00001 each of the Company.

"**Company**" has the meaning ascribed to it in the Preamble to this Agreement.

"**Competitor**" means Sina.com, qq.com, Ispeak.cn and such other companies which provide team voice chat software used for personal computers in the PRC. For the purpose of this definition, the term "Competitor" shall not include the limited partners of any Investor.

"**Consultation Request**" has the meaning ascribed to it in Section 8.2(a).

"**Conversion Shares**" means the Common Shares issuable upon conversion of the Preferred Shares.

"**Deemed Liquidation Event**" has the meaning ascribed to it in the Memorandum and Articles of the Company, as amended from time to time.

"**Directors**" means the directors of the Company.

"**Domestic Company**" and "**Domestic Companies**" have the meanings ascribed to them in the Preamble to this Agreement.

"**Duowan BVI**" has the meaning ascribed to it in the Preamble to this Agreement.

"**Exchange Act**" means the U.S. Securities and Exchange Act of 1934, and the rules and regulations promulgated thereunder, as amended from time to time.

"**Final Prospectus**" has the meaning ascribed to it in Section 3.8(d).

"**First Participation Notice**" has the meaning ascribed to it in Section 4A.4(a).

"**Form F-3**" and "**Form S-3**" have the meanings ascribed to them in Section 3.2(e).

"**GGV**" means Granite Global Ventures III L.P. and GGV III Entrepreneurs Fund L.P., their general partners and any of their respective successors and assignees, collectively.

"**Group Companies**" includes but without limitation the Company, Duowan BVI, the Cayman Subsidiary, the Hong Kong Subsidiary, the WFOEs, the Domestic Companies and any controlled Affiliate of each of the Company, Duowan BVI, the Cayman Subsidiary, the Hong Kong Subsidiary, the WFOEs, and the Domestic Companies that is not a natural person (each a "**Group Company**").

"**Guangzhou Huaduo**" has the meaning ascribed to it in the Preamble to this Agreement.

"**HK GAAP**" means the "Hong Kong Generally Accepted Accounting Principles".

"**Holder**" has the meaning ascribed to it in Section 3.2(d).

"**Hong Kong Subsidiary**" has the meaning ascribed to it in the Preamble to this Agreement.

"**Hong Kong**" means the Hong Kong Special Administrative Region of the PRC.

"**Independent Director**" has the meaning ascribed to it in Section 6.1(a).

"**Initiating Holders**" has the meaning ascribed to it in Section 3.3(b).

"**Investment Securities**" means the Common Shares, Preferred Shares and Conversion Shares held by an Investor.

"**Investors**" means the Series A Investors, the Series B Investors, the Series C Investors and Tiger.

"**Investor Directors**" means the Preferred Directors and the Tiger Director, collectively;

"**Key Employee**" means each of the Persons listed in Exhibit E.

"**Key Holder Directors**" means the directors nominated by the Key Holders in accordance with the provisions of Section 6.1(a) and Section 6.1(b).

"**Key Holder**" and "**Key Holders**" have the meanings ascribed to them in the Preamble to this Agreement.

"**Liquidation Event**" has the meaning ascribed to it in the Memorandum and Articles, as amended from time to time.

"**Majority Preferred Holders**" means the holders of more than fifty percent (50%) of the then outstanding Series A Preferred Shares, Series B Preferred Shares and Series C Preferred Shares, and the Conversion Shares issued upon conversion thereof, voting or consenting together as a single class on a fully-diluted and as-if-converted basis.

"**Majority Series A Holders**" means the holders of more than fifty percent (50%) of the then outstanding Series A Preferred Shares, and the Conversion Shares issued upon conversion thereof, on a fully-diluted and as-converted basis.

"**Majority Series B Holders**" means the holders of more than fifty percent (50%) of the then outstanding Series B Preferred Shares, and the Conversion Shares issued upon conversion thereof, on a fully-diluted and as-converted basis.

"**Majority Series C Holders**" means, collectively, the holders of more than fifty percent (50%) of the then outstanding Series C-1 Preferred Shares and the Series C-2 Preferred Shares, and the Conversion Shares issued upon conversion thereof, on a fully-diluted and as-converted basis.

"**Memorandum and Articles**" means the memorandum and articles of association of the Company adopted by resolution in writing of all shareholders of the Company, as amended from time to time, and the terms "**Memorandum**" and "**Articles**" shall be construed accordingly.

"**Morningside Group**" means Favor Star Limited and Morningside China TMT Fund I, L.P., and any of their respective successors and assignees, collectively.

"**MTIL**" means Morningside Technology Investments Limited, and any of its successors or assignees.

"**New Securities**" has the meaning ascribed to it in Section 4A.3.

"**Notice**" has the meaning ascribed to it in Section 8.2(a).

"**Original Series B Issue Date**" means the date on which the first Series B Preferred Shares was issued, i.e., August 19, 2008.

"**Participation Rights Holder**" has the meaning ascribed to it in Section 4A.1.

"**Person**" or "**person**" shall be construed as broadly as possible and shall include an individual, a partnership, a limited liability company, a company, an association, a trust, a joint venture or unincorporated organization and any government organization or authority.

"**PFIC**" has the meaning ascribed to it in Section 2.4(a).

"**PRC**" means the People's Republic of China, excluding, for the purpose of this Agreement, Hong Kong, Macau Special Administrative Region and Taiwan.

"**Preferred Directors**" has the meaning ascribed to it in Section 6.1(a).

"**Preferred Participation Notice**" has the meaning ascribed to it in Section 4B.3.

"**Preferred Participation Rights Holder**" has the meaning ascribed to it in Section 4B.1.

"**Preferred Right of Participation**" has the meaning ascribed to it in Section 4B.1.

"**Preferred Right Participants**" has the meaning ascribed to it in Section 4B.3(b).

"**Preferred Shares**" means the Series A Preferred Shares, the Series B Preferred Shares and the Series C Preferred Shares, collectively.

"**pro rata share**" has the meaning ascribed to it in Section 4A.2.

"**QEF Election**" has the meaning ascribed to it in Section 2.4(a).

"**Qualified IPO**" has the meaning ascribed to it in the Memorandum and Articles of the Company, as amended from time to time.

"**Qualified Trade Sale**" has the meaning ascribed to it in Section 6.4;

"**register**", "**registered**", and "**registration**" have the meanings ascribed to them in Section 3.2(a).

"**Registrable Securities then outstanding**" has the meaning ascribed to it in Section 3.2(c).

"**Registrable Securities**" has the meaning ascribed to it in Section 3.2(b).

"**Request Notice**" has the meaning ascribed to it in Section 3.3(a).

"**Restricted Shareholder**" has the meaning ascribed to it in Section 7.7.

"**Right of First Refusal and Co-Sale Agreement**" shall mean the right of first refusal and co-sale agreement entered into by and among the Company, the Investors and certain other parties thereto dated as of the date of this Agreement, as amended from time to time.

"**Right of Participation**" has the meaning ascribed to it in Section 4A.1.

"**Right Participants**" has the meaning ascribed to it in Section 4A.4(b).

“**Rule 144**” means Rule 144 promulgated under the Securities Act, as amended from time to time.

“**SEC**” means the U.S. Securities and Exchange Commission, as constituted from time to time.

“**Second Participation Notice**” has the meaning ascribed to it in Section 4A.4(b).

“**Second Participation Period**” has the meaning ascribed to it in Section 4A.4(b).

“**Second Preferred Participation Notice**” has the meaning ascribed to it in Section 4B.3(b).

“**Second Preferred Participation Period**” has the meaning ascribed to it in Section 4B.3(b).

“**Securities Act**” means the U.S. Securities Act of 1933 and the rules and regulations promulgated thereunder, as amended from time to time.

“**Selling Shareholder**” has the meaning ascribed to it in Section 6.4(b).

“**Series A Director**” has the meaning ascribed to it in the Memorandum and Articles, as amended from time to time.

“**Series A Holders**” means the holders of the then outstanding Series A Preferred Shares and the Conversion Shares issued upon conversion thereof, collectively.

“**Series A Investor**” and “**Series A Investors**” have the meanings ascribed to them in the Preamble to this Agreement.

“**Series A Preferred Shares**” means the series A preferred shares of par value of US$0.00001 each of the Company.

“**Series B Director**” has the meaning ascribed to it in the Memorandum and Articles, as amended from time to time.

“**Series B Holders**” means the holders of the then outstanding Series B Preferred Shares and the Conversion Shares issued upon conversion thereof, collectively.

“**Series B Investor**” and “**Series B Investors**” have the meanings ascribed to them in the Preamble to this Agreement.

“**Series B Preferred Shares**” means the series B preferred shares of par value of US$0.00001 each of the Company.

“**Series C Director**” has the meaning ascribed to it in the Memorandum and Articles, as amended from time to time.

“**Series C Holders**” means, collectively, the holders of the then outstanding Series C-1 Preferred Shares and the Series C-2 Preferred Shares, and the Conversion Shares issued upon conversion thereof.

“**Series C Investor**” and “**Series C Investors**” have the meanings ascribed to them in the Preamble to this Agreement.

“**Series C Preferred Shares**” means the series C-1 preferred shares of par value of US$0.00001 each and series C-2 preferred shares of par value of US$0.00001 each of the Company.

“**Share Option Plan**” has the meaning ascribed to it in Section 7.11(a).

“**Shareholder**” means each of the Key Holders, the Investors and any of their successors or assignees.

“**Steamboat**” means Steamboat Ventures Asia, L.P., and any of its successors or assignees.

“**Tiger Director**” has the meaning ascribed to it in Section 6.1.

“**Tiger Shares**” mean the Common Shares held by Tiger.

“**Tiger**” means Tiger Global Six YY Holdings, and any of its Affiliates, successors or assignees.

“**Transaction Agreements**” means this Agreement, the Share Exchange Agreement, the Right of First Refusal and Co-Sale Agreement and the Memorandum and Articles, and any other agreements, instruments or documents entered into in connection with the Share Exchange, together with the exhibits and schedules attached thereto.

“**U.S. GAAP**” means the “United States Generally Accepted Accounting Principles”.

“**Violation**” has the meaning ascribed to it in Section 3.8(a).

“**Warrant**” has the meaning ascribed to it in the Recitals to this Agreement.

“**WFOE**” and “**WFOEs**” have the meanings ascribed to them in the Preamble to this Agreement.

“**Zhuhai Duowan**” has the meaning ascribed to it in the Preamble to this Agreement.

“**Zhuhai WFOE**” has the meaning ascribed to it in the Preamble to this Agreement.

2. INFORMATION AND INSPECTION RIGHTS.

2.1 Delivery of Financial Statements. The Company covenants and agrees that, commencing on the date of this Agreement, and for so long as an Investor continues to hold three percent (3%) or more of the shares in the stock capital of the Company, it will deliver the following to such Investor with respect to the Company:

(a) Within ninety (90) days after the end of each fiscal year of the Company, (i) a consolidated income statement for the Company for such fiscal year; (ii) a statement of cash flows for the Company for such fiscal year; (iii) a consolidated balance sheet for the Company as of the end of the fiscal year, audited and certified by an international recognized accounting firm approved by the Board of Directors (with the affirmative consent of a majority of the Investor Directors); and (iv) a management report including a comparison of the financial results of such fiscal year with the corresponding annual budget, all prepared in English and in accordance with HK GAAP or U.S. GAAP;

(b) Within twenty-one (21) days of the end of each month, (i) a consolidated unaudited income statement for such calendar month; (ii) a statement of cash flows for such calendar month; (iii) a consolidated balance sheet for the Company as of the end of such calendar month; and (iv) a management report including a comparison of the actual results of such period with the projection in the annual budget, all prepared in English and in accordance with the HK GAAP or U.S. GAAP (except for year-end adjustments and except for the absence of notes);

(c) No later than thirty (30) days prior to the end of each fiscal year, a proposed budget and business plan for the next fiscal year to be submitted to the Board of Directors for approval (collectively, the "**Budget**"), prepared on a monthly basis including, revenues, expenses, cash position, balance sheets and sources and applications of funds statements (including any anticipated or planned capital expenditure or borrowings) for such months and, as soon as prepared, any other budgets or revised budgets prepared by the Company;

(d) Copies of all other documents or other information sent to any Person in such Person's capacity as a shareholder of the Company; and

(e) Copies of all other documents or other information as the Investors or any assignee of an Investor may reasonably request.

2.2 Inspection Rights. For so long as an Investor continues to hold three percent (3%) or more of the shares in the stock capital of the Company, the Company shall, subject to such Investor complying with the confidentiality requirements, permit such Investor, at its own expense, by itself or through its authorized agent, to visit and inspect, during normal business hours following reasonable notice by such Investor to the Company and only in a manner so as not to interfere with the normal business operations of the Group Companies, any of the properties of the Group Companies, and examine the books of account and records of the Group Companies, and discuss the affairs, finances and accounts of the Group Companies with the directors, officers, management employees, accountants, legal counsel and investment bankers of such companies, all at such reasonable times as may be requested in writing by such Investor; provided, that with respect to any of the preceding obligations of the Company with respect to a Group Company that is not controlled by the Company through the ownership of voting securities, the Company shall be required only to use its commercially reasonable best efforts to fulfil such obligations; provided, further, that such Investor may be excluded from access to any material, records or other information (a) if the applicable Group Company is restricted from making such disclosure pursuant to a bona fide agreement with a third party; (b) if such disclosure will jeopardize the attorney-client privilege, except to the extent such Investor agrees in writing to keep all such information confidential upon terms acceptable to the Company on advice of counsel; or (c) if the Company reasonably considers such information to be a trade secret or similar confidential information.

2.3 Information Rights (Post-IPO). The Company covenants and agrees that, for a period of three (3) years following the closing of a Qualified IPO, unless otherwise instructed by such Investor, the Company shall promptly deliver to such Investor copies of the Company's quarterly, interim and annual reports to shareholders and all other filings required to be made with the Commission or governmental agencies inside or outside the United States after such documents are filed with the appropriate securities exchange or regulatory authority.

2.4 U.S. Tax Matters.

(a) The Company shall (a) determine, with respect to such taxable year whether the Company (or any of its Affiliates) is a passive foreign investment company ("**PFIC**") as described in Section 1297 of the United States Internal Revenue Code of 1986, as amended (the "**Code**") (including whether any exception to PFIC status may apply) or is or may be classified as a partnership or branch for U.S. federal income tax purposes, and (b) provide such information reasonably available to the Company as any U.S. Investor may reasonably request to permit such U.S. Investor to elect to treat the Company and/or any such entity (including a subsidiary of the Company) as a "qualified electing fund" (within the meaning of Section 1295 of the Code) (a "**QEF Election**") for U.S. federal income tax purposes. The Company shall also, obtain and provide any and all other information reasonably deemed necessary by the U.S. Investor to comply with the provisions of this Section 2.4. The Company shall appoint an internationally reputable accounting firm acceptable to the Investors to prepare and submit its U.S. tax filings. The Company shall use its best efforts to avoid becoming a PFIC as defined in the Code.

(b) If a determination is made by the Company that the Company is a PFIC for a particular taxable year, then for such year and for each year thereafter, the Company shall also provide each known U.S. Investor within sixty (60) days with a completed "PFIC Annual Information Statement" as required by Treasury Regulation Section 1.1295-1(g) and any other information reasonably required by a U.S. Investor to comply with any reporting or other requirements in connection with the QEF Election.

(c) The Company shall promptly provide the U.S. Investors with written notice if it (or any of its Subsidiaries) becomes aware that it is a controlled foreign corporation as described in Section 957 of the Code ("**CFC**"). The Company shall furnish on a timely basis all information requested by such Investor to satisfy its U.S. federal income tax return filing requirements, if any, arising from its investment in the Company and relating to the Company or any Group Company's classification as a CFC.

(d) The Company, will comply and will cause its Subsidiaries to comply with all record-keeping, reporting, and other requests reasonably necessary for the Company and its Subsidiaries to allow any U.S. Investor to comply with any applicable U.S. federal income tax laws. The Company, will also provide any known U.S. Investor with any information reasonably requested to allow such U.S. Investor to comply with any applicable U.S. federal income tax laws (including but not limited to information relating to the transfer of any equity interests of the Company (or any Subsidiary) and the issuance or redemption by the Company (or any Subsidiary) of any equity interests).

(e) The Company shall, cooperate in determining whether it would be desirable, reasonable and appropriate for the Company and/or any Subsidiary to elect to be classified as a partnership or branch for U.S. federal income tax purposes and, if so, to take all reasonable steps to cause any such elections to be made, including by filing or by causing to be filed, Internal Revenue Service Form 8832 (or any successor form), and the Company shall not permit such election, once made, to be terminated or revoked without the written consent of the U.S. Investors; provided that the Company shall notify all U.S. Investors prior to the making of any such election.

(f) The Company shall, and shall cause each Group Company to, timely and accurately file tax returns in each jurisdiction in which such returns are required to be filed.

(g) All out-of-pocket expenses incurred by the Company or any Subsidiary, resulting from the taking any actions pursuant to Sections 2.4 (a)-(f) above shall be borne by the Company.

2.5 Termination of Rights. The foregoing information and inspection rights in Section 2.1 and 2.2 shall terminate immediately prior to the earlier of (i) the Company's Qualified IPO; or (b) a Liquidation Event.

3. REGISTRATION RIGHTS.

3.1 Applicability of Rights. The Holders (as defined in Section 3.2(d) below) shall be entitled to the following rights with respect to any potential public offering of Common Shares in the United States, and to any analogous or equivalent rights with respect to any other offering of Common Shares in any other jurisdiction pursuant to which the Company undertakes to publicly offer or list such securities for trading on a recognized securities exchange.

3.2 Definitions. For purposes of this Section 3:

(a) Registration. The terms "**register**", "**registered**", and "**registration**" refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act, and the declaration or ordering of effectiveness of such registration statement.

(b) Registrable Securities. The term "**Registrable Securities**" means: (i) any Common Share of the Company issued or to be issued upon conversion of Preferred Shares; (ii) any Common Share of the Company issued as (or issuable upon the conversion or exercise of any warrant, right or other security which is issued as) a dividend or other distribution with respect to, or in exchange for or in replacement of, any of the foregoing; (iii) any other Common Share owned or hereafter acquired by the Investors, including, without limitation, any Common Shares issued in respect of the Common Shares described in (i)-(iii) of this Section 3.2(b) upon any share split, share dividend, recapitalization or a similar event; and (iv) any depositary receipts issued by an institutional depositary upon deposit of any of the foregoing. Notwithstanding the foregoing, "Registrable Securities" shall not include any Registrable Securities sold by a person in a transaction in which rights under this Section 3 are not assigned in accordance with this Agreement or any Registrable Securities sold in a public offering, whether sold pursuant to Rule 144, or in a registered offering, or otherwise.

(c) Registrable Securities Then Outstanding. The number of shares of "**Registrable Securities then outstanding**" shall mean the number of Common Shares of the Company that are Registrable Securities and are then issued and outstanding or would be outstanding assuming full conversion of all Preferred Shares which are convertible into Common Shares.

(d) Holder. For purposes of this Section 3, the term "**Holder**" means any person who holds Registrable Securities of record, whether such Registrable Securities were acquired directly from the Company or from another Holder in a permitted transfer, to whom rights under this Section 3 have been duly assigned in accordance with this Agreement; provided, however, that for purposes of this Agreement, a record holder of Preferred Shares convertible into such Registrable Securities shall be deemed to be the Holder of such Registrable Securities; and provided, further, that (i) the Company shall in no event be obligated to register Preferred Shares and that (ii) until just prior to the declaration of effectiveness of the registration statement for the offering to which a given registration relates, Holders of Registrable Securities will not be required to convert their Preferred Shares into Common Shares in order to exercise the registration rights granted hereunder.

(e) Form F-3 and Form S-3. The terms "**Form F-3**" and "**Form S-3**" mean such respective forms under the Securities Act as is in effect on the date hereof or any successor or comparable registration forms under the Securities Act subsequently adopted by the SEC, which permits inclusion or incorporation of substantial information by reference to other documents filed by the Company with the SEC.

3.3 Demand Registration.

(a) Request by Holders. If the Company shall at any time following the date that is the earlier of (i) three (3) years following the Original Series B Issue Date, and (ii) six (6) months following initial underwritten public offering of its Common Shares (other than pursuant to a registration statement related either to the sale of securities to employees of the Company pursuant to a share option, share purchase or similar plan or an SEC Rule 145 transaction), receive a written request from the Holders of at least twenty-five percent (25%) of the Registrable Securities then outstanding that the Company file a registration statement under the Securities Act covering the registration of at least twenty percent (20%) of the Registrable Securities then outstanding pursuant to this Section 3.3 (or any lesser percentage if the anticipated gross receipts from the offering are to exceed US$10,000,000) then the Company shall, within ten (10) Business Days of the receipt of such written request, give written notice of such request ("**Request Notice**") to all Holders, and use its reasonable best efforts to effect, as soon as practicable but in any event later than one hundred eighty (180) days after the Request Notice, the registration under the Securities Act of all Registrable Securities that Holders request to be registered and included in such registration by written notice given by such Holders to the Company within twenty (20) days after their receipt of the Request Notice, subject only to the limitations of this Section 3.3. The Company shall not be obligated to effect any registration pursuant to this Section 3.3 if the Company has, within the six (6) month period preceding such request, already effected a registration pursuant to this Section 3.3 in which all of the Registrable Securities proposed to be sold by the initiating Holders were registered and sold pursuant to the registration statement governing such registration or in which such Holders had an opportunity to fully participate pursuant to the provisions of Section 3.3, other than a registration from which all or any portion of the Registrable Securities the Holders requested to be included in such registration were excluded or not sold.

(b) Underwriting. If the Holders initiating the registration request under this Section 3.3 ("**Initiating Holders**") intend to distribute the Registrable Securities covered by their request by means of an underwriting, then they shall so advise the Company as a part of their request made pursuant to this Section 3.3 and the Company shall include such information in the Request Notice referred to in Section 3.3(a). In the event of an underwritten offering, the right of any Holder to include its Registrable Securities in such registration shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting (unless otherwise mutually agreed by a majority in interest of the initiating Holders and such Holder) to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall enter into an underwriting agreement in customary form with the managing underwriter or underwriters selected for such underwriting by the Holders of a majority of the Registrable Securities being registered and reasonably acceptable to the Company. Notwithstanding any other provision of this Section 3.3, if the underwriter(s) advise(s) the Company in writing that marketing factors require a limitation of the number of securities to be underwritten, then the Company shall so advise all Holders of Registrable Securities which would otherwise be registered and underwritten pursuant hereto, and the number of Registrable Securities that may be included in the underwriting shall be reduced as required by the underwriter(s) and allocated among the Holders of Registrable Securities on a pro rata basis according to the number of Registrable Securities then outstanding held by each Holder requesting registration (including the initiating Holders); provided, however, that the number of shares of Registrable Securities to be included in such underwriting and registration shall not be reduced unless all other securities are first entirely excluded from the underwriting and registration including, without limitation, all shares that are not Registrable Securities and are held by any other person, including, without limitation, any person who is an employee, officer or director of the Company (or any Group Company or any Affiliate of the Company or any Group Company). If any Holder disapproves of the terms of any such underwriting, such Holder may elect to withdraw therefrom by written notice to the Company and the underwriter(s), delivered at least ten (10) Business Days prior to the effective date of the registration statement. Any Registrable Securities excluded or withdrawn from such underwriting shall be excluded and withdrawn from the registration. For any Holder that is a partnership, the Holder and the partners and retired partners of such Holder, or the estates and family members of any such partners and retired partners and any trusts for the benefit of any of the foregoing persons, and for any Holder that is a corporation, the Holder and all corporations that are affiliates of such Holder, shall be deemed to be a single "Holder," and any pro rata reduction with respect to such "Holder" shall be based upon the aggregate amount of Registrable Securities owned by all entities and individuals included in such "Holder," as defined in this sentence.

(c) Maximum Number of Demand Registrations. The Company shall have no obligation to effect more than three (3) registrations pursuant to this Section 3.3.

(d) Deferral. Notwithstanding the foregoing, if the Company shall furnish to Holders requesting the filing of a registration statement pursuant to this Section 3.3, a certificate signed by the President or Chief Executive Officer of the Company stating that in the good faith judgment of the Board, it would be materially detrimental to the Company and its shareholders for such registration statement to be filed, then the Company shall have the right to defer such filing for a period of not more than ninety (90) days after receipt of the request of the Initiating Holders; provided, however, that the Company may not utilize this right more than once in any twelve (12) month period; provided further that during such ninety (90) day period, the Company shall not file any registration statement pertaining to the securities of the Company for the account of itself or any other shareholder.

(e) Expenses. The Company shall pay all expenses (excluding only underwriters' discounts and commissions relating to the Registrable Securities sold by the Holders) incurred in connection with any registration pursuant to this Section 3.3, including without limitation all U.S. federal, "blue sky" and all foreign registration, filing and qualification fees, printer's and accounting fees, and reasonable fees and expenses (including disbursements) of one (1) outside counsel for the Holders selected by them with the approval of the Company, which approval shall not be unreasonably withheld. Each Holder participating in a registration pursuant to this Section 3.3 shall bear such Holder's proportionate share (based on the total number of shares sold in such registration other than for the account of the Company) of all discounts, and commissions or other amounts payable to underwriter(s) or brokers, in connection with such offering by the Holders. Notwithstanding the foregoing, the Company shall not be required to pay for any expenses of any registration proceeding begun pursuant to this Section 3.3 if the registration request is subsequently withdrawn at the request of the Holders of a majority of the Registrable Securities to be registered, unless the Holders of a majority of the Registrable Securities then outstanding agree that such registration constitutes the use by the Holders of one (1) demand registration pursuant to this Section 3.3 (in which case such registration shall also constitute the use by all Holders of Registrable Securities of one (l) such demand registration); provided, however, that if at the time of such withdrawal, the Holders have learned of a material adverse change in the condition, business, or prospects of the Company not known to the Holders at the time of their request for such registration and have withdrawn their request for registration with reasonable promptness after learning of such material adverse change, then the Holders shall not be required to pay any of such expenses and such registration shall not constitute the use of a demand registration pursuant to this Section 3.3.

3.4 Piggyback Registrations. The Company shall notify all Holders of Registrable Securities in writing at least thirty (30) days prior to filing any registration statement under the Securities Act for purposes of effecting a public offering of securities of the Company (including, but not limited to, registration statements relating to secondary offerings of securities of the Company, but excluding registration statements relating to any registration under Section 3.3 or Section 3.5 of this Agreement or to any employee benefit plan or a corporate reorganization) and will afford each such Holder an opportunity to include in such registration statement all or any part of the Registrable Securities then held by such Holder. Each Holder desiring to include in any such registration statement all or any part of the Registrable Securities held by such Holder shall within twenty (20) days after receipt of the above-described notice from the Company, so notify the Company in writing, and in such notice shall inform the Company of the number of Registrable Securities such Holder wishes to include in such registration statement. If a Holder decides not to include all of its Registrable Securities in any registration statement thereafter filed by the Company, such Holder shall nevertheless continue to have the right to include any Registrable Securities in any subsequent registration statement or registration statements as may be filed by the Company with respect to offerings of its securities, all upon the terms and conditions set forth herein.

(a) Underwriting. If a registration statement under which the Company gives notice under this Section 3.4 is for an underwritten offering, then the Company shall so advise the Holders of Registrable Securities. In such event, the right of any such Holder's Registrable Securities to be included in a registration pursuant to this Section 3.4 shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent provided herein. All Holders proposing to distribute their Registrable Securities through such underwriting shall enter into an underwriting agreement in customary form with the managing underwriter or underwriters selected by the Company for such underwriting. Notwithstanding any other provision of this Agreement, if the managing underwriter(s) determine(s) in good faith that marketing factors require a limitation of the number of shares to be underwritten, then the managing underwriter(s) may exclude shares from the registration and the underwriting, and the number of shares that may be included in the registration and the underwriting shall be allocated, first to the Company, and second, to each of the Holders requesting inclusion of their Registrable Securities in such registration statement on a pro rata basis based on the total number of Registrable Securities then held by each such Holder; provided, however, that the right of the underwriter(s) to exclude shares (including Registrable Securities) from the registration and underwriting as described above shall be restricted so that (i) the number of Registrable Securities included in any such registration is not reduced below thirty percent (30%) of the aggregate number of Registrable Securities for which inclusion has been requested, even if this will cause the Company to reduce the number of shares it wishes to offer, unless such offering is the initial public offering of the Company's securities, in which case, all of the requested Registrable Securities may be excluded if the managing underwriter(s) make the determination described above and no other Holder's securities are included; and (ii) all shares that are not Registrable Securities and are held by any other person, including, without limitation, any person who is an employee, officer or director of the Company (or any Group Company or any Affiliate of the Company or any Group Company) shall first be excluded from such registration and underwriting before any Registrable Securities are so excluded. If any Holder disapproves of the terms of any such underwriting, such Holder may elect to withdraw therefrom by written notice to the Company and the underwriter(s), delivered at least ten (10) Business Days prior to the effective date of the registration statement. Any Registrable Securities excluded or withdrawn from such underwriting shall be excluded and withdrawn from the registration. For any Holder that is a partnership, the Holder and the partners and retired partners of such Holder, or the estates and family members of any such partners and retired partners and any trusts for the benefit of any of the foregoing persons, and for any Holder that is a corporation, the Holder and all corporations that are affiliates of such Holder, shall be deemed to be a single "Holder", and any pro rata reduction with respect to such "Holder" shall be based upon the aggregate amount of Registrable Securities carrying registration rights owned by all entities and individuals included in such "Holder", as defined in this sentence.

(b) Expenses. The Company shall pay all expenses (excluding only underwriters' and brokers' discounts and commissions relating to shares sold by the Holders) incurred in connection with a registration pursuant to this Section 3.4, including, without limitation all U.S. federal, "blue sky" and all foreign registration, filing and qualification fees, printers' and accounting fees, and reasonable fees and expenses (including disbursements) of one (1) outside counsel for the Holders selected by them with the approval of the Company, which approval shall not be unreasonably withheld.

(c) Not Demand Registration. Registration pursuant to this Section 3.4 shall not be deemed to be a demand registration as described in Section 3.3 above. Except as otherwise provided herein, there shall be no limit on the number of times the Holders may request registration of Registrable Securities under this Section 3.4.

3.5 Form F-3 and Form S-3 Registration. After its initial public offering, the Company shall use its reasonable best efforts to qualify for registration on Form F-3, Form S-3 or any comparable or successor form as early as possible and use reasonable best efforts to maintain such qualification thereafter. If the Company is qualified to use Form F-3 or Form S-3, any Holder or Holders shall have a right to request at any time from time to time (such request shall be in writing) that the Company effect a registration on either Form F-3 or Form S-3 and any related qualification or compliance with respect to all or a part of the Registrable Securities owned by such Holder or Holders, and upon receipt of each such request, the Company will:

(a) Notice. Promptly give written notice of the proposed registration and the Holder's or Holders' request therefor, and any related qualification or compliance, to all other Holders of Registrable Securities; and

(b) Registration. As soon as practicable, effect such registration and all such qualifications and compliances as may be so requested and as would permit or facilitate the sale and distribution of all or such portion of such Holders or Holders' Registrable Securities as are specified in such request, together with all or such portion of the Registrable Securities of any other Holder or Holders joining in such request as are specified in a written request given within twenty (20) days after the Company provides the notice contemplated by Section 3.5(a); provided, however, that the Company shall not be obligated to effect any such registration, qualification or compliance pursuant to this Section 3.5:

(i) if Form F-3 or Form S-3 becomes unavailable for such offering by the Holders:

(ii) if the Holders, together with the holders of any other securities of the Company entitled to inclusion in such registration, propose to sell Registrable Securities and such other securities (if any) at an aggregate price to the public of less than US$1,000,000;

(iii) if the Company has, within the six (6) month period preceding the date of such request, already effected a registration under the Securities Act other than a registration from which the Registrable Securities of Holders have been excluded (with respect to all or any portion of the Registrable Securities the Holders requested be included in such registration) pursuant to the provisions of Section 3.4(a); or

(iv) in any particular jurisdiction in which the Company would be required to qualify to do business or to execute a general consent to service of process in effecting such registration, qualification or compliance.

(c) Expenses. The Company shall pay all expenses (excluding only underwriters' or brokers' discounts and commissions relating to shares sold by the Holders) incurred in connection with each registration requested pursuant to this Section 3.5, including without limitation all U.S. federal, "blue sky" and all foreign registration, filing and qualification fees, printers' and accounting fees, and reasonable fees and expenses (including disbursements) of one (1) outside counsel for the Holders selected by them with the approval of the Company, which approval shall not be unreasonably withheld.

(d) Maximum Frequency. There shall be no limit on the number of times the Holders may request registration of Registrable Securities under this Section 3.5.

(e) Deferral. Notwithstanding the foregoing, if the Company shall furnish to Holders requesting the filing of a registration statement pursuant to this Section 3.5, a certificate signed by the President or Chief Executive Officer of the Company stating that in the good faith judgment of the Board, including a majority of the Investor Directors, if any, it would be materially detrimental to the Company and its shareholders for such Form F-3 or Form S-3 registration statement to be filed, then the Company shall have the right to defer such filing for a period of not more than ninety (90) days after receipt of the request of the initiating Holders; provided, however, that the Company may not utilize this right more than once in any twelve (12) month period; provided further that during such ninety (90) days period, the Company shall not file any registration statement pertaining to the securities of the Company for the account of itself or any other shareholder.

(f) Not Demand Registration. Form F-3 and Form S-3 registrations shall not be deemed to be demand registrations as described in Section 3.3 above.

(g) Underwriting. If the requested registration under this Section 3 is for an underwritten offering, the provisions of Section 3.3(b) shall apply.

3.6 Obligations of the Company. Whenever required to effect the registration of any Registrable Securities under this Agreement the Company shall, as expeditiously as reasonably possible:

(a) Registration Statement. Prepare and file with the SEC a registration statement with respect to such Registrable Securities and use its reasonable best efforts to cause such registration statement to become effective, and, upon the request of the Holders of a majority of the Registrable Securities registered hereunder, keep any such registration statement effective for a period of up to one hundred twenty (120) days or until the Holder or Holders have completed the distribution described in the registration statement relating thereto, whichever occurs first. The Company shall not be required to file, cause to become effective or maintain the effectiveness of any registration statement that contemplates a distribution of securities on a delayed or continuous basis pursuant to Rule 415 under the Securities Act.

(b) Amendments and Supplements. Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement for up to one hundred twenty (120) days, or until the distribution described in such registration statement is completed, if earlier.

(c) Prospectuses. Furnish to the Holders such number of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of the Registrable Securities owned by them that are included in such registration.

(d) Blue Sky. Use its reasonable best efforts to register and qualify the securities covered by such registration statement under such other securities or "blue sky" laws of such jurisdictions as shall be reasonably requested by the Holders, provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions, unless the Company is already subject to service in such jurisdiction and except as may be inquired by the Securities Act.

(e) Underwriting. In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement in usual and customary form, with the managing underwriter(s) of such offering. Each Holder participating in such underwriting shall also enter into and perform its obligations under such an agreement.

(f) Notification. Notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing, such obligation to continue for one hundred twenty (120) days.

(g) Opinion and Comfort Letter. Furnish, at the request of any Holder requesting registration of Registrable Securities, on the date that such Registrable Securities are delivered to the underwriter(s) for sale, if such securities are being sold through underwriters, or, if such securities are not being sold through underwriters, on the date that the registration statement with respect to such securities becomes effective, (i) an opinion, dated as of such date, of the counsel representing the Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering, addressed to the underwriters, if any, and to the Holders requesting registration of Registrable Securities and (ii) a "comfort" letter dated as of such date, from the independent certified public accountants of the Company, in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering, addressed to the underwriters, if any, and to the Holders requesting registration of Registrable Securities.

(h) Registration. Cause all such Registrable Securities registered pursuant to this Agreement hereunder to be listed on a securities exchange or trading system and each security exchange and trading system on which similar securities issued by the Company are then listed.

3.7 Furnish Information. It shall be a condition precedent to the obligations of the Company to take any action pursuant to Sections 3.3, 3.4 or 3.5 that the selling Holders shall furnish to the Company such information regarding themselves, the Registrable Securities held by them and the intended method of disposition of such securities as shall be reasonably necessary or advisable to timely effect the Registration or other qualification of their Registrable Securities. The Company shall have no obligation with respect to any registration requested pursuant to Section 3.3 or Section 3.5 of this Agreement if, as a result of the application of the preceding sentence, the number of shares or the anticipated aggregate offering price of the Registrable Securities to be included in the registration does not equal or exceed the number of shares or the anticipated aggregate offering price required to originally trigger the Company's obligation to initiate such registration as specified in Section 3.3(a) or Section 3.5(b)(ii), whichever is applicable.

3.8 Indemnification. In the event any Registrable Securities are included in a registration statement under Sections 3.3, 3.4 or 3.5:

(a) By the Company. To the extent permitted by laws, the Company will indemnify and hold harmless each Holder, its partners, officers, directors, legal counsel, any underwriter (as determined in the Securities Act) for such Holder and each person, if any, who controls such Holder or underwriter within the meaning of the Securities Act or the Exchange Act against any losses, claims, damages, or liabilities (joint or several) to which they may become subject under the Securities Act, the Exchange Act or other applicable laws, insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a "**Violation**"):

(i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto;

(ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, or

(iii) any violation or alleged violation of the Securities Act, the Exchange Act, any federal or state securities laws or any rule or regulation promulgated under the Securities Act, the Exchange Act or other applicable securities laws in connection with the offering covered by such registration statement;

and the Company will reimburse each such Holder, its partner, officer, director, legal counsel, underwriter or controlling person for any legal or other expenses reasonably incurred by them, as incurred, in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the indemnity agreement contained in this Section 3.8(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld), nor shall the Company be liable in any such case for any such loss, claim, damage, liability or action to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by such Holder, underwriter or controlling person of such Holder.

(b) By Selling Holders. To the extent permitted by laws, each selling Holder will indemnify and hold harmless the Company, each of its directors, each of its officers who have signed the registration statement, each person, if any, who controls the Company within the meaning of the Securities Act, any underwriter and any other Holder selling securities under such registration statement or any of such other Holder's partners, directors, officers, legal counsel or any person who controls such Holder within the meaning of the Securities Act or the Exchange Act, against any losses, claims, damages or liabilities (joint or several) to which the Company or any such director, officer, legal counsel, controlling person, underwriter or other such Holder, partner or director, officer or controlling person of such other Holder may become subject under the Securities Act, the Exchange Act or other applicable laws, insofar as such losses, claims, damages or liabilities (or actions in respect thereto) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by such Holder expressly for use in connection with such registration; and each such Holder will reimburse any legal or other expenses reasonably incurred by the Company or any such director, officer, controlling person, underwriter or other Holder, partner, officer, director or controlling person of such other Holder, as incurred, in connection with investigating or defending any such loss, claim, damage, liability or action: provided, however, that the indemnity agreement contained in this Section 3.8(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Holder, which consent shall not be unreasonably withheld; and provided further that the total amounts payable in indemnity by a Holder under this Section 3.8(b) in respect of any Violation shall not exceed the net proceeds received by such Holder in the registered offering out of which such Violation arises, except in the case of willful fraud by such Holder.

(c) Notice. Promptly after receipt by an indemnified party under this Section 3.8 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 3.8, deliver to the indemnifying party a written notice of the commencement thereof (a "**Claim Notice**") and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party (together with all other indemnified parties which may be represented without conflict by one counsel) shall have the right to retain its own counsel, with the reasonable fees and expenses to be paid by the indemnifying party, (i) during the period from the delivery of a Claim Notice until retention of counsel by the indemnifying party; and (ii) if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential conflict of interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action shall relieve such indemnifying party of liability to the indemnified party under this Section 3.8 to the extent the indemnifying party is prejudiced as a result thereof, but the omission so to deliver written notice to the indemnified party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 3.8.

(d) Defect Eliminated in Final Prospectus. The foregoing indemnity agreements of the Company and Holders are subject to the condition that, insofar as they relate to any Violation made in a preliminary prospectus but eliminated or remedied in the amended prospectus on file with the SEC at the time the registration statement in question becomes effective or the amended prospectus filed with the SEC pursuant to SEC Rule 424(b) (the "**Final Prospectus**"), such indemnity agreement shall not inure to the benefit of any person if a copy of the Final Prospectus was timely furnished to the indemnified party and was not furnished to the person asserting the loss, liability, claim or damage at or prior to the time such action is required by the Securities Act.

(e) Contribution. In order to provide for just and equitable contribution to joint liability under the Securities Act in any case in which either (i) any Holder exercising rights under this Agreement, or any controlling person of any such Holder, makes a claim for indemnification pursuant to this Section 3.8 but it is judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right of appeal) that such indemnification may not be enforced in such case notwithstanding the fact that this Section 3.8 provides for indemnification in such case, or (ii) contribution under the Securities Act may be required on the part of any such selling Holder or any such controlling person in circumstances for which indemnification is provided under this Section 3.8; then, and in each such case, the Company and such Holder will contribute to the aggregate losses, claims, damages or liabilities to which they may be subject (after contribution from others) in such proportion so that such Holder is responsible for the portion represented by the percentage that the public offering price of its Registrable Securities offered by and sold under the registration statement bears to the public offering price of all securities offered by and sold under such registration statement, and the Company and other selling Holders are responsible for the remaining portion; provided, however, that, in any such case: (A) no such Holder will be required to contribute any amount in excess of the public offering price of all such Registrable Securities offered and sold by such Holder pursuant to such registration statement, except in the case of willful fraud; and (B) no person or entity guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) will be entitled to contribution from any person or entity who was not guilty of such fraudulent misrepresentation.

(f) Survival. The obligations of the Company and the Holders under this section shall survive until the fifth (5th) anniversary of the completion of any offering of Registrable Securities in a registration statement, regardless of the expiration of any statutes of limitation or extensions of such statutes.

3.9 Rule 144 Reporting. With a view to making available to the Holders the benefits of certain rules and regulations of the SEC which may permit the sale of the Registrable Securities to the public without registration, the Company agrees to use its reasonable best efforts to:

(a) Make and keep public information available, as those terms are understood and defined in Rule 144 or any similar or analogous rule promulgated under the Securities Act, at all times after ninety (90) days after the effective date of the first registration filed by the Company for an offering of its securities to the general public, so long as the Company remains subject to the periodic reporting requirements under Sections 13 or 15(d) of the Exchange Act;

(b) File with the SEC, in a timely manner, all reports and other documents required of the Company under the Securities Act or the Exchange Act, at all times after the effective date of the first registration under the Securities Act filed by the Company;

(c) So long as a Holder owns any Registrable Securities, furnish to such Holder forthwith upon request, (i) a written statement by the Company as to its compliance with the reporting requirements of said Rule 144 of the Securities Act, and of the Exchange Act (at any time after it has become subject to such reporting requirements); (ii) a copy of the most recent annual, or quarterly report of the Company; and (iii) such other reports and documents as a Holder may reasonably request availing itself of any rule or regulation of the SEC allowing it to sell any such securities without registration.

3.10 Termination of the Company's Obligations. Notwithstanding the foregoing, the Company shall have no obligations pursuant to Sections 3.3, 3.4 or 3.5 with respect to any Registrable Securities proposed to be sold by a Holder in a registered public offering (i) five (5) years after the consummation of a Qualified IPO; (ii), if, in the opinion of counsel to the Company satisfactory to the Holder, all such Registrable Securities proposed to be sold by a Holder may then be sold under Rule 144 or another similar exemption under the Securities Act in one (1) transaction without exceeding the volume limitations thereunder; or (iii) upon a Liquidation Event.

3.11 Limitations on Subsequent Registration Rights. Without the prior written consent of the Majority Series A Holders, the Majority Series B Holders and the Majority Series C Holders (each voting as a separate class), the Company covenants and agrees that it shall not grant, or cause or permit to be created, for the benefit of any person or entity any registration rights that would allow such person or entity (a) to include such securities in any registration filed under Section 3.3 hereof, unless under the terms of such agreement, such Holder or prospective Holder may include such securities in any such registration only to the extent that the inclusion of his securities will not reduce the amount of the Registrable Securities of the Holders which is included or (b) to make a demand registration which could result in such registration statement being declared effective prior to the earlier of either of the dates set forth in Section 3.3(a) or within one hundred twenty (120) days of the effective date of any registration statement effected pursuant to Section 3.3.

3.12 “Market Stand-Off” Agreement. Each Holder hereby agrees that, if and to the extent requested by the lead underwriter of securities of the Company in connection with a registration relating to a specific proposed public offering (other than a registration on Form S-8 or a related or successor form relating solely to an employee benefit plan or a registration on Form S-4 or a related or successor form relating solely to a transaction under SEC Rule 145), such Holder will, subject to the following conditions, enter into a lock-up or standoff agreement in customary form (subject to the following conditions) under which such Holder agrees not to sell or otherwise transfer or dispose of any Registrable Securities or other shares of the Company owned by such Holder as of the date of such registration seven (7) days prior to, and for up to one hundred eighty (180) days following the effective date of the related registration statement. The obligations of each Holder under this Section 3.12 are subject to the following conditions: (i) the lockup or standoff agreement applies only to the first registration statement of the Company which covers securities to be sold on its behalf to the public in an underwritten offering; (ii) all directors, officers, and holders of one percent (1%) or more of any class of securities of the Company are bound by substantially identical restrictions; (iii) the lockup or standoff agreement provides that if any securities of the Company are to be excluded or released in whole or part from such restrictions, the underwriter shall so notify each Holder and each Holder shall be excluded or released, in proportionate amounts to the extent of the exclusion or release, prior to any other holder of Company’s securities, including director, officer, or holder of one percent (1%) or more of any class of securities of the Company subject to such restrictions; and (iv) the lockup or standoff agreement by its terms permits transfers of Registrable Securities by any Holder to any Affiliate of such Holder during the restricted period, provided that such Affiliate executes a lock-up or standoff agreement substantively identical to that signed by the transferring Holder. The Company may impose a stop-transfer instruction with respect to Registrable Securities subject to any such lockup or standoff agreement but shall remove such instruction immediately upon expiration of the underlying restrictions.

4A. GENERAL RIGHT OF PARTICIPATION.

4A.1 General.

All holders of the Preferred Shares and Tiger Shares (including Common Shares issued upon Conversion of the Preferred Shares) and the Affiliates of such holders to which rights under this Section 4A have been duly assigned in accordance with Section 5.1 (each a “**Participation Rights Holder**”) shall have a right of first offer to purchase such Participation Rights Holder’s pro rata share (as defined below), of all (or any part) of any New Securities (as defined in Section 4A.3) that the Company may from time to time issue after the date of this Agreement (the “**Right of Participation**”).

4A.2 Pro Rata Share. A Participation Rights Holder's "**pro rata share**" for purposes of the Right of Participation is the ratio of (i) the number of Common Share Equivalents then held by such Participation Rights Holder, to (ii) the sum of the total number of Common Shares (assuming full conversion and exercise of all convertible or exercisable securities, including such Participation Rights Holder's Common Share Equivalents) then outstanding immediately prior to the issuance of New Securities giving rise to the Right of Participation.

4A.3 New Securities. "**New Securities**" shall mean any shares of the Company designated as "preferred shares," Common Shares" or other voting shares of the Company, whether now authorized or not, and rights, options or warrants to purchase such preferred shares, Common Shares or other voting shares, and securities of any type whatsoever that are, or may become, convertible or exchangeable into such preferred shares, Common Shares or other voting shares (including shares issued or issuable by way of debt instrument or conversion of convertible loans), provided, however, that the term "New Securities" shall not include:

(a) Common Shares issued or issuable upon conversion or exercise of the Preferred Shares;

(b) up to 118,166,946 Common Shares (as adjusted for share splits, subdivision, consolidation, recapitalizations, reclassifications, and similar transactions prior to such date) issued or issuable to officers, employees, consultants or directors of the Company either in connection with the provision of services to the Company or on exercise of any options to purchase Common Shares granted under the Share Option Plan), provided that the Share Option Plan is approved by the majority of the Board of Directors of the Company, including the affirmative consent of a majority of the Investor Directors;

(c) Common Shares issued or issuable as a result of any share split or share consolidation or the like which does not affect the total number of shares in the Company; provided that the prices at which the Common Shares shall be deliverable upon conversion of the Series A Preferred Shares, Series B Preferred Shares and Series C Preferred Shares in effect prior to the issuance of such equity securities shall have already been adjusted as a result of and in accordance with Clause 5.3A.1.5(g) of the Articles;

(d) Common Shares issued or issuable as a dividend or distribution generally to members of the Company in proportion to their holdings of Common Shares (with all issued and outstanding Preferred Shares counted as issued and outstanding Common Shares on a fully-diluted and as-converted basis);

(e) Common Shares issued in consideration of an acquisition or a merger approved by the affirmative vote or consent of (i) the Majority Preferred Holders, and (ii) a majority of the Investor Directors;

(f) Common Shares issued in a Qualified IPO;

(g) Securities issued to strategic partners of the Company or of its Subsidiaries approved by the affirmative vote or consent of (i) the Majority Preferred Holders, and (ii) a majority of the Investor Directors; and

(h) Securities issued pursuant to the consent in writing of all the Shareholders.

4A.4 Procedures.

(a) First Participation Notice. In the event that the Company proposes to undertake an issuance of New Securities (in a single transaction or a series of related transactions), it shall give to each Participation Rights Holder written notice of its intention to issue New Securities (the "**First Participation Notice**"), describing the amount and the type of New Securities and the price and the terms upon which the Company proposes to issue such New Securities. Each of the Participation Rights Holders shall have fifteen (15) days from the date of receipt of any such First Participation Notice to agree in writing to purchase up to all of such Participation Rights Holder's pro rata share of such New Securities for the price and upon the terms and conditions specified in the First Participation Notice by giving written notice to the Company and stating therein the quantity of New Securities to be purchased (not to exceed such Participation Rights Holder's pro rata share). If any Participation Rights Holder fails to so agree in writing within such fifteen (15) day period to purchase such Participation Rights Holder's full pro rata share of an offering of New Securities, then such Participation Rights Holder shall forfeit the right hereunder to purchase that part of its pro rata share of such New Securities that it did not so agree to purchase.

(b) Second Participation Notice; Oversubscription. If any New Securities which were available for purchase by a Participation Rights Holder under Section 4A.4(a) are not subscribed for in accordance with that subsection, the Company shall promptly give notice (the "**Second Participation Notice**") to each Participating Rights Holders who exercised its Right of Participation with respect to its full pro rata share (the "**Right Participants**") in accordance with Section 4A.4(a) above. The Right Participants shall have ten (10) days from the date of receipt of the Second Participation Notice (the "**Second Participation Period**") to notify the Company of its desire to purchase more than its pro rata share of the New Securities, stating the number of the additional New Securities it proposes to buy. Such notice may be made by telephone if confirmed in writing within two (2) Business Days thereafter. If as a result thereof, such oversubscription exceeds the total number of the remaining New Securities which remain available for purchase, the oversubscribing Right Participants will be cut back by the Company with respect to their oversubscriptions to that number of remaining New Securities equal to the product obtained by multiplying (i) the number of the remaining New Securities available for subscription by (ii) a fraction the numerator of which is the number of Common Share Equivalents held by each oversubscribing Right Participant notified and the denominator of which is the total number of Common Share Equivalents held by all the oversubscribing Right Participants. Each oversubscribing Right Participant shall be obligated to buy such number of additional New Securities as determined by the Company pursuant to this Section 4A.4(b) and the Company shall so notify the Right Participants within fifteen (15) Business Days of the date of the Second Participation Notice.

4A.5 Failure to Exercise. Upon the expiration of the Second Participation Period, or in the event no Participation Rights Holder exercises the Right of Participation, after fifteen (15) days following the delivery of the First Participation Notice, the Company shall have sixty (60) days thereafter to offer the remaining New Securities described in the First Participation Notice (with respect to which the Participation Rights Holders' rights of first offer hereunder were not exercised) at the same or higher price and upon non-price terms not more favorable than specified in the First Participation Notice in accordance with Section 4B below.

4A.6 Termination. The Right of Participation shall terminate immediately prior to the consummation of a Qualified IPO.

4B. PREFERRED RIGHT OF PARTICIPATION.

4B.1 General. Subject to the rights set forth in Section 4A above, the holders of the Preferred Shares, Tiger Shares and the Affiliates of the holders of the Preferred Shares and/or the Tiger Shares to which rights under this Section 4B have been duly assigned in accordance with Section 5.1 (each holder of the Preferred Shares, Tiger Shares and each such assignee being hereinafter referred to as a "**Preferred Participation Rights Holder**") shall have a subsequent right of first offer to purchase such Preferred Participation Rights Holder's pro rata share (as defined below), of all (or any part) of any New Securities that the Company may from time to time issue after the date of this Agreement that have not already been purchased by the Participation Rights Holders in accordance with Section 4A above (the "**Preferred Right of Participation**").

4B.2 Pro Rata Share. A Preferred Participation Rights Holder's "**pro rata share**" for purposes of the Preferred Right of Participation is the ratio of (i) the number of Common Share Equivalents then held by such Preferred Participation Rights Holder, to (ii) the sum of the total number of Common Shares (assuming full conversion and exercise of all convertible or exercisable securities, including such Preferred Participation Rights Holder's Common Share Equivalents) then outstanding immediately prior to the issuance of New Securities giving rise to the Preferred Right of Participation.

4B.3 Procedures.

(a) Participation Notice. In the event that the Participation Rights Holders do not exercise, or partially exercise, their rights set forth in Section 4A above, the Company shall then give to each Preferred Participation Rights Holder written notice of its intention to issue New Securities (the "**Preferred Participation Notice**"), describing the amount and the type of New Securities that are available for such Preferred Participation Rights Holder to purchase and the price and the terms upon which the Company proposes to issue such New Securities. Each Preferred Participation Rights Holder shall have fifteen (15) days from the date of receipt of any such Preferred Participation Notice to agree in writing to purchase up to all of such Preferred Participation Rights Holder's pro rata share of such New Securities for the price and upon the terms and conditions specified in the Preferred Participation Notice by giving written notice to the Company and stating therein the quantity of New Securities to be purchased (not to exceed such Preferred Participation Rights Holder's pro rata share). If any Preferred Participation Rights Holder fails to so agree in writing within such fifteen (15) day period to purchase such Preferred Participation Rights Holder's full pro rata share of an offering of New Securities, then such Preferred Participation Rights Holder shall forfeit the right hereunder to purchase that part of its pro rata share of such New Securities that it did not so agree to purchase.

(b) Second Preferred Participation Notice; Oversubscription. If any New Securities which were available for purchase by a Preferred Participation Rights Holder under Section 4B.3(a) are not subscribed for in accordance with that subsection, the Company shall promptly give notice (the "**Second Preferred Participation Notice**") to each Preferred Participation Rights Holders who exercised its Preferred Right of Participation with respect to its full pro rata share (the "**Preferred Right Participants**") in accordance with Section 4B.3(a) above. The Preferred Right Participants shall have ten (10) days from the date of receipt of the Second Preferred Participation Notice (the "**Second Preferred Participation Period**") to notify the Company of its desire to purchase more than its pro rata share of the New Securities, stating the number of the additional New Securities it proposes to buy. Such notice may be made by telephone if confirmed in writing within two (2) Business Days thereafter. If as a result thereof, such oversubscription exceeds the total number of the remaining New Securities which remain available for purchase, the oversubscribing Preferred Right Participants will be cut back by the Company with respect to their oversubscriptions to that number of remaining New Securities equal to the product obtained by multiplying (i) the number of the remaining New Securities available for subscription by (ii) a fraction the numerator of which is the number of Common Share Equivalents held by each oversubscribing Preferred Right Participant notified and the denominator of which is the total number of Common Share Equivalents held by all the oversubscribing Preferred Right Participants. Each oversubscribing Preferred Right Participant shall be obligated to buy such number of additional New Securities as determined by the Company pursuant to this Section 4B.3(b) and the Company shall so notify the Preferred Right Participants within fifteen (15) Business Days of the date of the Second Preferred Participation Notice.

4B.4 Failure to Exercise. Upon the expiration of the Second Preferred Participation Period, or in the event no Preferred Participation Rights Holder exercises the Preferred Right of Participation, after fifteen (15) days following the delivery of the Preferred Participation Notice, the Company shall have sixty (60) days thereafter to sell the New Securities described in the Preferred Participation Notice (with respect to which the Preferred Participation Rights Holders' rights of first offer hereunder were not exercised) at the same or higher price and upon non-price terms not more favorable to the purchasers thereof than specified in the Preferred Participation Notice. In the event that the Company has not issued and sold such New Securities within such sixty (60) day period, then the Company shall not thereafter issue or sell any New Securities without again first offering such New Securities first to the Participation Rights Holders pursuant to Section 4A above and second to the Preferred Participation Rights Holders pursuant to this Section 4B.

4B.5. Most Favoured Investor. In the event that the Company grants subsequent purchasers of the Company's securities rights that are superior to the rights granted in Section 4A and Section 4B, the Company shall grant each Investor the same rights.

5. ASSIGNMENT. Notwithstanding anything herein to the contrary:

5.1 Right of Assignment. Each of the Investor shall be entitled to transfer all or any of the Preferred Shares or Common Shares held by it, provided that such transferee shall agree in writing to be bound to the same extent by the terms of this Agreement as if it were a holder of Preferred Shares or Common Shares at the time this Agreement was executed, provided, further, that such transferee shall not be a Competitor.

5.2 Information Rights. Without prejudice to the generality of Section 5.1, the rights of each Investor under Sections 2.1 and 2.2 are transferable prior to a Qualified IPO to any person who holds or is acquiring Investment Securities in a permitted transfer; provided, however, that the Company is given written notice at the time of such assignment stating the name and address of the assignee and identifying the securities of the Company as to which the rights in question are being assigned; provided further that no such assignment may be made to a Competitor; and provided further that any such assignee shall receive such assigned rights subject to all the terms and conditions of this Agreement, including without limitation the provisions of this Section 5.

5.3 Registration Rights. Without prejudice to the generality of Section 5.1, the rights to cause the Company to register Registrable Securities pursuant to Section 3 may be assigned (but only with all related obligations) by a Holder to a transferee or assignee (i) of at least 10,000 shares of such securities (subject to adjustment for share splits, share dividends, reclassification or the like) (or if the transferring Holder owns less than 10,000 shares of such securities, then all Registrable Securities held by the transferring Holder), or (ii) that is an Affiliate of the Holder; provided, however, that the Company is given written notice at the time of such assignment stating the name and address of the assignee and identifying the securities of the Company as to which the rights in question are being assigned; and provided further that any such assignee shall receive such assigned rights subject to all the terms and conditions of this Agreement, including without limitation the provisions of this Section 5.

5.4 Rights of Participation. The Rights of Participation of the Investors under Section 4A and 4B hereof are fully assignable to any person who holds or is acquiring Investment Securities in a permitted transfer; provided, however that the Company is given written notice at the time of such assignment stating the name and address of the assignee and identifying the securities of the Company as to which the rights in question are being assigned; and provided further that any such assignee shall receive such assigned rights subject to all the terms and conditions of this Agreement, including without limitation the provisions of this Section 5.

6. BOARD REPRESENTATION RIGHTS; CERTAIN INVESTOR RIGHTS.

6.1 Board of Directors.

(a) The authorised size of the Board shall be a maximum of nine (9) directors who shall be appointed in accordance with the following provisions:

(i) for so long as Morningside Group continues to hold 45,138,261 or more of the shares of the Company (as adjusted for any share splits, share dividends, combinations, recapitalizations or similar transactions), it shall be entitled to appoint one (1) Director, initially to be LIU Qin (“**Series A Director**”);

(ii) for so long as Steamboat continues to hold 45,138,261 or more of the shares of the Company (as adjusted for any share splits, share dividends, combinations, recapitalizations or similar transactions), it shall be entitled to appoint one (1) Director, initially to be Alex Hartigan (“**Series B Director**”);

(iii) for so long as GGV continues to hold 45,138,261 or more of the shares of the Company (as adjusted for any share splits, share dividends, combinations, recapitalizations or similar transactions), it shall be entitled to appoint one (1) Director, initially to be Jenny LEE (“**Series C Director**”, together with the Series A Director and the Series B Director, the “**Preferred Directors**” and individually, a “**Preferred Director**”);

(iv) for so long as the Key Holders continue to hold 90,276,522 or more of the shares of the Company (as adjusted for any share splits, share dividends, combinations, recapitalizations or similar transactions), they shall be entitled to collectively appoint four (4) Directors (one of whom will also be the chief executive officer of the Company (“**CEO Director**”)), initially to be LI Xueling (李学凌), who will be the initial CEO Director, LEI Jun (雷军) and two vacancies to be appointed by the Key Holders following the date hereof;

(v) the Key Holders (except CAO Jin (曹津) and ZHAO Bin (赵斌)) shall be entitled to appoint one more director (the “**Management Director**”) with the approval of the majority of the Investor Directors (which approval shall not be unreasonably withheld), who shall initially be Zhao Bin (赵斌); and

(vi) for so long as Tiger continues to hold 45,138,261 or more of the shares of the Company (as adjusted for any share splits, share dividends, combinations, recapitalizations or similar transactions), it shall be entitled to appoint one director to the Company, who is currently YASIN Nazar Abdenabi (“**Tiger Director**”) as of the date of this Agreement.

(b) In the event of a deadlock with respect to any action submitted to the Board for a vote or written consent, the chairman of the Board (the “**Chairman**”) shall cast the deciding vote, provided that the Chairman does not have an interest in the matter in question, provided further that upon appointment of directors according to Section (a) above, the Chairman shall no longer be entitled to the casting vote.

(c) The Chairman, who shall initially be LEI Jun (雷军), shall be appointed among the directors of the Company by the CEO Director and a majority of the Investor Directors, including the affirmative vote or consent of at least one (1) Key Holder Director.

6.2 Board; Quorum; Meetings, Board of Directors of Group Companies., The Company’s Memorandum and Articles shall provide for a quorum (which shall exist at the time of the voting as well as the attendance of the Board meeting) of the Board of six (6) directors, including a majority of the Investor Directors.

(a) The Board of Directors will determine the frequency of future meetings, which in no case will be less than one (1) scheduled board meeting per year. Upon the request of three (3) directors of the Company, an interim board meeting shall be convened accordingly.

(b) The Company shall reimburse all the Investor Directors for reasonable expenses that incurred in conformity with the Company's travel and expense policies associated with attending meetings of the Board of Directors or subcommittees thereof.

(c) Each of the Preferred Directors shall have a right to serve as a member of the Company's compensation committee, audit committee, and any other subcommittees of the Board of Directors.

(d) The CEO Director shall have the power to nominate any senior management personnel (other than the chief financial officer), provided that the nomination made by the CEO Director shall be subject to the approval of the Board of Directors in accordance with the procedures as provided under the Memorandum and Articles.

(e) Each Group Company shall have the same board composition with the Company as determined in accordance with Section 6.1, and the Company, Duowan BVI, the Cayman Subsidiary, the Hong Kong Subsidiary, the WFOEs, the Domestic Companies and the Key Holders shall procure that such nominee(s) are appointed to the relevant board of directors.

6.3 Removal of Board Members. Each Shareholder also agrees to vote all of his, her or its shares from time to time and at all times in whatever manner as shall be necessary to ensure that (i) no director elected pursuant to Section 6.1 of this Agreement may be removed from office unless (A) such removal is directed or approved by the affirmative vote of the holders of fifty percent (50%) or more of the shares entitled under Section 6.1 to designate that director; or (B) the person(s) or entity(ies) originally entitled to designate or approve such director or occupy such Board seat pursuant to Section 6.1 is no longer so entitled to designate or approve such director or occupy such Board seat; and (ii) any vacancies created by the resignation, removal or death of a director elected pursuant to Section 6.1 shall be filled pursuant to the provisions of Section 6.1. All Shareholders agree to execute any written consents required to effectuate the obligations of this Agreement, and the Company agrees at the request of any Shareholder entitled to designate directors to call a special meeting of shareholders for the purpose of electing directors.

6.4 Drag-Along Right. In the event that (i) the holders of more than fifty percent (50%) of the then outstanding Series A Preferred Shares, Series B Preferred Shares and Series C Preferred Shares voting or consenting together as a single class on a fully-diluted and as-converted basis, approve in writing a transaction or series of transactions with respect to the Company that qualifies as a Deemed Liquidation Event, and (ii) the minimum aggregate purchase price offered by the potential acquirer in such transaction or series of transactions exceeds US$1,500,000,000 (a "**Qualified Trade Sale**"); provided that the Shareholders holding more than 50% Common Shares in the Company have approved the terms and conditions of such Qualified Trade Sale and have committed to participate in such Qualified Trade Sale, then each of the remaining Investors and the holders of Common Shares hereby agrees with respect to all shares that he, she or it holds and any other Company securities over which he, she or it otherwise exercises dispositive power:

(a) in the event such Qualified Trade Sale requires the approval of shareholders, (a) if the matter is to be brought to a vote at a shareholder meeting, after receiving proper notice of any meeting of shareholders of the Company to vote on the approval of the Qualified Trade Sale, to be present, in person or by proxy, as a holder of shares, at all such meetings and be counted for the purposes of determining the presence of a quorum at such meetings; and (b) to vote (in person, by proxy or by action by written consent, as applicable) all shares in favor of such Qualified Trade Sale and in opposition of any and all other proposals that could reasonably be expected to delay or impair the ability of the Company to consummate such Qualified Trade Sale;

(b) in the event that the Qualified Trade Sale is to be effected by the sale of shares held by another Shareholder (the "**Selling Shareholder**") without the need for shareholder approval, to sell all shares of the Company beneficially held by such Shareholder (or in the event that the Selling Shareholder is selling fewer than all of its shares held in the Company, shares in the same proportion as the Selling Shareholder is selling) to the person to whom the Selling Shareholder propose to sell its shares, for the same per-share consideration (on a fully-diluted and as-converted basis) and on the same terms and conditions as the Selling Shareholder, except that the Shareholder will not be required to sell its shares unless the liability for indemnification, if any, of the Shareholder in such Sale of the Company is several, not joint, and is pro rata in accordance with the Shareholder's relative share ownership of the Company, and will not exceed the consideration payable to the Shareholder, if any, in such transaction (except in the case of potential liability for fraud or willful misconduct by the Shareholder);

(c) to refrain from exercising any dissenters' rights or rights of appraisal under applicable laws at any time with respect to such Qualified Trade Sale;

(d) to execute and deliver all related documentation and take such other action in support of the Qualified Trade Sale as shall reasonably be requested by the Company; and

(e) not to deposit, and to cause their Affiliates not to deposit, except as provided in this Agreement, any voting securities owned by such party or Affiliate in a voting trust or subject any such voting securities to any arrangement or agreement with respect to the voting of such securities, unless specifically requested to do so by the acquirer in connection with a Qualified Trade Sale.

6.5 Increase in Authorized Share Capital. Each Shareholder agrees to vote all of its shares from time to time and at all times, in whatever manner shall be necessary to authorize an increase in the authorized share capital of the Company so that there will be sufficient Common Shares available for conversion of all of the then-outstanding Preferred Shares at any time that an adjustment to the relevant conversion price with respect to the Preferred Shares is made under the Articles.

6.6 Specific Enforcement. Each Shareholder acknowledges and agrees that each party hereto will be irreparably damaged in the event any of the provisions of this Section 6 are not performed by the Shareholder in accordance with their specific terms or are otherwise breached. Accordingly, it is agreed that each of the Company and the Shareholders shall be entitled to an injunction in a court of competent jurisdiction to prevent breaches of the covenants, agreements and obligations in this Agreement, and specific enforcement in any action instituted in any court of competent jurisdiction, in addition to any other remedy to which they may be entitled at laws or in equity. For purposes of the foregoing, each of the parties to this Agreement hereby consents to personal jurisdiction in any such action brought in the state and federal courts located in Hong Kong.

6.7 Assignment and Termination. The rights of each Investor set forth in this Section 6 are fully assignable to any person who holds or is acquiring Preferred Shares or Tiger Shares in a permitted transfer; provided, however that the Company is given written notice at the time of such assignment stating the name and address of the assignee and identifying the securities of the Company as to which the rights in question are being assigned; and provided further that any such assignee shall receive such assigned rights subject to all the terms and conditions of this Agreement, including without limitation the provisions of this Section 6. The rights of each Investor in this Section 6 shall terminate immediately prior to the consummation of the earlier of (a) a Qualified IPO; or (b) a Liquidation Event.

7. COVENANTS.

7.1 Use of Proceeds. Subject to Section 7.13 below, the Company shall use the proceeds from the sale of the Tiger Shares for general working capital and other general corporate purposes for the Group Companies in accordance with the directions of the Company's Board of Directors, as it shall be constituted in accordance with the terms hereunder. The proceeds shall in no event be applied or used to repay or settle any indebtedness owing by any Group Company to any of its shareholders, directors, officers or any other persons related in whatever respect with any of the foregoing parties without the prior written consent of Tiger.

7.2 Conduct the Business of the Group Companies. The Company undertakes to the Investors that, unless otherwise provided by the Board of Directors of the Company (which such action must include the consent of the Investor Directors), the Company shall (i) cause any other Group Companies to enforce the Plan of Restructuring (as defined in the Common Share Purchase Agreement) and the documents mentioned thereunder, (ii) not permit any other Group Companies to approve any material amendment, alteration, termination or waiver of any of the Plan of Restructuring and the documents mentioned thereunder, and (iii) use commercially reasonable best efforts to, and cause the WFOEs and each other Group Company that is directly controlled by the Company or the WFOEs through ownership of voting securities to use commercially reasonable best efforts to, cause each of the other Group Companies (including without limitation the Domestic Companies) to conduct the business of such Person in the ordinary course and in a prudent manner consistent with past practice.

7.3 Compliance with Laws and Instruments. The Company undertakes to the Investors to cause the WFOEs and any other Group Company that is controlled by the Company or the WFOEs through ownership of voting securities, and to use commercially reasonable best efforts to cause each of the other Group Companies, to comply with such Person’s memorandum of association, articles of association, business license, or other constitutional or governance documents, each as may be amended from time to time, unless the Board of Directors of the Company directs otherwise (which such action must include the consent of the Investor Directors).

7.4 Protective Provisions - Matters Requiring Approval of the Majority Series A Holders, the Majority Series B Holders, the Majority Series C Holders and Tiger. For so long as (A) any Preferred Shares remain outstanding; or (B) any shares owned by Tiger or its Affiliates in the Company, in addition to any other vote or consent required elsewhere in this Agreement, the Articles or by any applicable statute, each of the Company and the Group Companies hereby covenants and agrees with the Investors that it shall not, and the Key Holders shall procure that the Company and the Group Companies do not directly or indirectly, without the approval of the affirmative vote of (i) the Majority Series A Holders, (ii) the Majority Series B Holders; (iii) the Majority Series C Holders; and (iv) Tiger (each voting or consenting as a separate class), take any action (whether by amendment of the Memorandum or the Articles, through any merger, amalgamation, combination or similar transaction or otherwise, and whether in a single transaction or a series of related transactions) that:

(i) alters or changes the rights, preferences or privileges of the Common Shares, the Series A Preferred Shares, the Series B Preferred Shares and/or the Series C Preferred Shares;

(ii) redeems or repurchases any shares of the Company (other than pursuant to equity incentive agreements with service providers giving any Group Company the right to repurchase shares upon the termination of service);

(iii) authorizes or issues any equity security with rights, preferences or privileges senior to or on a parity with the Common Shares, the Series A Preferred Shares, the Series B Preferred Shares and/or the Series C Preferred Shares;

(iv) amends or waives any provision of the Memorandum and Articles in a manner that would alter or change the rights, preferences or privileges of any Common Shares, Series A Preferred Shares, Series B Preferred Shares and/or Series C Preferred Shares; and

(v) takes any action which would result in any transaction involving both a Group Company and the shareholder or any of the employees, officers or directors of the Group Company or its subsidiaries or any affiliate of such shareholder, employee, officer, or director in excess of US$200,000 in a single transaction or in a series of transactions on the same subject matter (except for transactions entered into from time to time in the ordinary course of the business of the Company or its subsidiaries);

provided, always that in no circumstance shall Tiger's consent or approval be required if and when any holder of the Preferred Shares exercises its redemption right and liquidation preference pursuant to the Memorandum and Articles, provided, further that Tiger's right under this Section 7.4 shall not prejudice in any way the exercise by the holders of the Preferred Shares of their drag-along rights under Section 6.4 herein and the Memorandum and Articles.

7.5 Protective Provisions - Matters Requiring the Approval of the Series A Holders, the Series B Holders and the Series C Holders. For so long as any Preferred Shares remain outstanding, in addition to any other vote or consent required elsewhere in this Agreement, the Articles or by any applicable statute, each of the Company and the Group Companies hereby covenants and agrees with the Investors that it shall not, and the Key Holders shall procure that the Company does not directly or indirectly, without the approval of the affirmative vote of the Majority Preferred Holders (voting together as a single class but not as separate classes), take any action (whether by amendment of the Memorandum or the Articles, through any merger, amalgamation, combination or similar transaction or otherwise, and whether in a single transaction or a series of related transactions) that:

(i) results in any merger, consolidation, or other corporate reorganization, or any transaction or series of transactions in which in excess of fifty percent (50%) of any of the Group Companies' voting power is transferred or in which all or substantially all of the assets of any Group Company are sold;

(ii) increases or decreases the authorized size of the board of directors of any Group Company;

(iii) results in the liquidation, dissolution or winding up of any Group Company or a Deemed Liquidation Event (as defined in the Memorandum and Articles of the Company);

(iv) declares or allows the accrual of a dividend on any class or series of shares of the Company or take any action to decide not to declare the distributable profits of the Company as dividend;

(v) extends any loan or guarantees any Group Company for indebtedness in excess of US$1,000,000 in the aggregate to any third party;

(vi) issues debt in excess of US$1,000,000;

(vii) purchases any shares, securities or equity interest in, or otherwise acquire the business or assets of, any other company, body corporate, partnership or other business entity, involving an aggregate amount in excess of an aggregate amount of US$1,000,000;

(viii) authorizes any new issuance of any equity securities of any Group Company, excluding (a) any issuance of Common Shares upon conversion of the Preferred Shares; and (b) the issuance of Common Shares (or options or warrants thereof) under the Share Option Plan approved by the Board of Directors, including the affirmative consents of a majority of the Investor Directors; and

(ix) increases or decreases the authorized number of Common Shares or Preferred Shares.

7.6 Matters Requiring the Approval of the Series A Director, the Series B Director and the Series C Director. For so long as any Preferred Share remains outstanding, in addition to any other vote or consent required elsewhere in the Memorandum and Articles or by the Companies Law of the Cayman Islands (2010 Revision), the Company shall not (and shall not permit any wholly-owned subsidiary of the Company or cause any other Group Company to), without first obtaining the written approval of the Board of Directors of the Company (by vote or written consent, as provided by laws), which must include the approval of at least two (2) of the Preferred Directors (as defined herein) voting together to take any action that:

(i) acquires (by way of purchase or otherwise) any interest in any real property except a lease of office premises;

(ii) executes any lease of any property for an annual rental payment in excess of US$500,000;

(iii) establishes or acquires any subsidiary;

(iv) sells or disposes any Group Company, or create any encumbrance over, any of its assets or undertakings with a book value in excess of US$500,000;

(v) appoints, removes, dismisses or terminates the employment of any Group Company's chief executive officer, chief financial officer, chief technology officer and chief operating officer of any Group Company, or determine the amount of such persons' remuneration, compensation and other benefits, including the grant of any share options or similar rights; provided that the Chief Financial Officer of the Company and all of his direct reports shall be appointed by the Board of Directors in accordance with the nomination of a written consent from the Majority Preferred Holders (voting together as a single class but not as separate classes);

(vi) appoints and removes auditors of any Group Company or causes any material change in the accounting and financial policies of any Group Company; and

(vii) incurs an expenditure or indebtedness (including bank borrowing) that has been projected in its annual budget of an amount representing a deviation of ten percent (10%) or more from the Board-approved annual budget (either in one transaction or in a series of related transactions) or an expenditure or indebtedness of any amount representing a deviation of ten percent (10%) or more from the Board-approved annual budget (either in one transaction or in a series of related transactions) that has not already been projected in its annual budget.

7.7 Lock-up. In addition to the restrictions set forth in the Right of First Refusal and Co-Sale Agreement, LI Xueling (李学凌) (the "**Restricted Shareholder**") shall not effect a transfer (i) prior to February 11, 2013; or if it occurs later (ii) within one hundred eighty (180) days following the consummation of the Qualified IPO, unless such Transfer has been approved in writing by (i) the Majority Preferred Holders; and (ii) at least two (2) of the Preferred Directors.

7.8 Non-Compete. LI Xueling (李学凌) undertakes to the Investors not to compete with the Company and the Group Companies or solicit the employees or customers of the Company or the Group Companies during his employment with the Company and/or the Group Companies or office with the Company and/or the Group Companies and for a period of two (2) years following the termination of LI Xueling (李学凌)'s employment with the Company and/or the Group Companies or office with the Company and/or the Group Companies.

7.9 Non-Competition and Non-Disclosure Agreements. LI Xueling (李学凌) undertakes to the Investors to cause the Company to enter into Non-Competition, Non-Disclosure and Invention Assignment Agreements, in form and substance reasonably acceptable to the Investors, with each past, present and future Key Employees of the Company. The Company shall undertake to enforce its rights under Non-Competition, Non-Disclosure and Invention Assignment Agreements as requested by the Investors.

7.10 Domestic Enterprise. Each of the Key Holders undertakes to the Investors that each of the Key Holders shall irrevocably grant an exclusive option in favour of the Company and/or each WFOE to acquire the entire equity interest in the Domestic Companies when permitted by the PRC laws in such manner as requested by the Investors.

7.11 Share Option Plan.

(a) The Company reserves a pool of not more than 118,166,946 Common Shares, to be granted to the officers, directors, employees and consultants of the Company. The Common Shares issued pursuant to the employee share option plan ("**Share Option Plan**") shall also be subject to vesting over four (4) years at twenty-five percent (25%) each year. Unless otherwise approved by the Board of Directors, including the affirmative consent of a majority of the Investor Directors, all officers, directors, employees and consultants of the Company who shall purchase, or receive options to purchase, shares of the Company under the Share Option Plan shall be required to execute share purchase or option agreements providing for (i) vesting of shares over not less than a four (4)-year period with the first twenty-five percent (25%) of such shares vesting following twelve (12) months of continued employment or services, and the remaining shares vesting in equal instalments at the end of each consecutive six (6) monthly interval commencing immediately after the said initial twelve (12) month period over the following thirty-six (36) months; and (ii) a one-hundred eighty (180) day lockup period in connection with the Company's IPO. The Company shall retain a "right of first refusal" on employee transfers until the Company's IPO and the right to repurchase unvested shares at cost. The Company shall have a repurchase option on unvested shares at cost.

Notwithstanding any provision to the contrary in this Agreement, the Company and the Board of Directors shall agree, except for the current 118,166,946 Common Shares reserved under Section 7.11(a) above, no additional Common Shares shall be reserved and granted to the officers, directors, employees and consultants of the Company under the Share Option Plan or any other incentive plan of the Company.

(b) Subject to existing share purchase or options agreements entered into by the Company and such officers, directors, employees and consultants of the Company and unless otherwise approved by a majority of the Board of Directors, including the affirmative consent of a majority of the Investor Directors, no option for Common Share issued pursuant to the Share Option Plan shall provide for acceleration of vesting. Notwithstanding the foregoing, with the approval of the Board of Directors of the Company, including the affirmative consent of a majority of the Investor Directors, the Company may issues options or restricted stock that provides for the acceleration of vesting in accordance with a standard double trigger arrangement (with the first trigger event to be a change of Control of the Company, and the second trigger event to be the involuntary termination of respective relationship of such officers, directors, employees and consultants with the Company within six (6) months of the date of such change of Control of the Company, other than for cause.

(c) Any options or restricted stock grants issued under the Share Option Plan shall be issued at an exercise price as approved by the Board of Directors, including the affirmative vote of a majority of the Investor Directors, and no additional options or restricted stock grants shall be issued before February 11, 2012, unless otherwise approved by the majority of the Board of Directors of the Company, including the affirmative consent of a majority of the Investor Directors.

7.12 Insurance. Following receipt of a written requests from each of the Majority Series A Holders, the Majority Series B Holders, the Majority Series C Holders or Tiger, the Company shall use its reasonable best efforts to obtain from financially sound and reputable insurers (i) Directors and Officers Liability insurance, and (ii) term "key-person" insurance on LI Xueling（李学凌）in each case to the extent such insurance is available on commercially reasonable terms and in an amount satisfactory to the Board of Directors, and will use reasonable best efforts to cause such insurance policies to be maintained until such time as the Board of Directors determines that such insurance should be discontinued. The "key person" policy shall name the Company as loss payee and neither policy shall be cancelable by the Company without prior approval of the Board of Directors (including at least one Preference Director).

7.13 Termination of Covenants. The covenants set forth in this Section 7 (other than Section 7.3) shall terminate and be of no further force or effect immediately prior to the consummation of (a) a Qualified IPO; or (b) a Deemed Liquidation Event, whichever event shall first occur.

8. GENERAL PROVISIONS.

8.1 Governing Law. This Agreement shall be governed by and construed exclusively in accordance with the laws of Hong Kong, without regards to conflicts of law principles.

8.2 Dispute Resolution.

(a) Any dispute, controversy or claim arising out of or relating to this Agreement, or the interpretation, breach, termination or validity hereof, shall first be subject to resolution through consultation of the parties to such dispute, controversy or claim. Such consultation shall begin immediately after one party hereto has delivered to the other party hereto a written request for such consultation (the "**Consultation Request**"). If within thirty (30) days following the date on which the Consultation Request is delivered the dispute cannot be resolved, the dispute shall be submitted to arbitration upon the request of either party with notice to the other (the "**Notice**").

(b) The arbitration shall be conducted in Hong Kong under the auspices of the Hong Kong International Arbitration Centre (the "**Centre**"). There shall be three arbitrators. The complainant(s) and the respondent(s) to such dispute shall each select one arbitrator within thirty (30) days after giving or receiving the demand for arbitration. Such arbitrators shall be freely selected, and the parties shall not be limited in their selection to any prescribed list. The Chairman of the HKIAC shall select the third arbitrator, who shall be qualified to practice Law in Hong Kong. If either party to the arbitration does not appoint an arbitrator who has consented to participate within thirty (30) days after selection of the first arbitrator, the relevant appointment shall be made by the Chairman of the HKIAC.

(c) The arbitration proceedings shall be conducted in English. The arbitration tribunal shall apply the Arbitration Rules of the Centre in effect at the time of the Notice. However, if such rules are in conflict with the provisions of this Section 8.2, including the provisions concerning the appointment of arbitrators, the provisions of this Section 8.2 shall prevail.

(d) Each party hereto shall cooperate with the other in making full disclosure of and providing complete access to all information and documents requested by the other in connection with such arbitration proceedings, subject only to any confidentiality obligations binding on such party.

(e) The award of the arbitration tribunal shall be final and binding upon the disputing parties, and either party may apply to a court of competent jurisdiction for enforcement of such award.

(f) Either party shall be entitled to seek preliminary injunctive relief, if possible, from any court of competent jurisdiction pending the constitution of the arbitral tribunal.

8.3 Notices. Except as may be otherwise provided herein, all notices, requests, waivers and other communications made pursuant to this Agreement shall be in writing and shall be conclusively deemed to have been duly given (i) when hand delivered to the other party; (ii) when sent by facsimile at the number set forth on the signature page hereof upon successful transmission report being generated by the sender's machine; (iii) three (3) Business Days after deposit with an international overnight delivery service, postage prepaid, addressed to the parties as set forth on the signature page with next-business-day delivery guaranteed, provided that the sending party receives a confirmation of delivery from the delivery service provider; or (iv) when sent by electronic mail to the email address set forth on the signature page hereof.

Each person making a communication hereunder by facsimile or electronic mail shall promptly confirm by telephone to the person to whom such communication was addressed each communication made by it by facsimile or electronic mail pursuant hereto but the absence of such confirmation shall not affect the validity of any such communication. A party may change or supplement the addresses given above, or designate additional addresses, for purposes of this Section 8.3 by giving the other party written notice of the new address in the manner set forth above.

8.4 Entire Agreement; Prior Agreements; Conflicts. This Agreement, together with all the exhibits and schedules hereto, constitutes and contains the entire agreement and understanding of the parties with respect to the subject matter hereof and supersedes any and all prior negotiations, correspondence, agreements, understandings, duties or obligations between the parties respecting the subject matter hereof. In the event of any conflicts with the Memorandum and Articles, the provisions of this Agreement shall prevail.

8.5 Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, then such provision(s) shall be excluded from this Agreement and the balance of this Agreement shall be interpreted as if such provision(s) were so excluded and shall be enforceable in accordance with its terms.

8.6 Counterparts; Facsimile. This Agreement may be executed and delivered by facsimile signature and in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

8.7 Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

8.8 Language. This Agreement and all other Transaction Agreements are entered into in English only. Any Chinese translation of the Transaction Agreements, if any, is for reference only and shall not be a legally binding document. Accordingly, the English version will prevail in the event of any inconsistency between the English and any Chinese translations thereof.

8.9 Effective Date. This Agreement shall become automatically effective immediately following its execution, from and as of the date of the execution.

8.10 Further Assurances. At any time or from time to time after the date hereof, the parties agree to cooperate with each other, and at the request of any other party, to execute and deliver any further instruments or documents and to take all such further action as the other party may reasonably request in order to evidence or effectuate the consummation of the transactions contemplated hereby and to otherwise carry out the intent of the parties hereunder.

8.11 Costs of Enforcement. If any party to this Agreement seeks to enforce its rights under this Agreement by legal proceedings, the non-prevailing party shall pay all costs and expenses incurred by the prevailing party, including, without limitation, all reasonable attorneys' fees.

8.12 Aggregation of Rights. All Common Shares, Series A Preferred Shares, Series B Preferred Shares, Series C Preferred Shares and Common Share Equivalents held or acquired by any Series A Investor, Series B Investor or Series C Investor and its Affiliates respectively shall be aggregated for purposes of determining the availability of any rights under this Agreement.

8.13 Interpretation; Captions. This Agreement shall be construed according to its fair language. The rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not be employed in interpreting this Agreement. The captions to sections of this Agreement have been inserted for identification and reference purposes only and shall not be used to construe or interpret this Agreement.

8.14 Third Parties. Nothing in this Agreement, express or implied, is intended to confer upon any person, other than the parties hereto and their permitted successors and assignees, any rights or remedies under or by reason of this Agreement.

8.15 Successors and Assignees. Subject to the provisions of Section 5.1 and Section 6.3, the provisions of this Agreement shall inure to the benefit of, and shall be binding upon, the successors and permitted assignees of the parties hereto. Except as expressly stated otherwise, the rights of the Investors set forth in this Agreement are fully assignable to any person who holds or is acquiring Preferred Shares or Tiger Shares through a permitted transfer.

8.16 Adjustments for Share Splits, Etc. Wherever in this Agreement there is a reference to a specific number or percentage of the Preferred Shares and/or Common Shares, then, upon the occurrence of any share subdivision, share split, combination, reclassification, merger, consolidation, reorganization, recapitalization or share dividend of any Preferred Shares or Common Shares, as applicable, the specific number of shares so referenced in this Agreement shall automatically be proportionally adjusted to reflect the affect on the outstanding shares of such class or series of share by such event.

8.17 Amendment of Rights. This Agreement may be amended or modified and the observance of any term hereof may be waived (either generally or in a particular instance and either retroactively or prospectively) only by a written instrument executed by (i) the Company, (ii) the Key Holders holding a majority of the Common Shares held by all Key Holders; (iii) Tiger; (iv) the Majority Series C Holders, (v) the Majority Series B Holders and (vi) the Majority Series A Holders. Notwithstanding the foregoing, in the case of an amendment of any provision of Section 3 hereof, any such amendment may be made only with the written consents of (i) the Company and (ii) a majority in interest of the Investors. Any amendment effected in accordance with this Section 8.17 shall be binding upon each party to this Agreement, and their respective successors in interest.

8.18 Legend.

(a) Each certificate representing Shares issued by the Company shall be endorsed with the following legends:

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AND HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. NO SUCH TRANSFER MAY BE EFFECTED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL IN A FORM SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT OF 1933.

THE SALE, PLEDGE, HYPOTHECATION OR TRANSFER OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE IS SUBJECT TO, AND IN CERTAIN CASES PROHIBITED BY, THE TERMS AND CONDITIONS OF A CERTAIN INVESTORS’ RIGHT AGREEMENT AND A CERTAIN RIGHT OF FIRST REFUSAL AND CO-SALE AGREEMENT, BOTH BY AND AMONG THE SHAREHOLDER, THE COMPANY AND CERTAIN OTHER HOLDERS OF SHARES OF THE COMPANY. COPIES OF SUCH AGREEMENT MAY BE OBTAINED UPON WRITTEN REQUEST TO THE SECRETARY OF THE COMPANY.

(b) Each Key Holder agrees that the Company may instruct its transfer agent to impose transfer restrictions on the shares represented by certificates bearing the legend referred to in Section 8.18(a) above to enforce the provisions of this Agreement, and the Company agrees to promptly do so. The legend shall be removed upon termination of this Agreement at the request of the holder.

8.19 Investment in Competing Companies. Nothing in this Agreement and in any other agreements, contracts and documents shall prohibit or restrict the Investors from (i) receiving information relating to, meeting with employees of, or discussing with any companies in competition with the Company, and (ii) investing in any companies in competition with the Company in any way.

8.20 Termination of Existing Investors Rights Agreement; Waiver of Pre-emptive Rights.

(a) In consideration of the mutual covenants and promises contained herein, each of the parties to the Existing Investors Rights Agreement hereby confirms and covenants with each of the other parties thereto that, with effect immediately upon the effectiveness of this Agreement: (a) the Existing Investors Rights Agreement shall be absolutely terminated; (b) none of the parties to the Existing Investors Rights Agreement have or shall have any rights, claims or interests whatsoever against any of the other parties to the Existing Investors Rights Agreement under or in respect of the Existing Investors Rights Agreement; and (c) to the extent that any of the parties to the Existing Investors Rights Agreement have or may have any rights, claims or interests whatsoever against any of the other parties thereto under or in respect of the Existing Investors Rights Agreement, such rights, claims or interests are hereby absolutely, irrevocably and unconditionally waived, discharged and released by the parties concerned.

(b) Each of the shareholders of the Company hereby waives any right of first offer, pre-emptive right or other rights to purchase any portion of the Common Shares issued by the Company pursuant to the Share Exchange Agreement that such shareholder may have under the Existing Investors Rights Agreement, the Memorandum and Articles of the Company, or otherwise.

[The remainder of this page has been intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have executed this Investors' Rights Agreement as of the day and year herein above first written.

COMPANY:

For and on behalf of
YY INC.

By: ______________________________

Name: LI Xueling (李学凌)
Capacity: CEO

Address: c/o 4/F, No. 44/46, Jianzhong Road,
Tianhe District, Guangzhou, Guangdong, PRC.

Attention: LI Xueling

E-mail: lixueling@chinaduo.com

IN WITNESS WHEREOF, the parties hereto have executed this Investors' Rights Agreement as of the day and year herein above first written.

DUOWAN BVI:

For and on behalf of
DUOWAN ENTERTAINMENT CORP.

For and on behalf of
Duowan Entertainment Corp.

By: ______________________________
Authorized Signature(s)

Name: LI Xueling (李学凌)
Capacity: CEO

Address: c/o 4/F, No. 44/46, Jianzhong Road,
Tianhe District, Guangzhou, Guangdong, PRC.

Attention: LI Xueling

E-mail: lixueling@chinaduo.com

IN WITNESS WHEREOF, the parties hereto have executed this Investors' Rights Agreement as of the day and year herein above first written.

CAYMAN SUBSIDIARY:

For and on behalf of
NEOTASKS INC.

For and on behalf of
NeoTasks Inc.

By: ______________________________
Authorized Signature(s)

Name: LI Xueling (李学凌)
Capacity: Authorized Director

Address: c/o: 4/F, No. 44/46, Jianzhong Road, Tianhe District, Guangzhou, Guangdong, PRC.

Attention: LI Xueling

E-mail: lixueling@chinaduo.com

IN WITNESS WHEREOF, the parties hereto have executed this Investors’ Rights Agreement as of the day and year herein above first written.

HONG KONG SUBSIDIARY:

For and on behalf of
NEOTASK LIMITED

For and on behalf of
NeoTask Limited
以太國際傳媒網絡有限公司

By: ______________________________
Authorized Signature(s)

Name: LI Xueling (李学凌)
Capacity: Authorized Director

Address: c/o: 4/F, No. 44/46, Jianzhong Road,
Tianhe District, Guangzhou, Guangdong, PRC

Attention: LI Xueling

E-mail: lixueling@chinaduo.com

IN WITNESS WHEREOF, the parties hereto have executed this Investors’ Rights Agreement as of the day and year herein above first written.

WFOES:

DUOWAN ENTERTAINMENT INFORMATION TECHNOLOGY (BEIJING) CO., LTD.
(多玩娱乐信息技术(北京)有限公司)

By: ______________________________
Name: LI Xueling (李学凌)
Capacity: Legal Representative
Affix Seal:

Address: c/o Room 1507, B, Huizhi Tower, No. 9, Xueqing Road, Haidian District, Beijing, PRC

Attention: LI Xueling

E-mail: lixueling@chinaduo.com

ZHUHAI DUOWAN TECHNOLOGY LIMITED
(珠海多玩科技有限公司)

By: ______________________________
Name: LI Xueling (李学凌)
Capacity: Legal Representative
Affix Seal:

Address: Area C, 13th Floor, No. 1, Exhibition Center, No. 1, Software Garden Road, Tangjiawan Town, Zhuhai, Guangdong, PRC.

Attention: LI Xueling

E-mail: lixueling@chinaduo.com

IN WITNESS WHEREOF, the parties hereto have executed this Investors' Rights Agreement as of the day and year herein above first written.

DOMESTIC COMPANIES:

ZHUHAI DUOWAN INFORMATION AND TECHNOLOGY CO., LIMITED
(珠海多玩信息技术有限公司)

By: ____
Name: CAO Jin (李学凌)
Capacity: Legal Representive
Affix Seal:

Address: Area B, 13th Floor, No. 1, Exhibition Center, No. 1, Software Garden Road,
Tangjiawan Town, Zhuhai, Guangdong, PRC.

E-mail: caojin@chinaduo.com

GUANGZHOU HUADUO NETWORK TECHNOLOGY CO., LTD.
(广州华多网络科技有限公司)

By: ____
Name: LI Xueling (李学凌)
Capacity: Legal Representative
Affix Seal:

Address: 4/F, No. 44/46 Jianzhong Road, Tian He District, Guangzhou, Guangdong Province, PRC
Post Code: 510660

Attention: LI Xueling (李学凌)

E-mail: lixueling@chinaduo.com

BEIJING TUDA TECHNOLOGY CO., LTD
(北京途达科技有限责任公司)

By: ____
Name: CAO Jin (曹津)
Capacity: Legal Representative
Affix Seal:

Address: Room 1506, B, Huizhi Tower, No. 9, Xueqing Road, Haidian District, Beijing, PRC

E-mail: caojin@chinaduo.com

IN WITNESS WHEREOF, the parties hereto have executed this Investors' Rights Agreement as of the day and year herein above first written.

KEY HOLDERS:

LI Xueling (李学凌)

Address: No. 33 Xuesha Road, Zonglu Tan, Lijiang Garden, Panyuan District, Guangzhou, PRC

E-mail: lixueling@chinaduo.com

LEI Jun (雷军)

Address: Room 19E, Block A, Hua Ting Jia Yuan, Bei Si Huan Zhong Lu, Chao Yang District, Beijing, PRC

E-mail: leijun@gmail.com

IN WITNESS WHEREOF, the parties hereto have executed this Investors' Rights Agreement as of the day and year herein above first written.

KEY HOLDERS:

____

LI Xueling (李学凌)

Address: No. 33 Xuesha Road, Zonglu Tan, Lijiang Garden, Panyuan District, Guangzhou, PRC

E-mail: lixueling@chinaduo.com

____

LEI Jun (雷军)

Address: Room 19E, Block A, Hua Ting Jia Yuan, Bei Si Huan Zhong Lu, Chao Yang District, Beijing PRC

E-mail: leijun@gmail.com

IN WITNESS WHEREOF, the parties hereto have executed this Investors' Rights Agreement as of the day and year herein above first written.

KEY HOLDERS:

CAO Jin (曹津)

Address: 6-1-301, Guanjingli, Hongqi South Road, Nankai District, Tianjin, PRC.

E-mail: caojin@chinaduo.com

ZHAO Bin (赵斌)

Address: 6-2-501, Jiefangdongyuan, No. 55, Dongxi, Luoyang, Henan, PRC

E-mail: zhaobin@chinaduo.com

IN WITNESS WHEREOF, the parties hereto have executed this Investors' Rights Agreement as of the day and year herein above first written.

INVESTOR:

STEAMBOAT VENTURES ASIA, L.P.

By: Steamboat Ventures Asia Manager, L.P.
Its: General Partner

By: Steamboat Ventures Asia GP, Ltd.
Its: General Partner

By: ______________________________
Name and Capacity: Daniel L. Beldy, Director

IN WITNESS WHEREOF, the parties hereto have executed this Investors' Rights Agreement as of the day and year herein above first written.

INVESTOR:
For and on behalf of
FAVOR STAR LIMITED

By: ______________________________
Name: Rayrnond Long Sing Tang/Louise Mary Garbarino
Capacity: Authorized Signatures

Address: c/o 22/F Hang Lung Centre, 2-20 Paterson Street, Causeway Bay, Hong Kong

Attention: Alice Li

E-mail: alice.li@springfld.com/lgarbarino@thc-mgt.mc

IN WITNESS WHEREOF, the parties hereto have executed this Investors' Rights Agreement as of the day and year herein above first written.

INVESTOR:

MORNINGSIDE CHINA TMT FUND I, L.P.,
a Cayman Islands exempted limited partnership,

By: **MORNINGSIDE CHINA TMT GP, L.P.,** a
Cayman Islands exempted limited partnership, its general partner,

By: **TMT GENERAL PARTNER LTD.,** a
Cayman Islands limited company, its general partner

____
Director/Authorized Signatory
Date:

IN WITNESS WHEREOF, the parties hereto have executed this Investors' Rights Agreement as of the day and year herein above first written.

INVESTORS:

GRANITE GLOBAL VENTURES III L.P.

By: Granite Global Ventures III L.L.C.,
its General Partner

By: ______________________
Name: Hany Nada
Capacity: Managing Director

Address: 2494 Sand Hill Road, Suite 100,
Menlo Park, CA 94025 USA

Attention:

E-mail: hnada@ggvc.com

GGV III ENTREPRENEURS FUND L.P.

By: Granite Global Ventures III L.L.C.,
its General Partner

By: ______________________
Name: Hany Nada
Capacity: Managing Director

Address: 2494 Sand Hill Road, Suite 100,
Menlo Park, CA 94025 U.S.A.

Attention:

E-mail: hnada@ggvc.com

IN WITNESS WHEREOF, the parties hereto have executed this Investors' Rights Agreement as of the day and year herein above first written.

INVESTOR:

TIGER GLOBAL SIX YY HOLDINGS

By: ______________________________
Name: Moussa Taujoò
Capacity: Director

Address: Tiger Global Mauritius Office, TwentySeven, Cybercity, Ebene, Mauritius

Attention: Moussa Taujoo

E-mail: mataujoo@tigerglobal.com

Signatory Page

EXHIBIT A

KEY HOLDERS

Name of the Key Holder	Passport/ID No.
LI Xueling (李学凌)	640204197410230034
LEI Jun (雷军)	11010819691216311X
ZHAO Bin (赵斌)	110108710130183
CAO Jin (曹津)	120104197211114332

EXHIBIT B

SERIES A INVESTORS

Name of the Series A Investor
Favor Star Limited
Morningside China TMT Fund I, L.P.

EXHIBIT C

SERIES B INVESTORS

Name of the Series B Investor
Morningside China TMT Fund I, L.P.
Steamboat Ventures Asia, L.P.

EXHIBIT D

SERIES C INVESTORS

Name of the Series C Investor
Morningside China TMT Fund I, L.P.
Steamboat Ventures Asia, L.P.
Granite Global Ventures III L.P.
GGV III Entrepreneurs Fund L.P.

EXHIBIT E

KEY EMPLOYEES

Name of the Key Employee	PRC Identity Card No.
LI Xueling	640204197410230034
CAO Jin	120104197211114332
ZHAO Bin	110108710130183

Exhibit 4.5

Execution Version

RIGHT OF FIRST REFUSAL AND CO-SALE AGREEMENT

This RIGHT OF FIRST REFUSAL AND CO-SALE AGREEMENT (this "**Agreement**") is entered into as of September 6, 2011 by and among:

(1) YY Inc., a limited liability company duly incorporated and validly existing under the laws of the Cayman Islands (the "**Company**");

(2) Duowan Entertainment Corp., a limited liability company duly incorporated and validly existing under the laws of the British Virgin Islands (the "**Duowan BVI**");

(3) the Persons listed on Exhibit A hereto (each a "**Key Holder**" and collectively, the "**Key Holders**"); and

(4) the Persons listed on Exhibit B hereto (each an "**Investor**" and collectively, the "**Investors**").

RECITALS

WHEREAS:

(A) The Key Holders and the Investors were the legal and beneficial holders of all of the issued share capital of Duowan BVI immediately prior to the share exchange pursuant to a certain Share Exchange Agreement, dated September 6, 2011, among the Company and other parties thereto (the "**Share Exchange Agreement**");

(B) Duowan BVI, the Key Holders and the Investors were parties to that certain Third Amended and Restated Right of First Refusal and Co-Sale Agreement dated January 21, 2011, among Duowan BVI and the parties thereto (the the "**Existing ROFR Agreement**");

(C) the Series A Investors entered into a series A convertible preferred shares purchase agreement dated June 2, 2008 (the "**Series A SPA**") with Duowan BVI, the Key Holders and certain other parties thereto with respect to the issuance and sale by Duowan BVI of 277,757 no par value convertible redeemable series A preferred shares at a consideration of US$2,000,000 to the Series A Investors;

(D) the Series B Investors entered into a series B preference share purchase agreement dated August 8, 2008 (the "**Series B SPA**") with Duowan BVI, the Key Holders and certain other parties thereto with respect to the issuance and sale by Duowan BVI of 208,314 no par value convertible redeemable series B preferred shares at a consideration of US$5,000,015.30 to the Series B Investors;

(E) Favor Star Limited issued a securities transfer and assignment separate from certificate dated September 10, 2008 by which it transferred to Morningside China TMT Fund I, L.P. 166,557 series A preferred shares of Duowan BVI and its rights and obligations under the Series B SPA, including without limitation the right to purchase 41,663 series B preferred shares of Duowan BVI. Morningside China TMT Fund I, L.P. issued a deed of adherence dated September 10, 2008 in favor of Duowan BVI, LI Xueling, LEI Jun, Favor Star Limited and Steamboat Ventures Asia, L.P. pursuant to which it agreed to adhere to, among others, the Series A SPA and Series B SPA;

(F) Granite Global Ventures III L.P., GGV III Entrepreneurs Fund L.P., Steamboat Ventures Asia, L.P. and Morningside China TMT Fund I, L.P. (collectively, the "**Series C Investors**") entered into a series C preferred share purchase agreement dated November 20, 2009 with Duowan BVI, the Key Holders and certain other parties thereto with respect to the issuance and sale by Duowan BVI of 33,163 no par value convertible redeemable series C-1 preferred shares at a consideration of US$1,299,989.60 and of 214,285 no par value convertible redeemable series C-2 preferred shares at a consideration of US$10,499,965.00 to the Series C Investors;

(G) Duowan BVI sub-divided all of its then authorised and issued shares by means of a 490-for-1 share split which was approved by the shareholders' resolutions on July 9, 2010;

(H) Tiger entered into a common share purchase agreement and warrant purchase agreement dated January 21, 2011 with Duowan BVI, the Key Holders and certain other parties thereto with respect to the issuance and sale by Duowan BVI of 51,140,432 no par value common shares in Duowan BVI at an aggregate consideration of US$50,000,000 and a warrant (the "**Warrant**") to purchase 25,570,216 no par value common shares in Duowan BVI at a consideration of US$25,000,000 to Tiger. On July 29, 2011, Tiger exercised the Warrant and 25,570,216 no par value common shares in Duowan BVI were issued to Tiger accordingly; and

(I) In connection with the share exchange (the "**Share Exchange**") pursuant to the Share Exchange Agreement, the parties hereto now wish to enter into this Agreement and an Investors' Rights Agreement dated on or about the same date to govern certain transfers of shares of the Company.

WITNESSETH

NOW, THEREFORE, in consideration of the premises set forth above, the mutual promises and covenants set forth herein and other good and valuable consideration, the parties hereby agree as follows:

1. DEFINITIONS.

1.1 Certain Defined Terms. As used in this Agreement, the following terms shall have the following respective meanings:

"**Adoption Agreement**" means, an agreement, in such form and on such terms as approved by a majority in interest of the Investors, which a Person is required to enter into with or in favour of all the parties pursuant to Section 8.15.

"**Affiliate**" means, with respect to any specified Person, any other Person who or which, directly or indirectly, controls, is controlled by, or is under common control with such specified Person, including, without limitation, any partner, officer, director, member or employee of such Person and any venture capital fund now or hereafter existing that is controlled by or under common control with one or more general partners or managing members of, or shares the same management company with, such Person.

"**Agreement**" has the meaning ascribed to it in the Preamble to this Agreement.

"**Board**" means the board of directors of the Company.

"**Business Day**" means any day that is not a Saturday, Sunday, legal holiday or other day on which commercial banks are required or authorized by laws to be closed in Hong Kong, Cayman Islands, British Virgin Islands, the PRC or New York.

"**Centre**" has the meaning ascribed to it in Section 8.2(b).

"**Common Holders**" shall mean the holders of Common Shares and Common Share Equivalents other than any Common Shares converted from any Preferred Shares, and a "**Common Holder**" shall be construed accordingly.

"**Common Share Equivalents**" means, with respect to any shareholder of the Company, Common Shares owned by such shareholder together with the Common Shares into or for which any issued and outstanding Preferred Shares or any other issued and outstanding convertible securities (excluding, for the avoidance of doubt, unexercised options or warrants) owned by such shareholder shall be convertible.

"**Common Share Transfer Notice**" has the meaning ascribed to it in Section 2.1.

"**Common Shares**" shall mean the common shares of par value of US$0.00001 each of the Company.

"**Company**" has the meaning ascribed to it in the Preamble to this Agreement.

"**Competitor**" means Sina.com, qq.com, Ispeak.cn and such other companies which provide team voice chat software used for personal computers in the PRC. For the purpose of this definition, the term "**Competitor**" shall not include the limited partners of any Investor.

"**Consultation Request**" has the meaning ascribed to it in Section 8.2(a).

"**Conversion Shares**" means the Common Shares issuable upon conversion of the Preferred Shares.

"**Equity Securities**" means any Common Shares or Common Share Equivalents or Preferred Shares of the Company now owned or subsequently acquired by any Shareholder.

"**Exchange Act Registration**" shall mean registration of a company under Section 12 of the Exchange Act or when a company becomes subject to Exchange Act reporting requirements under Section 15(d) of the Securities Act or otherwise.

"**Exchange Act**" shall mean the U.S. Securities and Exchange Act of 1934 and the rules and regulations promulgated thereunder, as amended from time to time.

"**Exercising Shareholder**" has the meaning ascribed to it in Section 2.2(iii).

"**Existing ROFR Agreement**" shall mean the third amended and restated right of first refusal and co-sale agreement dated January 21, 2011 entered into by and among Duowan BVI, the Key Holders, the Investors and certain other parties, together with the exhibits attached thereto.

"**Hong Kong**" means the Hong Kong Special Administrative Region of the PRC.

"**Immediate Family Member**" means a child, stepchild, grandchild, parent, step-parent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, of a person referred to herein.

"**Investor Refusal Period**" has the meaning ascribed to it in Section 2.2(i).

"**Investor**" and "**Investors**" have the meanings ascribed to them in the Preamble to this Agreement.

"**Investors' Rights Agreement**" shall mean the investors' rights agreement entered into by and among the Company, the Investors and certain other parties thereto dated as of the date of this Agreement, as amended from time to time.

"**Key Holder**" **and** "**Key Holders**" have the meanings ascribed to them in the Preamble to this Agreement.

"**Key Employee**" means each of the Persons listed in Exhibit C.

"**Liquidation Event**" has the meaning ascribed to it in the Memorandum and Articles, as amended from time to time.

"**Majority Series A Holders**" means the holders of more than fifty percent (50%) of the then outstanding Series A Preferred Shares, and the Conversion Shares issued upon conversion thereof, on a fully-diluted and as-converted basis.

"**Majority Series B Holders**" means the holders of more than fifty percent (50%) of the then outstanding Series B Preferred Shares, and the Conversion Shares issued upon conversion thereof, on a fully-diluted and as-converted basis.

"**Majority Series C Holders**" means, collectively, the holders of more than fifty percent (50%) of the then outstanding Series C-1 Preferred Shares and the Series C-2 Preferred Shares, and the Conversion Shares issued upon conversion thereof, on a fully-diluted and as-converted basis.

"**Memorandum and Articles**" means the amended and restated memorandum and articles of association of the Company previously adopted by resolution in writing of all shareholders of the Company, and the terms "**Memorandum**" and "**Articles**" shall be construed accordingly.

"**FSL**" means Favor Star Limited, and any of its successors or assignees.

"**New Shareholder**" has the meaning ascribed to it in Exhibit D.

"**Notice**" has the meaning ascribed to it in Section 8.2(a).

"**Offered Price**" has the meaning ascribed to it in Section 2.1.

"**Offered Shares**" has the meaning ascribed to it in Section 2.1.

"**Participant**" and "**Participants**" have the meanings ascribed to them in Section 2.1.

"**Person**" or "**person**" shall be construed as broadly as possible and shall include an individual, a partnership, a limited liability company, a company, an association, a trust, a joint venture or unincorporated organization and any government organization or authority.

"**PRC**" means the People's Republic of China, excluding, for the purpose of this Agreement, Hong Kong, Macau Special Administrative Region and Taiwan.

"**Preferred Holders**" means the Series A Holders, the Series B Holders and the Series C Holders, and their respective successors and assignees, collectively.

"**Preferred Shares**" means the Series A Preferred Shares, the Series B Preferred Shares and the Series C Preferred Shares, collectively.

"**Prohibited Transfer**" has the meaning ascribed to it in Section 6.2.

"**Qualified IPO**" has the meaning ascribed to it in the Memorandum and Articles, as amended from time to time.

"**Second Transfer Notice**" has the meaning ascribed to it in Section 2.2(iii).

"**Selling Holder**" has the meaning ascribed to it in Section 3.1.

"**Series A Director**" has the meaning ascribed to it in the Memorandum and Articles, as amended from time to time.

"**Series A Holders**" means the holders of the then outstanding Series A Preferred Shares and the Conversion Shares issued upon conversion thereof, collectively.

"**Series A Preferred Shares**" means the series A preferred shares of par value of US$0.00001 each of the Company.

"**Series B Director**" has the meaning ascribed to it in the Memorandum and Articles, as amended from time to time.

"**Series B Holders**" means the holders of the then outstanding Series B Preferred Shares and the Conversion Shares issued upon conversion thereof, collectively.

"**Series B Preferred Shares**" means the series B preferred shares of par value of US$0.00001 each of the Company.

"**Series C Director**" has the meaning ascribed to it in the Memorandum and Articles, as amended from time to time.

“**Series C Holders**” means the holders of the then outstanding Series C Preferred Shares and the Conversion Shares issued upon conversion thereof, collectively.

“**Series C Preferred Shares**” means the series C-1 preferred shares of par value of US$0.00001 each and series C-2 preferred shares of par value of US$0.00001 each of the Company.

“**Shareholder**” means a registered holder of Equity Securities (collectively, the “**Shareholders**”).

“**Shares**” shall mean all Preferred Shares and all Common Shares and any other issued and outstanding shares of any class or series of the Company now owned or subsequently acquired by any Shareholder.

“**Stock**” has the meaning ascribed to it in Exhibit D.

“**Tiger Director**” has the meaning ascribed to it in ascribed to it in the Memorandum and Articles, as amended from time to time.

“**Tiger**” means Tiger Global Six YY Holdings, and any of its successors or assignees.

“**Transaction Agreements**” means this Agreement, the Share Exchange Agreement, the Investors’ Rights Agreement, the Memorandum and Articles, and any other agreements, instruments or documents entered into in connection with the Share Exchange, together with the exhibits and schedules attached thereto.

“**Transfer**” means a proposal or proposals of a Common Holder or a Preferred Holder (as the case may be) concerning the sale, transfer or otherwise disposal of his Equity Securities in any manner (including transfer by gift).

“**Transferee**” means one or more Persons who have the intention to purchase the Shares of the Company from the Transferor or the Selling Holder, as the case may be.

“**Transferor**” has the meaning ascribed to it in Section 2.1.

“**Transferring Holder**” has the meaning ascribed to it in Section 6.2.

2. RIGHT OF FIRST REFUSAL.

2.1 Common Share Transfer Notice. If at any time a Common Holder (other than Tiger and FSL) proposes a Transfer (such disposing Common Holder is hereinafter referred to in such role as a “**Transferor**”) to the Transferee pursuant to an understanding with such Transferee, then the Transferor shall give the Company, FSL, each of the Preferred Holders and Tiger (a “**Participant**” and collectively, the “**Participants**”) a written notice of the Transferor’s intention to make the Transfer (the “**Common Share Transfer Notice**”), which Common Share Transfer Notice shall include (i) a description of the Equity Securities to be transferred (the “**Offered Shares**”); (ii) the identity of the prospective Transferee; (iii) the consideration to be paid for each Offered Share (the “**Offered Price**”); and (iv) the material terms and conditions upon which the proposed Transfer is to be made. The Common Share Transfer Notice shall certify that the Transferor has received a bona fide firm offer from the prospective Transferee and in good faith believes a binding agreement for the Transfer is obtainable on the terms set forth in the Common Share Transfer Notice. The Common Share Transfer Notice shall also include a copy of any written proposal, term sheet or letter of intent or other agreement relating to the proposed Transfer.

2.2 Participant's Option.

(i) The Participants shall have an option for a period of thirty (30) days (the "**Investor Refusal Period**") from the receipt by such Participant of the Common Share Transfer Notice to submit notice of their respective irrevocable commitment to elect to purchase their respective pro rata shares of the Offered Shares at a price per Share equal to the Offered Price, and subject to the same material terms and conditions as described in the Common Share Transfer Notice.

(ii) Each Participant may exercise such purchase option and, thereby, purchase all or any portion of its pro rata share (with any re-allotments as provided below) of the Offered Shares, by notifying the Transferor and the Company in writing, before expiration of Investor Refusal Period as to the number of such Offered Shares which it wishes to purchase (including any re-allotment). For the purposes of this Section 2.2(ii), each Participant's pro rata share of the Offered Shares shall be a fraction of such Offered Shares, of which the number of Shares (assuming the exercise, conversion and exchange of all such Shares) owned by such Participant on the date of the Common Share Transfer Notice shall be the numerator and the total number of Shares (assuming the exercise, conversion and exchange of all Shares) held by all Participants on the date of the Common Share Transfer Notice shall be the denominator.

(iii) If any Participant fails to exercise its right to purchase its full pro rata share of the Offered Shares, the Transferor shall deliver written notice within five (5) days after the expiration of the Investor Refusal Period to the Company and the Participants specifying the number of unpurchased Offered Shares (the "**Second Transfer Notice**"). Each Participant that exercised in full its right of first refusal under Section 2.2(ii) above (an "**Exercising Shareholder**") shall have a right of re-allotment, and may exercise an additional right to purchase such unpurchased Offered Shares by notifying the Transferor and the Company in writing within ten (10) days after receipt of the Second Transfer Notice; provided, however, that if the Exercising Shareholders desire to purchase in aggregate more than the number of such unpurchased Offered Shares, then such unpurchased Offered Shares will be allocated to the extent necessary among the Exercising Shareholders in accordance with their relative pro rata shares as determined in accordance with Section 2.2(ii).

(iv) Each Participant shall be entitled to apportion Offered Shares to be purchased among its Affiliates, provided that such Participant notifies the Transferor of such allocation.

(v) If any Participant gives the Transferor notice that it desires to purchase its pro rata share of the Offered Shares and, as the case may be, its re-allotment, then payment for the Offered Shares shall be by check or wire transfer, against delivery of the Offered Shares to be purchased at a place agreed by the parties and at the time of the scheduled closing therefor, which shall be no later than sixty (60) days after the Participant's receipt of the Common Share Transfer Notice, unless the value of the purchase price has not yet been established pursuant to Section 2.3.

2.3 Valuation of Property. Should the purchase price specified in the Common Share Transfer Notice be payable in whole or in part in property other than cash or evidences of indebtedness, the cash equivalent value of the non-cash consideration will be determined by the Board (including the approval or consent of each of the Series A Director, the Series B Director, the Series C Director and the Tiger Director) in good faith, which determination shall be binding upon the parties hereto and the Transferor, absent fraud or error.

3. INVESTORS' CO-SALE RIGHT.

3.1 In the event of any proposed Transfer pursuant to Section 2, to the extent a Participant does not exercise its rights of first refusal as to any of the Offered Shares pursuant to Section 2.2, such Participant (a "**Selling Holder**") shall have an option for a period of thirty (30) days from the end of the Investor Refusal Period to participate in such sale of Equity Securities on the same terms and conditions as those being offered to the Transferor and in no event less favorable to the Transferor than those specified in the Common Share Transfer Notice. Each Selling Holder shall send notice to the Transferor indicating the number of Equity Securities the Selling Holder wishes to sell under its right to participate. To the extent one or more of the Selling Holders exercise such right of participation in accordance with the terms and conditions set forth below, the number of Equity Securities that the Transferor may sell in the Transfer to the Transferee shall be correspondingly reduced.

3.2 Each Selling Holder may elect to sell up to such number of Equity Securities equal to (on a fully-diluted and as-converted basis) the product of (i) the aggregate number of Common Shares proposed to be sold to the Transferee (including the number of Common Shares that would be issuable upon the exercise, conversion or exchange of Common Share Equivalents) by (ii) a fraction, the numerator of which is the number of Common Shares (including the number of Common Shares that would be issuable upon the exercise, conversion or exchange of Common Share Equivalents) owned by the Selling Holder on the date of the Second Transfer Notice and the denominator of which is the total number of Common Shares (including the number of Common Shares that would be issuable upon the exercise, conversion or exchange of Common Share Equivalents) owned by all Selling Holders and the Transferor on the date of the Second Transfer Notice (after taking into account the re-allotment).

3.3 Each Selling Holder shall effect its participation in the sale by promptly delivering to the Transferor for transfer to the Transferee one or more certificates and instruments of transfer, properly endorsed for transfer, which represent the type and number of Equity Securities which such Selling Holder elects to sell; provided, however that if the prospective Transferee objects to the delivery of Equity Securities in lieu of Common Shares, such Selling Holder shall convert such Equity Securities into Common Shares and deliver certificates and instruments of transfer corresponding to such Common Shares. The Company agrees to make any such conversion of Equity Securities concurrent with the actual transfer of Common Shares to the Transferee and contingent on such transfer.

3.4 The share certificate or certificates that a Selling Holder delivers to the Transferor pursuant to Section 3.3 shall be transferred to the prospective Transferee in consummation of the sale of the Equity Securities pursuant to the terms and conditions specified in the Common Share Transfer Notice, and the Transferor shall concurrently therewith remit to such Selling Holder that portion of the sale proceeds to which such Selling Holder is entitled by reason of its participation in such sale.

3.5 To the extent that any prospective Transferee prohibits the participation of a Selling Holder exercising its co-sale rights hereunder in a proposed Transfer or otherwise refuses to purchase Shares or other securities from a Selling Holder exercising its co-sale rights hereunder, the Transferor shall not sell to such prospective Transferee any Equity Securities unless and until, simultaneously with such sale, the Transferor shall purchase such Shares or other securities from such Selling Holder for the same consideration and on the same terms and conditions as the proposed transfer described in the Common Share Transfer Notice.

4. NON-EXERCISE OF RIGHTS.

4.1 To the extent that the Participants have not exercised their rights to purchase all of the Offered Shares within the time periods specified in Section 2 and the Participants have not exercised their rights to participate in the sale of all of the remaining Offered Shares within the time periods specified in Section 3, the Transferor shall have a period of forty-five (45) days from the expiration of such rights in which to sell the remaining Offered Shares to the Transferee identified in the Common Share Transfer Notice upon terms and conditions (including the purchase price) no more favorable than those specified in the Common Share Transfer Notice.

4.2 The parties agree that each Transferee shall, prior to the consummation of any Transfer, have executed an Adoption Agreement in the form attached hereto as Exhibit D assuming the obligations of such Transferor under this Agreement with respect to the transferred Offered Shares. In the event the Transferor does not consummate the sale or disposition of the Offered Shares within forty-five (45) days from the expiration of such rights, the Participants' first refusal rights and the Participants' co-sale rights shall continue to be applicable to any subsequent disposition of the Offered Shares by the Transferor until such rights lapse in accordance with the terms of this Agreement.

4.3 The exercise or non-exercise under Sections 2 and 3 of the rights of the Participants to purchase Equity Securities from a Transferor or the Participants to participate in the sale of Equity Securities by a Transferor shall not adversely affect their rights to make subsequent purchases from the Transferor of Equity Securities or subsequently participate in sales of Equity Securities by Transferor hereunder.

5. LIMITATIONS TO RIGHTS OF FIRST REFUSAL AND CO-SALE.

5.1 Estate Planning. Notwithstanding the foregoing or anything to the contrary herein, the provisions of Sections 2 and 3 shall not apply: (i) to a repurchase of Shares from a Transferor by the Company at a price no greater than that originally paid by such Transferor for such Shares and pursuant to an agreement containing vesting and/or repurchase provisions approved by the Board, or (ii) to any sale or assignment by any Key Holder for estate planning purposes, with or without consideration, of Common Shares or Common Share Equivalents to any spouse or Immediate Family Member, or to a custodian, trustee, executor, or other fiduciary for the account of such Key Holder's spouse or Immediate Family Member (as the case may be), or to a trust for such Key Holder's own self (as the case may be), or a charitable remainder trust or an entity wholly owned by such Key Holder legally and beneficially, provided that each such Transferee or assignee, prior to the completion of the sale, transfer, or assignment, shall have executed an Adoption Agreement or other documents assuming the obligations of such Key Holder under this Agreement with respect to the transferred Common Shares or Common Shares Equivalents. For avoidance of any doubt, in no circumstance shall the provisions of Sections 2 and 3 apply to any transfer, assignment or otherwise disposal of by FSL and Tiger of any Common Shares.

5.2 Termination of Rights of First Refusal and Co-Sale Right. The provisions of this Section 2 and 3 shall terminate upon the earlier of (i) immediately prior to the Company's first Qualified IPO, and (ii) the occurrence of a Liquidation Event.

6. PROHIBITED TRANSFER.

6.1 Prohibited Transferees. Notwithstanding anything to the contrary in this Agreement, no Transferor shall transfer any Equity Securities of the Company to (i) any entity which, in the determination of the majority of the Company's Board, including the affirmative approval or consent of the Series A Director, the Series B Director, the Series C Director and Tiger Director, directly or indirectly competes with the Company or (ii) any customer, distributor or supplier of the Company, if a majority of the Company's Board, including the Series A Director, the Series B Director, the Series C Director and Tiger Director, should determine that such transfer would result in such customer, distributor or supplier receiving information that would place the Company at a competitive disadvantage with respect to such customer, distributor or supplier.

6.2 Prohibited Transfer. In the event any holder of Equity Securities (the "**Transferring Holder**") should sell any Equity Securities in disregard or in contravention of the right of first refusal or co-sale rights under this Agreement (a "**Prohibited Transfer**"), the Participants, in addition to such other remedies as may be available at law, in equity or hereunder, shall have the put option provided below, and such Transferring Holder shall be bound by the applicable provisions of such option.

6.3 Put Right. Without prejudice to any other rights and remedies available to the Investors, in the event of a Prohibited Transfer, each Participant shall have the right to sell to the Transferring Holder the type and number of Shares equal to the number of Shares such Participant would have been entitled to transfer to the third-party Transferee under Section 3 hereof had the Prohibited Transfer been effected pursuant to and in compliance with the terms hereof. Such sale shall be made on the following terms and conditions:

(i) The price per share at which the Shares are to be sold to the Transferring Holder shall be equal to the price per share paid by the third-party Transferee to the Transferring Holder in the Prohibited Transfer. The Transferring Holder shall also reimburse each Participant for any and all reasonable fees and expense, including legal fees and out-of-pocket expenses, incurred pursuant to the exercise or the attempted exercise of such Participant's rights under Sections 2 and 3.

(ii) Within ninety (90) days after the later of the date on which the Participant (A) received notice of the Prohibited Transfer; or (B) otherwise became aware of the Prohibited Transfer, such Participant shall, if exercising its rights under this Section 6, deliver to the Transferring Holder the certificate or certificates and instruments of transfer properly endorsed for transfer representing the Shares to be sold under this Section 6 by such Participant.

(iii) The Transferring Holder shall, within seven (7) Business Days upon receipt of the certificate or certificates and instruments of transfer for the Shares to be sold by a Participant pursuant to this Section 6, pay the aggregate purchase price therefor and the amount of reimbursable fees and expenses, as specified in Section 6.3(i), in cash or by other means acceptable to the Participant. The Company will concurrently therewith record such transfer on its books and update its register of members and will promptly thereafter and in any event within five (5) Business Days reissue certificates, as applicable, to the Transferring Holder and the Participant reflecting the new securities held by them giving effect to such transfer.

6.4 Voidability of Prohibited Transfer. Notwithstanding the foregoing, any attempt by a Key Holder or any other Common Holder (other than FSL and Tiger) to transfer Equity Securities in violation of Section 2 or 3 shall be void, and the Company agrees it will not effect such a transfer nor will it treat any alleged Transferee as the holder of such Shares without the written consent of the Majority Series A Holders, the Majority Series B Holders and the Majority Series C Holders, each voting or consenting as a single class.

7. LOCK-UP

7.1 Agreement to Lock-Up. Each party to this Agreement hereby agrees that it will not, without the prior written consent of the managing underwriter, during the period commencing on the date of the final prospectus relating to the Company's Qualified IPO and ending on the date specified by the Company and the managing underwriter (which period shall not exceed one hundred eighty (180) days) (i) lend, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any Shares of the Company held immediately prior to the effectiveness of the registration statement for the Qualified IPO; or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Shares, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Shares or other securities, in cash or otherwise. The foregoing provisions of this Section 7 shall apply only to a Qualified IPO, shall not apply to the sale of any Shares to an underwriter pursuant to an underwriting agreement, and shall only be applicable to the Investors if all officers, directors and greater than one percent (1%) Shareholders enter into similar agreements. The underwriters in connection with the Qualified IPO are intended third-party beneficiaries of this Section 7 and shall have the right, power and authority to enforce the provisions hereof as though they were a party hereto. Each party to this Agreement further agrees to execute such agreements as may be reasonably requested by the underwriters in the Qualified IPO that are consistent with this Section 7 or that are necessary to give further effect thereto.

7.2 Stop Transfer Instructions. In order to enforce the foregoing covenant, the Company may impose stop-transfer instructions with respect to the Shares of any party to this Agreement (and transferees and assignees thereof) until the end of such restricted period.

8. MISCELLANEOUS.

8.1 Governing Law. This Agreement shall be governed by and construed under the laws of Hong Kong, without regards to conflicts of law principles.

8.2 Dispute Resolution.

(a) Any dispute, controversy or claim arising out of or relating to this Agreement, or the interpretation, breach, termination or validity hereof, shall first be subject to resolution through consultation of the parties to such dispute, controversy or claim. Such consultation shall begin immediately after one party hereto has delivered to the other party hereto a written request for such consultation (the "**Consultation Request**"). If within thirty (30) days following the date on which the Consultation Request is delivered the dispute cannot be resolved, the dispute shall be submitted to arbitration upon the request of either party with notice to the other (the "**Notice**").

(b) The arbitration shall be conducted in Hong Kong under the auspices of the Hong Kong International Arbitration Centre (the "**Centre**"). There shall be three arbitrators. The complainant(s) and the respondent(s) to such dispute shall each select one arbitrator within thirty (30) days after giving or receiving the demand for arbitration. Such arbitrators shall be freely selected, and the Parties shall not be limited in their selection to any prescribed list. The chairman of the Centre shall select the third arbitrator, who shall be qualified to practice law in Hong Kong. All such arbitrators shall be freely selected, and the parties and the chairman of the Center shall not be limited in their selection to any prescribed list. If either party does not appoint an arbitrator who has consented to participate within thirty (30) days after selection of the first arbitrator, the relevant appointment shall be made by the chairman of the Centre.

(c) The arbitration proceedings shall be conducted in English. The arbitration tribunal shall apply the arbitration rules of the Centre in effect at the time of the Notice. However, if such rules are in conflict with the provisions of this Section 8.2, including the provisions concerning the appointment of arbitrators, the provisions of this Section 8.2 shall prevail.

(d) Each party hereto shall cooperate with the other in making full disclosure of and providing complete access to all information and documents requested by the other in connection with such arbitration proceedings, subject only to any confidentiality obligations binding on such party.

(e) The award of the arbitration tribunal shall be final and binding upon the disputing parties, and either party may apply to a court of competent jurisdiction for enforcement of such award.

(f) Either party shall be entitled to seek preliminary injunctive relief, if possible, from any court of competent jurisdiction pending the constitution of the arbitral tribunal.

8.3 Notices. Except as may be otherwise provided herein, all notices, requests, waivers and other communications made pursuant to this Agreement shall be in writing and shall be conclusively deemed to have been duly given (i) when hand delivered to the other party; (ii) when sent by facsimile at the number set forth on the signature page hereof upon successful transmission report being generated by the sender's machine; (iii) three (3) Business Days after deposit with an international overnight delivery service, postage prepaid, addressed to the parties as set forth on the signature page with next-business-day delivery guaranteed, provided that the sending party receives a confirmation of delivery from the delivery service provider, or (iv) when sent by electronic mail at the email address set forth on the signature page hereof.

Each person making a communication hereunder by facsimile or electronic mail shall promptly confirm by telephone to the person to whom such communication was addressed each communication made by it by facsimile or electronic mail pursuant hereto but the absence of such confirmation shall not affect the validity of any such communication. A party may change or supplement the addresses given above, or designate additional addresses, for purposes of this Section 8.3 by giving the other party written notice of the new address in the manner set forth above.

8.4 Entire Agreement; Prior Agreements; Conflicts. This Agreement, together with all the exhibits and schedules hereto, constitutes and contains the entire agreement and understanding of the parties with respect to the subject matter hereof and supersedes any and all prior negotiations, correspondence, agreements, understandings, duties or obligations between the parties respecting the subject matter hereof. In the event of any conflicts with the Memorandum and Articles, the provisions of this Agreement shall prevail.

8.5 Severability. In the event one or more of the provisions of this Agreement should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

8.6 Counterparts; Facsimile. This Agreement may be executed and delivered by facsimile signature and in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

8.7 Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

8.8 Language. This Agreement and all other Transaction Agreements are entered into in English only. Any Chinese translation of the Transaction Agreements, if any, is for reference only and shall not be a legally binding document. Accordingly, the English version will prevail in the event of any inconsistency between the English and any Chinese translations thereof.

8.9 Effective Date. This Agreement shall take effect from and as of the date of the execution by the parties hereto.

8.10 Further Assurances. At any time or from time to time after the date hereof, the parties agree to cooperate with each other, and at the request of any other party, to execute and deliver any further instruments or documents and to take all such further action as the other party may reasonably request in order to evidence or effectuate the consummation of the transactions contemplated hereby and to otherwise carry out the intent of the parties hereunder.

8.11 Costs of Enforcement. If any party to this Agreement seeks to enforce its rights under this Agreement by legal proceedings, the non-prevailing party shall pay all costs and expenses incurred by the prevailing party, including, without limitation, all reasonable attorneys’ fees.

8.12 Aggregation of Rights. All Common Shares, Preferred Shares, and Common Share Equivalents held or acquired by an Investor and its Affiliates or held or acquired by each of the Key Holders and its/his Affiliates directly or indirectly shall be aggregated together for the purpose of determining the availability of any rights under this Agreement.

8.13 Interpretation; Captions. This Agreement shall be construed according to its fair language. The rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not be employed in interpreting this Agreement. The captions to sections of this Agreement have been inserted for identification and reference purposes only and shall not be used to construe or interpret this Agreement.

8.14 Consent Required to Amend, Terminate or Waive. This Agreement may be amended or modified and the observance of any term hereof may be waived (either generally or in a particular instance and either retroactively or prospectively) only by a written instrument executed by (i) the Company; (ii) the holders of a majority of the Common Shares or Common Share Equivalent then held by the Key Holders (voting together as a single class and on a fully-diluted and as-converted basis); (iii) the Majority Series A Holders, the Majority Series B Holders and the Majority Series C Holders (each voting as a single class and on a fully-diluted and as-converted basis); (iv) FSL; and (v) Tiger.

8.15 New Shareholders; Assignment of Rights.

(a) Any transferor Shareholder shall cause any transferee of any Equity Securities in the Company that is not already a party to this Agreement, as a condition to the transfer of Equity Securities to such new Shareholder, to become a party to this Agreement by executing and delivering (i) the Adoption Agreement attached to this Agreement as Exhibit D, or (ii) a counterpart signature page hereto agreeing to be bound by and subject to the terms of this Agreement as a Common Holder or Preferred Holder, as the case may be; provided that such transferee shall not be a Competitor of the Company. Notwithstanding the foregoing, any Investor may transfer its rights set forth in this Section 8.15 without regards to the minimum number of Common Share Equivalents described in the first clause of the proviso if the transferee is a constituent partner or member of such Investor or an entity controlling, controlled by or under common control of such Investor provided always that under no circumstance shall such transferee be a Competitor of the Company. In any event, provided that the transfer or issuance of such Equity Securities shall not have been made in contravention of this Agreement or applicable laws, each such person shall thereafter be deemed a Shareholder for all purposes under this Agreement. The Company shall not record the transfer of any equity securities of the Company on its register of members, or issue share certificates with respect to such transfers of equity securities of the Company, unless such transfer is made in compliance with this Section 8.15.

(b) The Company shall further procure that each Key Employee and Person that acquire Common Shares representing more than one percent (1%) of the outstanding Shares of the Company (on a fully-diluted and as-converted basis) shall, as a condition to the issuance of Common Shares or options to acquire Common Shares to such Person, enter into this Agreement such that such Person shall become bound by all of the rights and restrictions of a Common Holder (other than FSL and Tiger) hereunder.

8.16 Termination. The rights and obligations of the Shareholders set forth in this Agreement shall terminate upon the earlier of (i) the Qualified IPO; (ii) a Deemed Liquidation Event (as defined in the Memorandum and Articles), or (iii) the date on which this Agreement is terminated by operation of law or the occurrence of an Exchange Act Registration; provided, that upon the transfer by any Shareholder of all securities in the Company owned by it in accordance with the provisions hereof, such Shareholder shall automatically cease to be a party to this Agreement and shall have no further rights or obligations hereunder.

8.17 Endorsement of Share Certificates. Each certificate representing any Equity Securities now or hereafter owned by a Shareholder or issued to any Person in connection with a transfer pursuant to Section 2 or 3 hereof shall be endorsed by the Company with a legend reading substantially as follows:

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AND HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. NO SUCH TRANSFER MAY BE EFFECTED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL IN A FORM SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT OF 1933.

THE SALE, PLEDGE, HYPOTHECATION OR TRANSFER OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE IS SUBJECT TO, AND IN CERTAIN CASES PROHIBITED BY, THE TERMS AND CONDITIONS OF A CERTAIN INVESTORS' RIGHTS AGREEMENT AND A CERTAIN RIGHT OF FIRST REFUSAL AND CO-SALE AGREEMENT, BOTH BY AND AMONG THE SHAREHOLDERS, THE COMPANY AND CERTAIN OTHER HOLDERS OF SHARES OF THE COMPANY. COPIES OF SUCH AGREEMENTS MAY BE OBTAINED UPON WRITTEN REQUEST TO THE SECRETARY OF THE COMPANY.

The Company, by its execution of this Agreement, agrees that it will cause the certificates evidencing Equity Securities subject to this Agreement issued after the date hereof to bear the legend required by this Section 8.17 of this Agreement, and it shall supply, free of charge, a copy of this Agreement to any holder of a certificate evidencing Equity Securities upon written request from such holder to the Company at its principal office. The parties to this Agreement do hereby agree that the failure to cause the certificates evidencing the Shares to bear the legend required by this Section 8.17 herein and/or the failure of the Company to supply, free of charge, a copy of this Agreement as provided hereunder shall not affect the validity or enforcement of this Agreement.

8.18 Share Splits. Share Dividends, etc. In the event of any issuance of Equity Securities of the Company hereafter to any of the Shareholders (including, without limitation, in connection with any share split, share dividend, recapitalization, reorganization, or the like), such Equity Securities shall become subject to this Agreement and shall be endorsed with the legend set forth in Section 8.17.

8.19 Termination of Existing ROFR Agreement; Waiver of Pre-emptive Rights. In consideration of the mutual covenants and promises contained herein, each of the parties to the Existing ROFR Agreement hereby confirms and covenants with each of the other parties thereto that, with effect immediately upon the effectiveness of this Agreement: (a) the Existing ROFR Agreement shall be absolutely terminated; (b) none of the parties to the Existing ROFR Agreement have or shall have any rights, claims or interests whatsoever against *any* of the other parties to the Existing ROFR Agreement under or in respect of the Existing ROFR Agreement; and (c) to the extent that any of the parties to the Existing ROFR Agreement have or may have any rights, claims or interests whatsoever against any of the other parties thereto under or in respect of the Existing ROFR Agreement, such rights, claims or interests are hereby absolutely, irrevocably and unconditionally waived, discharged and released by the parties concerned.

[The remainder of this page has been intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have executed this Right of First Refusal and Co-Sale Agreement as of the day and year herein above first written.

COMPANY:

For and on behalf of
YY INC.

By: ______________________
Name: LI Xueling
Capacity: Authorized Director

Address: c/o 4/F, No. 44/46 Jianzhong Road
Tianbe District, Guanghou, Guangdong, PRC

Attention: LI Xueling

Email: lixueling@chinaduo.com

IN WITNESS WHEREOF, the parties hereto have executed this Right of First Refusal and Co-Sale Agreement as of the day and year herein above first written.

DUOWAN BVI:

For and on behalf of
Duowan Entertainment Corp.

For and on behalf of
Duowan Entertainment Corp.

By: ______________________________
Authorized Signature

Name: LI Xueling
Capacity: Authorized Director

Address: c/o 4/F, No. 44/46 Jianzhong Road
Tianbe District, Guanghou, Guangdong, PRC

Attention: LI Xueling

Email: lixueling@chinaduo.com

IN WITNESS WHEREOF, the parties hereto have executed this Right of First Refusal and Co-Sale Agreement as of the day and year herein above first written.

KEY HOLDERS:

____
LI Xueling

Address: No. 33 Xuesha Road, Zonglu Tan, Lijiang Garden, Panyuan District, Guangzhou, PRC

E mail: lixueling@chinaduo.com

____
LEI Jun

Address: Room 19E, Block A, Hua Ting Jia Yuan, Bei Si Haan Thong Lu, Chao Yang District,
Beijing, PRC
Email: leijun@kingsoft.com

IN WITNESS WHEREOF, the parties hereto have executed this Right of First Refusal and Co-Sale Agreement as of the day and year herein above first written.

KEY HOLDERS:

____

LI Xueling

Address: No. 33 Xuesha Road, Zonglu Tan, Lijiang Garden, Panyuan District, Guangzhou, PRC

E mail: lixueling@chinaduo.com

____

LEI Jun

Address: Room 19E, Block A, Hua Ting Jia Yuan,
Bei Si Haan Thong Lu, Chao Yang District,
Beijing, PRC
Email: leijun@kingsoft.com

IN WITNESS WHEREOF, the parties hereto have executed this Right of First Refusal and Co-Sale Agreement as of the day and year herein above first written.

KEY HOLDERS:

CAO Jin

Address: 6-2-501., Guanjingli, Hongqi South Road,
Nankai District, Tianjin, PRC

Email: caojin@chinaduo.com

ZHAO Bin

Address: 6-2-501., Jiefangdongyuan, No. 55
Dongxi, Louyang, Henan, PRC

Email: zhaobin@chinaduo.com

IN WITNESS WHEREOF, the parties hereto have executed this Right of First Refusal and Co-Sale Agreement as of the day and year herein above first written.

INVESTOR:

STEAMBOAT VENTURES ASIA, L.P.

By: Steamboat Ventures Asia Manager, L.P.
Its: General Partner

By: Steamboat Ventures Asia GP, Ltd.
Its: General Partner

By: ______________________________
Name and Capacity: Daniel L. Beldy, Director

IN WITNESS WHEREOF, the parties hereto have executed this Right of First Refusal and Co-Sale Agreement as of the day and year herein above first written.

INVESTOR:
For and on behalf of
FAVOR STAR LIMITED

By:
Name: Raymond Long Sing Tang/Louise Mary Garbarino
Capacity: Authorized Signatures

Address: c/o 22/F Hang Lung Centre,
2-20 Paterson Street, Causeway Bay, Hong Kong

Attention: Alice Li

E-mail: alice.li@springfld.com/lgarbarino@thc- mgt.mc

IN WITNESS WHEREOF, the parties hereto have executed this Right of First Refusal and Co-Sale Agreement as of the day and year herein above fast written.

INVESTOR:

MORNINGSIDE CHINA TMT FUND I, L.P.,
a Cayman Islands exempted limited partnership,

By: **MORNINGSIDE CHINA TMT GP, L.P.**, a Cayman Islands exempted limited partnership, its general partner,

By: **TMT GENERAL PARTNER LTD.**, a Cayman Islands limited company its general partner

____
Director/Authorized Signatory
Date:

IN WITNESS WHEREOF, the parties hereto have executed this Right of First Refusal and Co-Sale Agreement as of the day and year herein above first written.

INVESTORS:
GRANITE GLOBAL VENTURES III L.P.

By: Granite Global Ventures III L.L.C., its General Partner

By: ____________________
Name: Hany Nada
Capacity: Managing Director

Address: 2494 Sand Hill Road, Suite 100, Menlo Park, CA 94025 U.S.A.

Attention: Hany Nada

E-mail: hnada@ggvc.com

GGV III ENTREPRENEURS FUND L.P.

By: Granite Global Ventures III L.L.C., its General Partner

By: ____________________
Name: Hany Nada
Capacity: Managing Director

Address: 2494 Sand Hill Road, Suite 100, Menlo Park, CA 94025 U.S.A.

Attention: Hany Nada

E-mail: hnada@ggvc.com

IN WITNESS WHEREOF, the parties hereto have executed this Right of First Refusal and Co-Sale Agreement as of the day and year herein above first written.

INVESTOR:

TIGER GLOBAL SIX YY HOLDINGS

By: ______________________________
Name: Moussa Taujoo
Capacity: Director

Address: Tiger Global Mauritius Office,
TwentySeven, Cybercity, Ebene, Mauritius

Attention: Moussa Taujoo

E-mail: mtaujoo@tigerglobal.com

EXHIBIT A

KEY HOLDERS

Name of the Key Holder	Passport/ID No.
LI Xueling	640204197410230034
LEI Jun	11010819691216311X
ZHAO Bin	110108710130183
CAO Jin	120104197211114332

EXHIBIT B

INVESTORS

Name of the Investor
Favor Star Limited
Morningside China TMT Fund I, L.P.
Steamboat Ventures Asia, L.P.
Granite Global Ventures III L.P.
GGV III Entrepreneurs Fund L.P.
Tiger Global Six YY Holdings

EXHIBIT C

KEY EMPLOYEES

Name of the Key Employee	PRC Identity Card No.
LI Xueling	640204197410230034
CAO Jin	120104197211114332
ZHAO Bin	110108710130183

EXHIBIT D

ADOPTION AGREEMENT

This ADOPTION AGREEMENT ("**Adoption Agreement**") is executed on , 20 , by the undersigned (the "**New Shareholder**") pursuant to the terms of that certain Right of First Refusal and Co-Sale Agreement dated as of September 6, 2011 (the "**Agreement**"), by and among the Company and certain of its shareholders, as such Agreement may be amended, or amended and restated hereafter. Capitalized terms used but not defined in this Adoption Agreement shall have the respective meanings ascribed to such terms in the Agreement. By the execution of this Adoption Agreement, the New Shareholder agrees as follows.

1.1 Acknowledgement. The New Shareholder acknowledges that he/she/it is acquiring certain shares of the capital stock of the Company (the "**Stock**") for one of the following reasons (check the correct box):

☐ as a transferee of Preferred Shares from a party in such party's capacity as an "**Investor**" bound by the Agreement, or a new party who is receiving the Preferred Shares from the Company, and after such transfer or receipt, the Preferred Holder shall be considered an "**Investor**" and a "**Shareholder**" for all purposes of the Agreement;

OR

☐ as a transferee of Equity Securities from a party in such party's capacity as a Common Holder (other than FSL and Tiger) bound by the Agreement, and after such transfer, the New Shareholder shall be considered a "**Common Holder**" and a "**Shareholder**" for all purposes of the Agreement.

1.2 Agreement. The New Shareholder hereby (a) agrees that the Stock, and any other shares of capital stock or securities required by the Agreement to be bound thereby, shall be bound by and subject to the terms of the Agreement and (b) adopts the Agreement with the same force and effect as if he/she/it were the Preferred Holder or Common Holder (as the case may be) and were originally a party thereto.

1.3 Notice. Any notice required or permitted by the Agreement shall be given to the New Shareholder at the address or facsimile number listed below New Shareholder's signature hereto.

NEW SHAREHOLDER:

By: ______________________________

Name and Capacity of Signatory

Address: ______________________________

Facsimile Number: ______________________________

ACCEPTED AND AGREED BY:

YY INC.

By: ______________________________

Capacity: ______________________________

Exhibit 4.6

Execution version

Dated September 6, 2011

The persons whose names and addresses are set out in Schedule 1 Part A

and

The corporations whose names and addresses are set out in Schedule 1 Parts B, C and D
(Vendors)

and

YY Inc.
(Purchaser)

Share Exchange Agreement relating to Duowan Entertainment Corp.

This Share Exchange Agreement is made on the 6th day of September, 2011

BETWEEN:

(1) The persons whose names and addresses are set out in Schedule 1 Part A (the "**Common Share Vendors**")

(2) The corporations whose names and addresses are set out in Schedule 1 Parts B, C, D and E (the "**Preferred Share Vendors**")

(the Common Share Vendors and the Preferred Share Vendors are together the "**Vendors**"); and

(3) YY Inc., a company incorporated under the laws of Cayman Islands with its registered office at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands (the "**Purchaser**").

RECITALS

(A) The parties intend that a corporate reorganisation of a group of companies involving Duowan Entertainment Corp. will take place whereby the Company will become a wholly-owned subsidiary of the Purchaser.

(B) Pursuant to the corporate reorganisation, the Vendors will sell to the Purchaser and the Purchaser will purchase from the Vendors the entire issued share capital of Duowan Entertainment Corp. subject to and upon the terms and conditions of this Agreement.

OPERATIVE PROVISIONS

1. Interpretation

1.1 In this Agreement and the Schedules hereto the following words and expressions shall, where the context so admits, bear the following meanings:

"Agreement"	this Share Exchange Agreement;
"Business Day"	a day (not being a Saturday or Sunday) on which banks generally are open for business in the PRC;
"Common Consideration Shares"	543,339,914 common shares of US$0.00001 each in the share capital of the Purchaser to be issued and allotted in exchange for the Common Sale Shares;

"Common Sale Shares"	543,340,914 common shares of no par value in the Company constituting the entire number of issued common shares thereof;
"Companies Law"	The Companies Law (Law 3 of 1961, as consolidated and revised) of the Cayman Islands;
"Company"	Duowan Entertainment Corp., a company incorporated under the laws of the British Virgin Islands, further particulars of which are set out in Schedule 2;
"Completion"	completion of this Agreement as provided in Clause below;
"Completion Date"	the date of signing hereof or such later date as shall be agreed between the Parties;
"Consideration Shares"	the Common Consideration Shares and the Preferred Consideration Shares;
"Group"	the Company and the Subsidiaries;
"Parties"	the parties to this Agreement and "Party" means any of them;
"PRC"	The People's Republic of China;
"Preferred Consideration Shares"	the Series A Preferred Consideration Shares, the Series B Preferred Consideration Shares, the Series C-1 Preferred Consideration Shares and the Series C-2 Preferred Consideration Shares;
"Preferred Sale Shares"	the Series A Preferred Sale Shares, the Series B Preferred Sale Shares, the Series C-1 Preferred Sale Shares and the Series C-2 Preferred Sale Shares;
"Sale Shares"	the Common Sale Shares and the Preferred Sale Shares;
"Series A Preferred Consideration Shares"	136,100,930 series A preferred shares of US$0.00001 each in the share capital of the Purchaser to be issued and allotted in exchange for the Series A Preferred Sale Shares;

“Series B Preferred Consideration Shares”	102,073,860 series B preferred shares of US$0.00001 each in the share capital of the Purchaser to be issued and allotted in exchange for the Series B Preferred Sale Shares;
“Series C-1 Preferred Consideration Shares”	16,249,870 series C-1 preferred shares of US$0.00001 each in the share capital of the Purchaser to be issued and allotted in exchange for the Series C-1 Preferred Sale Shares;
“Series C-2 Preferred Consideration Shares”	104,999,650 series C-2 preferred shares of US$0.00001 each in the share capital of the Purchaser to be issued and allotted in exchange for the Series C-2 Preferred Sale Shares;
“Series A Preferred Sale Shares”	136,100,930 convertible redeemable series A preferred shares of no par value in the Company constituting the entire number of issued series A preferred shares thereof;
“Series B Preferred Sale Shares”	102,073,860 convertible redeemable series B preferred shares of no par value in the Company constituting the entire number of issued series B preferred shares thereof;
“Series C-1 Preferred Sale Shares”	16,249,870 convertible redeemable series C-1 preferred shares of no par value in the Company constituting the entire number of issued series C-1 preferred shares thereof;
“Series C-2 Preferred Sale Shares”	104,999,650 convertible redeemable series C-2 preferred shares of no par value in the Company constituting the entire number of issued series C-2 preferred shares thereof;
“Subsidiaries”	Duowan Entertainment Information Technology (Beijing) Co., Ltd., a wholly foreign owned enterprise established in the PRC, Neotasks, Inc., a company incorporated in the Cayman Island, Neotasks Limited, a company incorporated in Hong Kong, and Zhuhai Duowan Technology Limited, a wholly foreign owned enterprise established in the PRC; and
“US$”	United States dollars, the lawful currency of the United States.

1.2 Words and expressions defined in the Companies Law shall (unless the context clearly does not so permit) bear the same meanings where used in this Agreement.

1.3 The ejusdem generis rule of construction shall not apply to this Agreement and accordingly general words shall not be given a restrictive meaning by reason of their being preceded or followed by words indicating a particular class or examples of acts matters or things.

1.4 Words importing the singular shall include the plural and vice versa and words importing any gender shall include all other genders and references to persons shall include corporations and unincorporated associations.

1.5 References in this Agreement to any agreed draft document or any document in agreed form are references to the document described in the form of the draft agreed between the parties and initialled by them for identification purposes.

1.6 References in this Agreement to statutory provisions shall be construed as references to those provisions as respectively amended consolidated extended or re-enacted from time to time and shall include the corresponding provisions of any earlier legislation (whether repealed or not) and any orders regulations instruments or other subordinate legislation made from time to time under the statute concerned.

1.7 References to this Agreement shall include the Schedules hereto which shall form part hereof and shall have the same force and effect as if expressly set out in the body of this Agreement.

1.8 The Clause headings in this Agreement are for convenience only and shall not affect the interpretation hereof.

1.9 The obligations of the Vendors shall, save where the context expressly requires to the contrary, be several.

2. Agreement to sell and purchase

2.1 On and subject to the terms of this Agreement, each of the Vendors as beneficial owners shall sell those of the Sale Shares set against their respective names in column (2) of Schedule 1 Parts A, B, C, D and E and the Purchaser agrees to purchase the same in each case free from all liens, charges, encumbrances and other equities of any description and together with all rights and benefits now and hereafter attaching thereto, including (without limitation) all rights to dividends and other distributions hereafter paid declared or made in respect of the Sale Shares.

2.2 The Vendors hereby waive all right of first refusal, co-sale rights, drag-along rights, liquidation preference rights, redemption rights, conversion rights, pre-emption and similar or other rights over the Sale Shares or any of them or any proceeds deriving therefrom to which they or any other person may be entitled under the Fourth Amended and Restated the Memorandum of Association and Articles of Association of the Company, the third amended and restated investors' rights agreement dated 21 January 2011, and the third amended and restated right of first refusal and co-sale agreement dated 21 January 2011 entered into between the Company and the Vendors or otherwise in relation to the sale and purchase of the same hereunder.

2.3 Nothing in this Agreement shall oblige the Purchaser to buy any of the Sale Shares or otherwise complete the transaction contemplated by this Agreement unless the sale and purchase of all of the Sale Shares are completed simultaneously.

3. Consideration

The consideration payable by the Purchaser to the Vendors for the Sale Shares shall be satisfied or deemed to have been satisfied in full by the Purchaser allotting and issuing to each Vendor or any entity controlled by the respective Vendor as he, she or it may direct, the number of Consideration Shares as set against his, her or its respective name in Column (3) of Schedule 1 Parts A, B, C, D and E credited as fully paid free from all liens, charges, encumbrances or other adverse interests whatsoever.

4. Completion

4.1 Unless otherwise agreed, Completion shall take place at the offices of the Company's principal place of business on or before 5:00 p.m. on the Completion Date.

4.2 On Completion:

(a) the Vendors shall deliver to the Purchaser:

(i) duly executed transfers of the Sale Shares in favour of the Purchaser together with the share certificates therefor or an indemnity in a form reasonably required by the Purchaser in the case of any missing share certificates; and

(ii) all the constitutive documents of each of the members of the Group, including (without limitation) the certificates of incorporation, certificates of incorporation on change of name (if any), memorandum and articles of association, the common seals and company chops, minute books, registers of members and registers of directors (both duly written up to date), share certificate books and all other constitutional documents, statutory records and documents of each member of the Group; and

(b) the Vendors shall procure that a written resolution of all directors and shareholders of the Company be passed at which the following shall be approved:

(i) the transfers of the Sale Shares;

(ii) the entry of the name of the Purchaser into the register of members of the Company; and

(iii) all such other business as the Purchaser shall reasonably require to vest in the Purchaser the beneficial ownership of the Sale Shares.

4.3 Subject to the conclusion of the matters referred to in Clause 4.2 above, the Purchaser shall within three Business Days from the Completion Date:

(i) issue and allot the Consideration Shares, credited as fully paid to each of the Vendors or as he/it may direct in writing as set out in Clause 3 above; and

(ii) deliver to the Vendors a copy of the register of members of the Purchaser evidencing the issue and allotment of the relevant number of the Consideration Shares to the Vendors or their named allottees respectively.

5. Vendors Warranties

Each of the Vendors hereby represents warrants and undertakes to the Purchaser that:

(i) he/it has full power and authority and has obtained all necessary consents waivers and licences to enter into and perform the obligations to be performed by each of them under or pursuant to this Agreement and any agreement to be entered into by each of them as herein mentioned; and

(ii) each of the Vendors is the absolute beneficial owner of the number of Sale Shares (or otherwise has full power to sell and transfer to the Purchaser full legal and beneficial interest in the number of Sale Shares and beneficial ownership of the number of Sale Shares) set against their respective names in column (2) of Schedule 1 Part A, B, C, D or E as the case may be and each of the Sale Shares is and will at Completion be free from all charges liens encumbrances and equities whatsoever.

6. Further Assurance

The Vendors hereby agree to do any such further acts documents and things as the Purchaser may reasonably require to vest in the Purchaser (or as it shall direct) the beneficial ownership of the Sale Shares free from all charges liens encumbrances and other adverse interests and to vest the benefit of this Agreement in the Purchaser.

7. Survival of Agreement

This Agreement (and in particular the warranties representations covenants agreements and undertakings of the Vendors hereunder) shall, insofar as the terms hereof remain to be performed or are capable of subsisting, remain in full force and effect after and notwithstanding Completion.

8. Successors and Assigns

This Agreement shall not be assignable by the Vendors (save as expressly permitted herein) but shall be binding upon and enure for the benefit of each Party's successors in title.

9. Announcements

Save in respect of statutory returns or matters required to be disclosed by law or other governmental or regulatory authorities or in connection with the proposed listing of the share capital of the Purchaser, none of the parties hereto shall make any press statement or other public announcement in connection with this Agreement without the prior written approval of the text of such statement or announcement by the Purchaser.

10. Notices

Any notice required to be given hereunder shall be in writing and shall be served by sending the same by prepaid recorded post, facsimile or by delivering the same by hand to the address of the Party or Parties in question as set out below (or such other address as such Party or Parties shall notify the other Parties of in accordance with this clause). Any notice sent by post as provided in this clause shall be deemed to have been served five Business Days after despatch and any notice sent by facsimile as provided in this clause shall be deemed to have been served at the time of despatch and in proving the service of the same it will be sufficient to prove in the case of a letter that such letter was properly stamped, addressed and placed in the post; and in the case of a facsimile that such facsimile was duly despatched to a current facsimile number of the addressee.

To the Common Share Vendors

Name : LI Xueling
Address : No. 2, Hai Yun Cang Hu Tong, Dongcheng District, Beijing, PRC
Fax :

Name : LEI Jun
Address : Room 19E, A Zuo, Hua Ting Jia Yuan, No. 6 Bei Si Huan Zhong Road, Chao Yang District, Beijing, PRC
Fax :

Name : Morningside Technology Investments Limited
Address : c/o 22nd Floor, Hang Lung Centre, 2-20 Paterson Street, Causeway Bay, Hong Kong
Fax :

Name : ZHAO Bin
Address : 601-3-161, Tianfu Road, Tianhe District, Guangzhou City, Guangdong Province, PRC
Fax :

Name : CAO Jin
Address : 0607 Fang, No. 203, Zhongshan Avenue West, Guangzhou City, Guangdong Province, PRC
Fax :

Name : Tiger Global Six YY Holdings
Address : Tiger Global Mauritius Office, TwentySeven, Cybercity, Ebene, Mauritius
Fax :

To the Preferred Share Vendors

Name : FAVOR STAR LIMITED
Address : c/o 22nd Floor, Hang Lung Centre, 2-20 Paterson Street, Causeway Bay, Hong Kong
Fax :

Name : Morningside China TMT Fund I, L.P.
Address : Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands
Fax :

Name : Steamboat Ventures Asia, L.P.
Address : c/o Walkers SPV Limited, P.O. Box 908GT, Mary Street George Town, Grand Cayman, Cayman Islands
Fax :

Name : GRANITE GLOBAL VENTURES III L.P.
Address : 2494 Sand Hill Road, Suite 100, Menlo Park, CA94025, USA
Fax :

Name : GGV III ENTREPRENEURS FUND L.P.
Address : 2494 Sand Hill Road, Suite 100, Menlo Park, CA94025, USA
Fax :

To the Purchaser

Name : YY Inc.
Address :
Fax :

11. General

11.1 The obligations and liabilities of any Party hereto shall not be prejudiced released or affected by any time or forbearance or indulgence release or compromise given or granted by any person to whom such obligations and liabilities are owed or by any other person to such Party or any other Party so obliged or liable nor by any other matter or circumstance which (but for this provision) would operate to prejudice release or affect any such obligations except an express written release by all the parties to whom the relevant obligations and liabilities are owed or due.

11.2 This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same document.

11.3 This Agreement represents the entire agreement between the Parties and it may only be varied by written document signed by all the Parties.

11.4 Except where expressly provided to the contrary, the rights and remedies reserved to the Parties or any of them under any provision of this Agreement or in any document to be executed pursuant hereto shall be in addition and without prejudice to any other rights or remedies available to such Parties whether under this Agreement or any such document by statute common law or otherwise.

11.5 This Agreement shall be governed by and construed in accordance with the laws of the Cayman Islands and the parties hereby irrevocably undertake to submit themselves to the non-exclusive jurisdiction of the courts of the Cayman Islands.

IN WITNESS whereof this Agreement has been duly executed by each of the Parties the day and year first before written.

The Common Share Vendors

SIGNED by LI Xueling	)	
SIGNED by LEI Jun	)	
SIGNED by for and on behalf of Morningside Technology Investments Limited	))))	
SIGNED by ZHAO Bin	)	
SIGNED by CAO Jin	)	

themselves to the non-exclusive jurisdiction of the courts of the Cayman Islands.

IN WITNESS whereof this Agreement has been duly executed by each of the Parties the day and year first before written.

The Common Share Vendors

SIGNED by LI Xueling)

SIGNED by LEI Jun)

SIGNED by)
for and on behalf of)
Morningside Technology Investments)
Limited)

SIGNED by ZHAO Bin)

SIGNED by CAO Jin)

themselves to the non-exclusive jurisdiction of the courts of the Cayman Islands.

IN WITNESS whereof this Agreement has been duly executed by each of the Parties the day and year first before written.

<u>The Common Share Vendors</u>

SIGNED by LI Xueling	)	______________________
SIGNED by LEI Jun	)	______________________
SIGNED by for and on behalf of Morningside Technology Investments Limited	))))	______________________ Authorized Signatures
SIGNED by ZHAO Bin	)	______________________
SIGNED by CAO Jin	)	______________________

SIGNED by)
for and on behalf of)
Tiger Global Six YY Holdings)

The Preference Share Vendors

SIGNED by)
for and on behalf of)
FAVOR STAR LIMITED)

SIGNED by)
for and on behalf of)
Morningside China TMT Fund I, L.P.)

SIGNED by)
for and on behalf of)
Steamboat Ventures Asia, L.P.)

SIGNED by)
for and on behalf of)
GRANITE GLOBAL VENTURES III L.P.)

SIGNED by)
for and on behalf of)
GGV III ENTREPRENEURS FUND L.P.)

SIGNED by)
for and on behalf of)
Tiger Global Six YY Holdings)

____

The Preferred Share Vendors

SIGNED by)
for and on behalf of)
FAVOR STAR LIMITED)

____
Authorized Signatures

SIGNED for and on behalf of)
Morningside China TMT Fund I, L.P., a)
Cayman Islands exempted limited)
partnership,)
By: Morningside China TMT GP, L.P., a)
Cayman Islands exempted limited)
partnership, its general partner,)
By: TMT General Partner Ltd., a Cayman)
Islands limited company, its general)
partner)
) ______________________________

SIGNED by)
for and on behalf of)
Steamboat Ventures Asia, L.P.)

____

SIGNED by)
for and on behalf of)
GRANITE GLOBAL VENTURES III L.P.)

____

SIGNED by for and on behalf of Tiger Global Six YY Holdings	)))

The Preferred Share Vendors

SIGNED by for and on behalf of FAVOR STAR LIMITED	)))
SIGNED by for and on behalf of Momingside China TMT Fund I, L.P., a Cayman Islands exempted limited partnership, By: Morningside China TMT GP, L.P., a Cayman Islands exempted limited partnership, its general partner, By: TMT General Partner Ltd., a Cayman Islands limited company, its general partner	)))))))))))
SIGNED by for and on behalf of Steamboat Ventures Asia, L.P.	)))
SIGNED by for and on behalf of GRANITE GLOBAL VENTURES III L.P.	)))

SIGNED by)
for and on behalf of)
Tiger Global Six YY Holdings)

____

The Preference Share Vendors

SIGNED by)
for and on behalf of)
FAVOR STAR LIMITED)

____

SIGNED by)
for and on behalf of)
Morningside China TMT Fund I, L.P.)

____

SIGNED by Daniel L. Beldy,)
Authorized Signatory)
for and on behalf of)
Steamboat Ventures Asia, L.P.

____

SIGNED by)
for and on behalf of)
GRANITE GLOBAL VENTURES III L.P.)

____

SIGNED by)
for and on behalf of)
GGV III ENTREPRENEURS FUND L.P.)

____

SIGNED by)
for and on behalf of)
Tiger Global Six YY Holdings)

The Preference Share Vendors

SIGNED by)
for and on behalf of)
FAVOR STAR LIMITED)

SIGNED by)
for and on behalf of)
Morningside China TMT Fund I, L.P.)

SIGNED by)
for and on behalf of)
Steamboat Ventures Asia, L.P.)

SIGNED by) Hany Nada, Managing Director
for and on behalf of)
GRANITE GLOBAL VENTURES III L.P.)
By Granite Global Ventures III L.L.C.
Its General Partner

SIGNED by) Hany Nada, Managing Director
for and on behalf of)
GGV III ENTREPRENEURS FUND L.P.)
By Granite Global Ventures III L.L.C.
Its General Partner

<u>The Purchaser</u>

SIGNED by)
for and on behalf of)
YY Inc.)

SCHEDULE 1

Part A

COMMON SHARE VENDORS

Names and addresses of Common Share Vendors	No. of Common Sale Shares	No. of Common Consideration Shares
1. LI Xueling No. 2, Hai Yun Cang Hu Tong Dongcheng District, Beijing PRC	215,241,483	215,240,483
2. LEI Jun Room 19E, A Zuo Hua Ting Jia Yuan No. 6 Bei Si Huan Zhong Road Chao Yang District, Beijing, PRC	215,241,483	215,241,483
3. Morningside Technology Investments Limited Pasea Estate, Road Town Tortola British Virgin Islands	10,450,230	10,450,230 (to be allotted to FAVOR STAR LIMITED as hereby instructed by Morningside Technology Investments Limited)
4. ZHAO Bin 601-3-161, Tianfu Road Tianhe District, Guangzhou City Guangdong Province PRC	17,768,380	17,768,380
5. CAO Jin 0607 Fang No. 203, Zhongshan Avenue West Guangzhou City Guangdong Province, PRC	7,928,690	7,928,690
6. Tiger Global Six YY Holdings Tiger Global Mauritius Office TwentySeven, Cybercity Ebene, Mauritius	76,710,648	76,710,648
Total	543,340,914	543,339,914

Part B

SERIES A PREFERRED SHARE VENDORS

Names and addresses of Series A Preferred Share Vendors	No. of Series A Preferred Sale Shares	No. of Series A Preferred Consideration Shares
1. FAVOR STAR LIMITED P.O. Box 957 Offshore Incorporations Centre Road Town, Tortola British Virgin Islands	54,488,000	54,488,000
2. Morningside China TMT Fund I, L.P. Clifton House, 75 Fort Street, P.O. Box 1350 Grand Cayman, KY1-1108, Cayman Islands	81,612,930	81,612,930
Total	136,100,930	136,100,930

Part C

SERIES B PREFERRED SHARE VENDORS

Names and addresses of Series B Preferred Share Vendors	No. of Series B Preferred Sale Shares	No. of Series B Preferred Consideration Shares
1. Steamboat Ventures Asia, L.P. c/o Walkers SPV Limited P.O. Box 908GT Mary Street George Town Grand Cayman Cayman Islands	81,658,990	81,658,990
2. Morningside China TMT Fund I, L.P. Clifton House, 75 Fort House P.O. Box 1350 Grand Cayman, KY1-1108 Cayman Islands	20,414,870	20,414,870
Total	102,073,860	102,073,860

Part D

SERIES C-1 PREFERRED SHARE VENDORS

Names and addresses of Series C-1 Preferred Share Vendors	No. of Series C-1 Preferred Sale Shares	No. of Series C-1 Preferred Consideration Shares
1. GRANITE GLOBAL VENTURES III L.P. 2494 Sand Hill Road Suite 100 Menlo Park, CA94025 USA	10,659,950	10,659,950
2. GGV III ENTREPRENEURS FUND L.P. 2494 Sand Hill Road Suite 100 Menlo Park, CA94025 USA	173,460	173,460
3. Steamboat Ventures Asia, L.P. c/o Walkers SPV Limited P.O. Box 908GT Mary Street George Town Grand Cayman Cayman Islands	3,869,040	3,869,040
4. Morningside China TMT Fund I, L.P. Clifton House, 75 Fort House P.O. Box 1350 Grand Cayman, KY1-1108 Cayman Islands	1,547,420	1,547,420
Total	16,249,870	16,249,870

Part E

SERIES C-2 PREFERRED SHARE VENDORS

Names and addresses of Series C-2 Preferred Share Vendors	No. of Series C-2 Preferred Sale Shares	No. of Series C-2 Preferred Consideration Shares
1. GRANITE GLOBAL VENTURES III L.P. 2494 Sand Hill Road Suite 100 Menlo Park, CA94025 USA	68,879,790	68,879,790
2. GGV III ENTREPRENEURS FUND L.P. 2494 Sand Hill Road Suite 100 Menlo Park, CA94025 USA	1,120,140	1,120,140
3. Steamboat Ventures Asia, L.P. c/o Walkers SPV Limited P.O. Box 908GT Mary Street George Town Grand Cayman Cayman Islands	24,999,800	24,999,800
4. Morningside China TMT Fund I, L.P. Clifton House, 75 Fort House P.O. Box 1350 Grand Cayman, KY1-1108 Cayman Islands	9,999,920	9,999,920
Total	104,999,650	104,999,650

SCHEDULE 2

DUOWAN ENTERTAINMENT CORP.

Incorporation date	:	6 November 2007
Place of Incorporation	:	British Virgin Islands
Maximum number of authorised shares	:	A maximum of 1,382,209,535 shares, comprising of (i) 1,022,785,225 no par value Common Shares, (ii) 136,100,930 no par value convertible redeemable Series A Preferred Shares, (iii) 102,073,860 no par value convertible redeemable Series B Preferred Shares, (iv) 16,249,870 no par value convertible redeemable Series C-1 Preferred Shares, and (v) 104,999,650 no par value convertible redeemable Series C-2 Preferred Shares.
Number of issued shares	:	902,765,224 shares, comprising of (i) 543,340,914 no par value Common Shares, (ii) 136,100,930 no par value convertible redeemable Series A Preferred Shares, (iii) 102,073,860 no par value convertible redeemable Series B Preferred Shares, (iv) 16,249,870 no par value convertible redeemable Series C-1 Preferred Shares, and (v) 104,999,650 no par value convertible redeemable Series C-2 Preferred Shares.
Shareholders	:	As set out in Schedule 1
Directors	:	LI Xueling LEI Jun LIU Qin HARTIGAN Alexander Barrett LEE Hong Wei, Jenny ZHAO Bin Yasin, Nazar Abdenabi

Exhibit 5.1

[date], 2012

Matter No.:876102
Doc Ref: Pl/al/1920585v1

(852) 2842 9551
Paul.Lim@conyersdill.com

YY Inc.
Building 3-08, Yangcheng Creative Industry Zone
No. 309 Huangpu Avenue Middle
Tianhe District
Guangzhou 510655
China

Dear Sirs,

Re: YY Inc. (the "Company")

We have acted as special Cayman Islands legal counsel to the Company in connection with an initial public offering on the NASDAQ Stock Market (the "**Public Offering**") of American Depositary Shares ("**ADSs**") representing Class A common shares of par value US$0.0001 each to be issued by the Company ("**Common Shares**") as described in the prospectus (the "**Prospectus**") contained in the Company's registration statement on Form F-1, as amended (the "**Registration Statement**" which term does not include any other document or agreement whether or not specifically referred to therein or attached as an exhibit or schedule thereto) filed by the Company under the United States Securities Act 1933 (the "**Securities Act**") with the United States Securities and Exchange Commission (the "**Commission**").

For the purposes of giving this opinion, we have examined a copy of (i) the Registration Statement; (ii) a Certificate of Good Standing issued by the Registrar of Companies in relation to the Company on [   ], 2012 (the "**Certificate Date**"); and (iii) an undertaking from the Governor-in-Cabinet of the Cayman Islands under the Tax Concessions Law (1999 Revision) dated 2 August, 2011.

We have also reviewed the current amended and restated memorandum and articles of association of the Company, as adopted by the Company on 6 September, 2011, the second amended and restated memorandum and articles of association of the Company conditionally adopted by the Company on [ ], 2012 to become effective immediately upon consummation of the Public Offering of the Common Shares on the NASDAQ Stock Market, the resolutions in writing of all the directors of the Company dated [ ] September, 2012 and the resolutions in writing of all the shareholders of the Company dated [ ] September, 2012, (together, the "**Resolutions**"), and such other documents and made such enquiries as to questions of law as we have deemed necessary in order to render the opinion set forth below.

We have assumed (a) the genuineness and authenticity of all signatures and the conformity to the originals of all copies (whether or not certified) examined by us and the authenticity and completeness of the originals from which such copies were taken, (b) the accuracy and completeness of all factual representations made in the Registration Statement and other documents reviewed by us, (c) that the resolutions contained in the Resolutions were, or will be, passed at one or more duly convened, constituted and quorate meetings, or by unanimous written resolutions, will be and/or remain in full force and effect and have not been rescinded or amended, (d) that there is no provision of the law of any jurisdiction, other than the Cayman Islands, which would have any implication in relation to the opinions expressed herein, (e) that the second amended and restated memorandum and articles of association of the Company conditionally adopted shall become effective immediately prior to consummation of the Public Offering of the Common Shares, (f) that upon issue of any Common Shares to be sold by the Company, the Company will receive consideration for the full issue price thereof which shall be equal to at least the par value thereof, (g) the validity and binding effect under the laws of the United States of America of the Registration Statement and that the Registration Statement will be duly filed with and declared effective by the Commission; and (h) that the Prospectus contained in the Registration Statement, when declared effective by the Commission will be in substantially the same form as that examined by us for purposes of this opinion.

We have made no investigation of and express no opinion in relation to the laws of any jurisdiction other than the Cayman Islands. This opinion is to be governed by and construed in accordance with the laws of the Cayman Islands and is limited to and is given on the basis of the current law and practice in the Cayman Islands. This opinion is issued solely for the purposes of the filing of the Registration Statement and the offering of the Common Shares in the form of ADS by the Company and is not to be relied upon in respect of any other matter.

On the basis of and subject to the foregoing, we are of the opinion that:

1. The Company is duly incorporated and existing under the laws of the Cayman Islands and is, as at the Certificate Date, in good standing (meaning solely that it has not failed to make any filing with any Cayman Islands governmental authority, or to pay any Cayman Islands government fee which would make it liable to be struck off the Register of Companies and thereby cease to exist under the laws of the Cayman Islands).
2. The issue of the Common Shares has been duly authorised, and when issued and paid for in accordance with the Registration Statement, the Common Shares will be validly issued, fully paid and non-assessable (which term when used herein means that no further sums are required to be paid by the holders thereof in connection with the issue of such Common Shares).
3. The statements relating to certain Cayman Islands law tax matters under the caption "Taxation – Cayman Islands Taxation" in the Registration Statement to the extent that they constitute a summary of statements of Cayman Islands law are true and accurate based on current law and practice at the date of this letter and that such statements constitute our opinion.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the references to our firm under the captions "Enforceability of Civil Liabilities", "Taxation – Cayman Islands Taxation" and "Legal Matters" in the prospectus forming a part of the Registration Statement. In giving this consent, we do not hereby admit that we are experts within the meaning of Section 11 of the Securities Act or that we are within the category of persons whose consent is required under Section 7 of the Securities Act or the Rules and Regulations of the Commission promulgated thereunder.

Yours faithfully,

Conyers Dill & Pearman (Cayman) Limited

Exhibit 8.2

SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP

300 SOUTH GRAND AVENUE
LOS ANGELES, CALIFORNIA 90071-3144

TEL: (213) 687-5000
FAX: (213) 687-5600
www.skadden.com

AFFILIATE OFFICES

BOSTON
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FRANKFURT
LONDON
MOSCOW
MUNICH
PARIS
SÃO PAULO
SHANGHAI
SINGAPORE
SYDNEY
TOKYO
TORONTO

October 15, 2012

YY Inc.
Building 3-08
Yangcheng Creative Industry Zone
No. 309 Huangpu Avenue Middle
Tianhe District, Guangzhou 510655
People's Republic of China

Re: American Depositary Shares of YY Inc. (the "Company")

Ladies and Gentlemen:

You have requested our opinion as special United States counsel concerning the statements in the Registration Statement (as described below) under the caption "Taxation—Material United States Federal Income Considerations" in connection with the public offering of certain American Depositary Shares ("ADSs"), which represent ordinary shares, par value $0.00001 per share, of the Company, pursuant to the registration statement on Form F-1 under the Securities Act of 1933, as amended (the "Act"), originally filed by the Company with the Securities and Exchange Commission (the "Commission") on October 15, 2012 (the "Registration Statement")

This opinion is being furnished to you pursuant to Exhibit 8.2 of the Exhibit Index of the Registration Statement.

In connection with rendering the opinion set forth herein, we have examined and relied on originals or copies of the following:

(a) the Registration Statement; and

(b) such other documents, certificates, and records as we have deemed necessary or appropriate as a basis for the opinion set forth herein.

Our opinion is conditioned on the initial and continuing accuracy of the facts, information and analyses set forth in such documents, certificates, and records (as identified in clauses (a) and (b) of the immediately preceding paragraph). All capitalized terms used but not otherwise defined herein shall have the respective meanings set forth in the Registration Statement.

For purposes of our opinion, we have assumed the legal capacity of all natural persons, the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified, conformed, electronic, or photostatic copies, and the authenticity of the originals of such latter documents. We have relied on a representation of the Company that such documents, certificates, and records are duly authorized, valid and enforceable.

In addition, we have relied on factual statements and representations of the officers and other representatives of the Company and others, and we have assumed that such statements and representations are and will continue to be correct without regard to any qualification as to knowledge or belief.

Our opinion is based on the Internal Revenue Code of 1986, as amended, United States Treasury regulations, judicial decisions, published positions of the United States Internal Revenue Service, and such other authorities as we have considered relevant, all as in effect as of the date of this opinion and all of which are subject to differing interpretations or change at any time (possibly with retroactive effect). A change in the authorities upon which our opinion is based could affect the conclusions expressed herein. There can be no assurance, moreover, that the opinion expressed herein will be accepted by the United States Internal Revenue Service or, if challenged, by a court.

Based on and subject to the foregoing, we are of the opinion that, under current United States federal income tax law, although the discussion set forth in the Registration Statement under the heading “Taxation—Material United States Federal Income Tax Considerations” does not purport to summarize all possible United States federal income tax considerations of the ownership and disposition of ADSs to U.S. Holders (as defined therein), such discussion constitutes, in all material respects, a fair and accurate summary of the United States federal income tax consequences of the ownership and disposition of the ADSs that are anticipated to be material to U.S. Holders who purchase the ADSs pursuant to the Registration Statement, subject to the qualifications set forth in such discussion and, to the extent that it sets forth definitive legal conclusions under United States federal income tax law, except as otherwise provided therein, it represents our opinion.

Except as set forth above, we express no other opinion. This opinion is furnished to you in connection with the sale of the securities. This opinion is expressed as of the date hereof, and we are under no obligation to supplement or revise our opinion to reflect any legal developments or factual matters arising subsequent to the date hereof or the impact of any information, document, certificate, record, statement, representation, covenant, or assumption relied upon herein that becomes incorrect or untrue.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the use of our name under the captions “Legal Matters” and “Taxation” and to the discussion of this opinion in the prospectus included in the Registration Statement. In giving such consent, we do not thereby admit that we are within the category of persons whose consent is required under Section 7 of the Act or the rules or regulations of the Commission promulgated thereunder.

Very truly yours,

/s/ Skadden, Arps, Slate, Meagher & Flom LLP

Exhibit 8.3

深圳市福田区益田路 6003 号荣超中心 A 座 10 楼　　邮政编码: 518026
10/F, Tower A, Rongchao Center, 6003 Yitian Road, Futian District, Shenzhen, 518026, People's Republic of China
电话/ Tel: (86755) 3325-6666 传真/ Fax: (86755) 3320-6888/6889
网址 http://www.zhonglun.com

LEGAL OPINION

To: YY Inc.
Building 3-08 Yangcheng Creative Industry Zone
No.309 Huangpu Avenue Middle
Tianhe District
Guangzhou 510655
P.R.C

October 15, 2012

Dear Sir/Madam

YY INC.

We are lawyers qualified in the People's Republic of China (the "**PRC**", which, for the purpose of this opinion only, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan) and are qualified to issue an opinion on PRC Laws (as defined below).

We are acting as PRC legal counsel to YY Inc. (the "**Company**") solely in connection with (A) the Company's registration statement on Form F-1 including all amendments or supplements thereto (the "**Registration Statement**") filed with the Securities and Exchange Commission (the "**SEC**") under the U.S. Securities Act of 1933, as amended, on October 15, 2012, relating to the initial public offering by the Company of a certain number of the Company's American depositary shares ("**ADSs**"), each representing a certain number of class A common shares of par value US$0.00001 per share of the Company, and (B) the proposed listing and trading of the Company's ADSs on the Nasdaq Global Market (the "**Offering**").

In so acting, we have examined the Registration Statement, the originals or copies certified or otherwise identified to our satisfaction, of documents provided to us by the Company and such other documents, corporate records, certificates, approvals and other instruments as we have deemed necessary for the purpose of rendering this opinion, including, without limitation, originals or copies of the agreements and certificates issued by PRC authorities and officers of the Company ("**Documents**"). In such examination, we have assumed the accuracy of the factual matters described in the Registration Statement and that the Registration Statement and other documents will be executed by the parties in the forms provided to and reviewed by us. We have also assumed the genuineness of all signatures, seals and chops, the authenticity of all documents submitted to us as originals, and the conformity with the originals of all documents submitted to us as copies, and the truthfulness, accuracy and completeness of all factual statements in the documents.

Based upon and subject to the foregoing assumptions and the below qualifications, we are of the opinion that the statements set forth under the captioned "Taxation — People's Republic of China Taxation" in the Registration Statement insofar as they constitute statement of PRC tax law, are accurate in all material respects and that such statements constitute our opinion.

We do not express any opinion herein concerning any law other than PRC tax law.

This opinion is subject to the following qualifications:

(a) This opinion relates only to any and all laws, regulations, statutes, rules, decrees, notices, and supreme court's judicial interpretations currently in force and publicly available in the PRC as of the date hereof ("**PRC Laws**") and we express no opinion as to any other laws and regulations. There is no guarantee that any of the PRC Laws, or the interpretation thereof or enforcement therefor, will not be changed, amended or replaced in the immediate future or in the longer term with or without retrospective effect.

(b) This opinion is intended to be used in the context which is specifically referred to herein and each section should be looked on as a whole regarding the same subject matter.

(c) This opinion is subject to the effects of (i) certain legal or statutory principles affecting the enforceability of contractual rights generally under the concepts of public interest, national security, good faith and fair dealing, applicable statutes of limitation, and the limitations by bankruptcy, insolvency, reorganization or similar laws affecting the enforcement of creditor's rights generally; (ii) any circumstance in connection with formulation, execution or performance of any legal documents that would be deemed materially mistaken, clearly unconscionable, fraudulent; (iii) judicial discretion with respect to the availability of injunctive relief, the calculation of damages, and the entitlement of attorneys' fees and other costs; and (iv) the discretion of any competent PRC legislative, administrative or judicial bodies in exercising their authority in connection with the interpretation, implementation and application of relevant PRC Laws.

(d) This opinion is issued based on our understanding of the current PRC Laws. For matters not explicitly provided under the current PRC Laws, the interpretation, implementation and application of the specific requirements under the PRC Laws are subject to the final discretion of competent PRC legislative, administrative and judicial authorities.

This Opinion is rendered to you for the purpose hereof only, and save as provided herein, this Opinion shall not be quoted nor shall a copy be given to any person (apart from the addressee) without our express prior written consent except where such disclosure is required to be made by the applicable law or is requested by SEC or any other regulatory agencies.

We hereby consent to the use of this opinion in, and the filing hereof as an exhibit to, the Registration Statement and to the reference to our firm under the headings "Taxation" in the Registration Statement. In giving such consent, we do not thereby admit that we fall within the category of the person whose consent is required under Section 7 of the U.S. Securities Act of 1933, as amended, or the regulations promulgated thereunder.

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[Signature Page]

Yours faithfully,

ZHONG LUN LAW FIRM

/s/ Zhong Lun Law Firm

DUOWAN ENTERTAINMENT CORP.

RULES OF THE EMPLOYEE EQUITY INCENTIVE SCHEME

1. DEFINITIONS AND INTERPRETATION

1.1 In these Rules:

"Adoption Date" means 3 December 2009;

"Allotment Date" means, in respect of any Grantee and any exercise by such Grantee of the Option granted to him, the date on which Shares are allotted to him pursuant to such exercise;

"**Administrator**" means such person or persons as may be designated by the Board as time to time (as evidenced by a duly passed Board Approval) to be responsible for the implementation of these Rules on behalf of the Board, such person initially being LI Xueling;

"Articles" means the articles of association of the Company;

"Auditors" means the auditors of the Company from time to time;

"Board" means the board of directors for the relevant time being of the Company or a committee of it duly authorised for the purposes of the Scheme;

"Board Approval" means any approval, resolution, determination, discretion, authority or consent to be made or given by a majority of the Board, including consent of at least a majority of the Preferred Directors;

"Cause" means a material breach by the Grantee of any term of its employment, consulting or similar agreement with, or the internal rules and regulations of, the Company or any other Group Company;

“Cessation Date” means the date on which a notice is given by or to a Grantee to terminate his employment with the Group;

“Company” means Duowan Entertainment Corp. (registered in the British Virgin Islands);

“Date of Grant” means in respect of any Option and/or RS, the date on which the Option and/or RS is granted in accordance with Rule 3.2;

“Escrow Holder” means a third party law firm designated by the Board from time to time to keep and update the records of ESOP and RS ledgers;

“Employee” means any employee, officer and director of or consultant to any member within the Group;

“Exercise Price” means the price per Share at which a Grantee may subscribe for Shares on the exercise of an Option in accordance with Rule 5;

“Exit” means (i) a Listing, (ii) a sale of all or substantially all of the issued share capital of the Company, (iii) a sale by the Company of all or substantially all of its assets, (iv) the passing of an effective resolution or the making of an order of a competent court for the winding up of the Company;

“Fully Diluted Capital” means the share capital of the Company computed on an As Converted Basis, and on a basis deeming all Options and any other subsisting options granted by the Company to subscribe for any shares (of whatever class) or other instrument convertible into shares, to have been exercised (and, if appropriate, subsequently converted) in full;

“Grantee” means any Employee to whom an Option or a RS is granted in accordance with the terms of this Scheme;

“Group” means the Company and its Subsidiaries;

“Group Company” means any company within the Group;

“Hong Kong” means the Hong Kong Special Administrative Region of the People’s Republic of China;

"Listing" means the admission of all or any of the share capital of the Company or any holding company incorporated for such purpose to trading on a recognized stock exchange;

"Nominee" means such individual(s) or company(ies) as may be designated by the Company to hold, for the benefit of the Grantee(s), (a) the Shares issued and allotted following the exercise of any Options granted in accordance with this Scheme; and/or (b) the RS issued and allotted in accordance with this Scheme, such Nominees initially being LEI Jun and LI Xueling unless removed or replaced by the Board as evidenced by a duly passed Board Approval;

"Option" means an option to subscribe for Shares granted pursuant to this Scheme;

"**Option Agreement"** means a written agreement in the form of a deed between the Company and the Grantee to whom an Option is granted in such form as is determined by the Board from time to time;

"Performance Criteria" means any target or targets or condition or conditions specified in the Option Agreement or Restricted Share Agreement (as the case may be) upon which the exercise of the Option or the vesting of the RS shall be conditional (in whole or in part);

"Preferred Directors" means collectively the directors appointed by holders of the Preferred Shares of the Company to the Board;

"Reorganisation" has the meaning set out in Rule 9.1;

"**Restricted Share Agreement"** means a written agreement in the form of a deed between the Company and the Grantee to whom a RS is granted in such form as is determined by the Board from time to time;

"RS" means the Shares (subject to adjustment for share splits, share dividends, share combinations, reclassifications or similar events) issued and allotted subject to the various restrictions in accordance with the rules of this Scheme;

"Rules" means the rules of the Scheme;

"Scheme" means this employee equity incentive scheme as from time to time in force;

“Shares” means the common shares of no par value in the share capital of the Company (or any other denomination or renominated value of share created from the sub-division, consolidation, reclassification or reorganisation thereof);

“Subsidiary” means, at the relevant date of determination, any companies of which actual or de facto control is held, directly or indirectly, by the Company by way of equity ownership or contractual arrangements or otherwise. Unless otherwise qualified, or the context otherwise requires, all references to a “Subsidiary” or to “Subsidiaries” in these Rules shall refer to a Subsidiary or Subsidiaries of the Company;

“To grant” means that the Company notifies an employee that he is entitled to vest a certain number of Options and/or RS pursuant to this Scheme;

“To vest” means, in such event that a certain number of Options and/or RS have been granted to an employee, after each date set out in Rule 4.1 and Rule 4.2 respectively or such other date as the Board shall determine with the Board Approval and so notify the Grantee in writing, corresponding number of Options or RS, as the case may be, are held by the Nominee(s) on behalf of the Grantee and the Grantee shall have the right to all the monetary benefits deriving therefrom when such Options are exercised or the RS are allotted, as the case may be;

“US$” means United Stated dollars, the lawful currency of the United States of America.

1.2 Headings are used in these Rules for convenience only and shall not affect their construction or interpretation.

1.3 In these Rules, references to schedules are to schedules to these Rules and references to clauses are to clauses herein and, unless otherwise specified, references to paragraphs are to paragraphs of the clause in which such reference appears and references to annexures are to annexures hereto.

1.4 In these Rules, reference to a person includes any legal or natural person, partnership, trust, company, government or local authority department or other body (whether corporate or unincorporate).

1.5 In these Rules, unless the context does not so admit, reference to the singular includes a reference to the plural and vice versa and reference to the masculine includes a reference to the feminine and neuter.

1.6 These Rules shall be governed by and construed in accordance with the law of Hong Kong and the Company and each Grantee submits to the exclusive jurisdiction of the courts of Hong Kong.

2. ADMINISTRATION

2.1 This Scheme shall, upon the Board Approval, be subject to the administration of the Board whose decision as to all matters arising in relation to this Scheme or its interpretation or effect shall (save as otherwise provided herein) be final and binding on all parties.

2.2 Subject to Rule 13, this Scheme shall be valid and effective for a period of ten years commencing on the Adoption Date, after which period no further Options or RS may be granted but these Rules shall remain in force to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provisions of this Scheme.

2.3 Any matter, right, obligation, determination or election which is the responsibility of or which is allocated to the Company or the Board herein may be delegated by the Board to the Administrator.

3. GRANT OF OPTIONS

3.1 The Board may at its absolute discretion grant to any Employee (i) an option to subscribe for such number of Shares; and/or (ii) such number of RS, as its shall determine on the terms of this Scheme.

3.2 An Option or RS shall be granted to an Employee by an Option Agreement or a Restricted Share Agreement (as the case may be) duly executed by the Company and the Grantee on terms and conditions as the Board may from time to time determine, specifying the number of Shares and any other terms and conditions (including, without limitation, any Performance Criteria upon which the exercise of the Option or vesting of the RS shall be conditional) on which it is granted. All Options and RS shall be granted and vested on the terms of these Rules. The Date of Grant of such Option or RS shall be the date on which that Option Agreement or Restricted Share Agreement (as the case may be) is executed.

3.3 The Option Agreement or Restricted Share Agreement (as the case may be) shall serve as evidence of the grant of the Option or RS (as the case may be) and accordingly no further certificate shall be issued to the Grantee.

4. VESTING AND LAPSE

4.1 Vesting of Options

Each Option to be granted under this Scheme shall (unless the Board shall otherwise determine with the Board Approval and so provided for in the Option Agreement or Restricted Share Agreement (as the case may be)) vest in the Grantee over not less than a 4-year period as follows:

4.1.1 as to the first 25 per cent of the aggregate number of Shares the subject of the Option, the date ending 12 months after the Date of Grant; and

4.1.2 as to the remaining Shares the subject of the Option, in six (6) equal instalments at the end of each consecutive 6-month interval commencing immediately after the aforesaid initial twelve-month period over the following 36 months.

4.2 Vesting of RS

All RS to be granted under this Scheme shall (unless the Board shall otherwise determine with the Board Approval and so provided for in the Option Agreement or Restricted Share Agreement (as the case may be)) vest in the Grantee as follows:

4.2.1 as to the first 50 per cent of the aggregate number of RS granted, the date ending 24 months after the Date of Grant, subject to the Grantee remaining employed by the Group on the date of vesting;

4.2.2 as to the 25 per cent of the aggregate number of RS granted, the date ending 36 months after the Date of Grant, subject to the Grantee remaining employed by the Group on the date of vesting; and

4.2.3 as to the remaining 25 per cent the aggregate number of RS granted, the date ending 48 months after the Date of Grant, subject to the Grantee remaining employed by the Group on the date of vesting.

4.3 Acceleration of Vesting

No Option or RS issued pursuant to this Scheme may provide for acceleration of vesting. Notwithstanding the foregoing, with the Board Approval, the Board may grant Options or RS that provides for the acceleration of vesting in accordance with a standard double trigger arrangement, with the first trigger event to be a change of control of the Company or its holding company and the second trigger event to be the involuntary termination of relationship of such Grantee with the Company or any other Group Company other than for Cause within six (6) months of the date of such change of control of the Company.

4.4 Cessation of Employment

4.4.1 In the event that a Grantee ceases to be an Employee for any reason prior to an Exit, the portion of the Option which has not become vested on the Cessation Date (the "**Unvested Option")** shall automatically lapse and expire and such Grantee shall have no claim whatsoever in respect of such Option and the portion of the Option which has become vested and has not yet been exercised prior to his Cessation Date (the "**Vested Option**') and the Shares issued upon an exercise in compliance with these Rules shall be dealt with in accordance with Rule 7.

4.4.2 In the event that a Grantee ceases to be an Employee for any reason prior to an Exit the portion of the RS which has not become vested on the Cessation Date (the "**Unvested RS**"), shall automatically lapse and expire and such Grantee shall have no claim whatsoever in respect of such RS, with the portion of the RS which has become vested prior to his Cessation Date (the "**Vested RS**") being subject to the restrictions set out in Rule 7.

5. EXERCISE PRICE

The Exercise Price in respect of any Option shall be fixed by reference to the date upon which the Option (or the relevant part thereof) is granted, and subject to any adjustments made pursuant to Rule 9, shall be, at the election of the Board:

(a) the latest valuation price per share certified by the Auditors prior to the date of grant of the relevant Option (or relevant part thereof); or

(b) the latest price per share at which the Company has issued any shares prior to the date of grant of the relevant Option (or relevant part thereof),

unless the Board otherwise determines with the Board Approval and so provided for in the Option Agreement or Restricted Share Agreement (as the case may be).

6. EXERCISE OF OPTIONS

6.1 An Option shall be personal to the Grantee and shall not be assignable, unless the Board shall otherwise agree in writing. No Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any Option other than in accordance with the prior written approval of the Board. No person other than the named Grantee thereof may exercise any Option, unless the Board shall otherwise agree in writing. Any breach of this Rule by a Grantee shall render the Option void and it shall automatically lapse.

6.2 No Grantee shall be entitled to any rights, interest or benefits attached to the Shares issued pursuant to this Scheme unless and until the Option in respect of such Shares has been vested on him and exercised in accordance with the terms of this Scheme.

6.3 An Option shall not be exercisable on any date unless such Performance Criteria as specified in the Option Agreement or Restricted Share Agreement (as the case may be) are satisfied and to the extent that the Option has vested; PROVIDED that notwithstanding anything else in these Scheme where events happen which cause the Board reasonably to consider that any Performance Criteria subject to which any Option has been granted no longer represents a fair measure of performance or any vesting conditions are no longer appropriate, the Board may vary the conditions or criteria to the extent that it considers appropriate.

6.4 Notwithstanding any other provision of these Rules or any Option Agreement or Restricted Share Agreement (as the case may be) or any other terms on which any Option is granted, no Option may be exercised prior to the occurrence of an Exit, unless the Board shall otherwise agree in the light of the Board Approval and so notify the Grantee separately in writing.

6.5 In the event that an Exit is proposed:

6.5.1 the Company shall use all reasonable endeavours (to the extent permitted by law) to notify all holders of outstanding Options in advance of the Exit;

6.5.2 If the Grantee elects to exercise any Option following such notice, then:

(a) such exercise shall be conditional upon the Exit becoming unconditionally effective; and

(b) the Grantee shall be deemed to have authorized the Nominee to take such actions and execute such documents on behalf of each Grantee for the purposes of effecting such Exit; and (ii) the exercise shall be deemed to include on behalf of the Grantee (irrespective of whether Options granted and vested on him have been exercised or not) an undertaking to do all things within his power (including, without limitation, by exercising all voting and other rights attaching to the Shares to be subscribed by him pursuant to such exercise) to facilitate the effective conclusion of the Exit, and (if so required by the Company) to execute a power of attorney authorizing one or more directors of the Company to do such things and exercise such rights on his behalf.

6.6 The Company shall (if any exercising Grantee so requests) permit the payment of the Exercise Price to be satisfied by an appropriate assignment, transfer, direction or authorisation in such form as the Board may reasonably require, having the effect that cash proceeds of the Exit otherwise receivable by the Grantee equal to the amount of the Exercise Price shall be payable to the Company.

6.7 Subject always to Rule 6.8, any Option not exercised in accordance with Rule 6.5 shall remain exercisable following an Exit unless the Company shall otherwise require and so notify the Grantee separately in writing.

6.8 Notwithstanding any other provision of these Rules or any Option Agreement or Restricted Share Agreement (as the case may be) or any other terms on which any Option is granted or vested, any Shares allotted in accordance with this Scheme will, in all cases, be held by and registered in the name of the Nominee(s), unless the Board shall otherwise agree in writing, and all rights (including without limitation, the voting rights and the right to receive share certificates) attached to such Shares will belong to and be exercised by the Nominee(s) at his sole and absolute discretion, except that the Grantee shall have the right to all the monetary benefits ("**Monetary Benefits**") deriving from the Shares when the such Shares are disposed of in accordance with this Scheme.

6.9 Shares to be allotted upon the exercise of an Option will be subject to the provisions of the Articles and will rank pari passu in all respects with the existing fully paid Shares in issue on the relevant Allotment Date, and will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Allotment Date.

7. DISPOSAL OF SHARES

7.1 Notwithstanding any other provision of these Rules or any terms on which any Options and or RS are granted or vested, no Shares may be sold, transferred, charged, mortgaged, encumbered or created any interest (legal or beneficial) or otherwise disposed of ("**Disposal**") prior to the occurrence of an Exit, unless the Board shall otherwise agree in the light of the Board Approval and so notify the Grantee in writing separately.

7.2 No Grantee shall make any Disposal in any way of any Shares in favour of any third party other than in accordance with the remaining provisions of this Rule 7.

7.3 **Right of First Refusal**

7.3.1 If a Grantee proposes to sell, assign, transfer, pledge, hypothecate or otherwise dispose of, by operation of law or otherwise (collectively, "**Transfer**") any Shares (RS or otherwise) acquired upon exercise of any Option or otherwise obtained according to the Rules of this Scheme, then the Grantee shall first give written notice of the proposed transfer (the "**Transfer Notice**") to the Company. The Transfer Notice shall name the proposed transferee and state the number of such Shares the Grantee proposes to transfer (the "**Offered Shares**"), the price per share and all other material terms and conditions of the transfer.

7.3.2 For 60 days following its receipt of such Transfer Notice, the Company (the "**Rightholder**") shall have the right to purchase some or all of the Offered Shares at the price and upon the terms set forth in the Transfer Notice. In the event the Rightholder elects to purchase any Offered Shares (the Offered Shares to be purchased by the Rightholder hereunder are referred to as the ("**Purchased Shares**"), it shall give written notice of such election to the Grantee within such 60-day period. Within 10 days after his receipt of such notice, the Grantee shall tender to the Company at its principal offices the certificate or certificates representing the Purchased Shares, duly endorsed in blank by the Grantee or with duly endorsed stock powers attached thereto, all in a form suitable for transfer of the Purchased Shares to the Rightholder. Promptly following receipt of such certificate or certificates, the Company shall deliver or mail to the Grantee a check in payment of the purchase price for the Purchased Shares; provided that if the terms of payment set forth in the Transfer Notice were other than cash against delivery, the Rightholder may pay for the Purchased Shares on the same terms and conditions as were set forth in the Transfer Notice; and provided further that any delay in making such payment shall not invalidate the Rightholder's exercise of its option to purchase the Purchased Shares.

7.3.3 If the Rightholder does not elect to acquire all of the Offered Shares, the Grantee may, within the 30-day period following the expiration of the option granted to the Rightholder under Rule 7.3.2 above, transfer the Offered Shares (other than the Purchased Shares) to the proposed transferee, provided that such transfer shall not be on terms and conditions more favorable to the transferee than those contained in the Transfer Notice. Notwithstanding any of the above, all Offered Shares transferred to a third party pursuant to this Rule 7.3 shall remain subject to the repurchase right and transfer restrictions set forth in Rules 7.3 and 7.4 and the lock up provision set forth in Rule 7.5, and such transferee shall, as a condition to such transfer, deliver to the Company a written instrument confirming that such transferee shall be bound by all of the terms and conditions of Rule 7.3, Rule 7.4 and Rule 7.5.

7.3.4 After the time at which the Purchased Shares are required to be delivered to the Rightholder for transfer to the Rightholder pursuant to Rule 7.3.2 above, the Company shall not pay any dividend to the Grantee on account of such Purchased Shares or permit the Grantee to exercise any of the privileges or rights of a stockholder with respect to such Purchased Shares, but shall, in so far as permitted by law, treat the Rightholder as the owner of such Purchased Shares.

7.3.5 The following transactions shall be exempt from the provisions of this Rule 7.3:

(a) any transfer of Shares to or for the benefit of the Grantee's spouse or any of his or his spouse's parents, children, siblings, nieces, nephews or grandchildren, or to a trust or similar entity for his or their benefit;

(b) any transfer pursuant to an effective registration statement filed by the Company under the U.S. Securities Act of 1933, as amended (the "securities Act"); and

(c) the sale of all or substantially all of the shares of capital stock of the corporate Nominee (including pursuant to a merger or consolidation);

provided, however, that in the case of a transfer pursuant to Rule 7.3.5(a) above, such Shares shall remain subject to the repurchase right and transfer restrictions set forth in Rule 7.4 and the lock-up agreement set forth in Rule 7.5 according to their respective terms , and such transferee shall, as a condition to such transfer, deliver to the Company a written instrument confirming that such transferee shall be bound by all of the terms and conditions of this Rule 7.3, Rule 7.4 and Rule 7.5.

7.3.6 The Rightholder may assign its rights to purchase Offered Shares in any particular transaction under this Rule 7.3 to one or more persons or entities.

7.3.7 The Grantee shall not transfer any Shares, or any interest therein, to any person or entity that is a competitor of the Group, as determined by the Board in its sole discretion, unless such transfer is made in connection with the sale of all or substantially all of the capital stock, assets or business of the Group, by merger, consolidation, sale of assets or otherwise.

7.3.8 The Company shall not be required (a) to transfer on its books any of the Shares which shall have been sold or transferred in violation of any of the provisions set forth in this Rule 7.3, or (b) to treat as owner of such Shares or to pay dividends to any transferee to whom any such Shares shall have been so sold or transferred.

7.4 **Repurchase Right**

7.4.1 Repurchase Upon Cessation of Employment Not for Cause

(a) When and if the Grantee ceases his employment with the Group Companies not for Cause, the Vested Option, the Vested Shares and any other Shares (subject to adjustment for share splits, share dividends, share combinations, reclassifications or similar events) vested or issued upon exercise of any Option hereunder shall, at the sole discretion of the Company and so notified to the leaving Grantee within 14 days from such cessation (the "**Repurchase Notification Period**"): (i) be subject to repurchase by the Company at the repurchase price as described in Rule 7.4.1(b); or (ii) be held by a person who is an existing employee of the Group at the relevant time being and is designated by the leaving Grantee according to a properly signed escrow agreement ("**Grantee Escrow Agreement**") in form and substance satisfactory to the Company, to hold such Option or Shares for and on his/her behalf. In the latter case, if the leaving Grantee fails to deliver a properly signed Grantee Escrow Agreement to the Company within 30 days from receipt of the aforesaid notification from the Company, such Vested Option and Shares shall automatically lapse and expire and such Grantee shall have no claim whatsoever in respect of such Option and Shares;

(b) The price payable by the Company upon repurchase of any Option or Shares pursuant to Rule 7.4.1(a) shall be 80% of the latest price per share at which the Company has issued any shares prior to the date of repurchase, provided that if the leaving Grantee, within a period of one (1) year from the date ("**Cessation Date**") on which he ceases to be an Employee of the Group, whether on his own account or on behalf of any other person, firm or company, carry on, engage in or be concerned or interested either as principal or agent or as a shareholder, partner or employee of any other person in any business or activity which involves the offer sale or supply of products or services to customers in the People's Republic of China or any other territory in which the Group offers such sale or supply for the relevant time being, and competes with the business in which any Group Company is or was engaged in the twelve (12) months prior to the Cessation Date, then the price payable by the Company upon repurchase of any Option or Shares pursuant to Rule 7.4.1 shall be US$1 in total.

7.4.2 Repurchase Upon Cessation of Employment for Cause

(a) When and if the Grantee ceases his employment with the Group Companies for Cause, the Vested Option, the Vested Shares and any other Shares (subject to adjustment for share splits, share dividends, share combinations, reclassifications or similar events) vested or issued upon exercise of any Option hereunder shall be subject to repurchase by the Company upon a written notification to such Grantee within the Repurchase Notification Period at the repurchase price as described in Rule 7.4.2(b).

(b) The price payable by the Company upon repurchase of any Option or Shares pursuant to Rule 7.4.2(a) shall be US$1 in total or at a value to be determined by the Board in its sole discretion at the time of repurchase.

The repurchase right under Rule 7.4.1 and Rule 7.4.2 shall be referred to hereinafter as the "**Repurchase Right**". The repurchase price payable under Rule 7.4.1 (b) and Rule 7.4.2 (b), as the case may be, shall be referred to hereinafter as the "**Repurchase Price**".

7.4.3 If the Company elects to repurchase the Option or Shares pursuant to Rule 7.4.1 or Rule 7.4.2 (as the case may be), the leaving Grantee shall provide the Company with his/her bank account detail (the "**Designated Bank Account**") which shall be valid for at least one year from the expiration of the Repurchase Notification Period. The Repurchase Right with respect to the Option or Shares to be repurchased by the Company from a leaving Grantee shall be exercised by the Company by the end of the calendar year in which the Grantee leaves the Group or by 31 March of the following year (as the case may be) (the "**Repurchase Period**"). The repurchase shall be effected not later than the last day of the Repurchase Period. On the date on which the repurchase is to be effected, the Company shall pay to the Grantee the corresponding Repurchase Price for such Shares by wiring the same into the Designated Bank Account. The Repurchase Price may be paid by any Group Company, either in US dollars or RMB based on the currency conversion rate announced by the People's Bank of China on the date immediately before the payment. Upon such payment to the Grantee, the Company shall become the legal and beneficial owner of the Shares (including any additional securities in respect thereof) so repurchased and all rights and interest thereon or related thereto, and the Company shall have the right to transfer to its own name or its permitted assigns the number of Shares (including any additional securities in respect thereof) so repurchased, without further action by the Grantee or any other party.

7.5 **Lock-up in connection with a Listing**

In addition to the restrictions set forth in Rule 7.3 and Rule 7.4 above, the Grantee shall

7.5.1 not sell, make short sale of, loan, grant any options for the purchase of, or otherwise dispose of any Shares (RS or otherwise) held by the Grantee (other than those shares included in the offering) without the prior written consent of the Company or the underwriters managing for a period of 180 days following the consummation of a Listing, and

7.5.2 execute any agreement reflecting Rule 7.5.1 above as may be requested by the Company or the managing underwriters at the time of such offering.

8. MAXIMUM NUMBER OF OPTIONS AND RS AVAILABLE

8.1 The maximum number of Shares in respect of which Options and RS may be granted at any time under this Scheme shall be 120,020,001 shares of the common shares of no par value in the share capital of the Company (subject to adjustment pursuant to Rule 9 or any adjustment made with any Board Approval including affirmative consent of at least two-thirds of the Preferred Directors). Such maximum number shall include the number of Shares which would be issued upon the exercise of all outstanding Options by the Grantees (to the extent not already exercised) together with the number of Shares which have already been issued pursuant to the earlier exercise of any Option.

8.2 The maximum numbers of Shares referred to in Rules 7.1 and 7.2 will be adjusted, in such manner as the Auditors shall certify in writing to the Board to be in their opinion fair and reasonable in accordance with Rule 9, in the event of any Reorganisation.

9. REORGANISATION OF CAPITAL STRUCTURE

9.1 In the event of any alteration in the capital structure of the Company whilst any Option remains exercisable, arising from capitalization of profits or reserves, consolidation, subdivision or reduction of the share capital of the Company (a “**Reorganisation**”), the Company may make such adjustments as they consider appropriate under Rule 9.

9.2 An adjustment made under this Rule shall be to one or more of the following:

9.2.1 the number of Shares in respect of which any Option granted under the Scheme may be exercised;

9.2.2 the price at which Shares may be acquired by the exercise of any such Option; and

9.2.3 where any such Option has been exercised but no Shares have been issued pursuant to such exercise, the number of Shares which may be so issued and the price at which they may be acquired.

9.3 Except in the case of a capitalisation issue, no adjustment under Rule 9 shall be made without the prior confirmation in writing by the Auditors to the directors that it is in their opinion fair and reasonable.

9.4 As soon as reasonably practicable after making any adjustment under Rule 9, the Administrator (acting for the Board) shall give notice in writing thereof to each Grantee.

9.5 The capacity of the Auditors in this Rule is that of experts and not as arbitrators and their certification shall, in the absence of manifest error, be final and binding on the Company and the relevant Grantees.

10. SHARE CAPITAL

10.1 The exercise of any Option shall be subject to the members of the Company in general meeting approving any necessary increase in the maximum authorized share of the Company and the allotment of Shares pursuant to such exercise.

10.2 Subject to Rule 10.1, the Board shall make available sufficient authorised but unissued share capital of the Company to allot Shares on the exercise of any Option or the grant of any RS.

11. DISPUTES

Any dispute arising in connection with this Scheme (whether as to the number of Shares, the amount of the Exercise Price or otherwise) shall be referred to the decision of the Board whose decision shall, in the absence of manifest error, be final and binding.

12. ALTERATION OF THIS SCHEME

The Board may by a Board Approval at any time and from time to time make any alteration to the Scheme which it thinks fit without requiring any approval of any Grantee.

13. TERMINATION

13.1 The Company may at any time by a resolution of the Board terminate the operation of this Scheme and in such event no further Options or RS will be offered but (subject as provided in Rule 13.2) in all other respects the provisions of this Scheme shall remain in force.

13.2 The Company may by a resolution of the Board and written notice to all Grantees terminate and replace this Scheme with a new employee equity incentive scheme ("**Replacement Scheme**") in which case immediately prior to the grant of Options or RS to a Grantee under the Replacement Scheme (on terms no less favourable to the Grantee as to the number of Shares, vesting and exercise price than those attaching to his existing Options or RS) all Options and RS (whether vested or unvested) granted to that Grantee, and all the other rights and obligations of the Grantee, under this Scheme shall automatically lapse.

14. TAXATION

14.1 A Grantee shall be responsible for obtaining any governmental or other official consent that may be required in any jurisdiction in order to permit the grant, vest, exercise or disposal of his Option and/or RS. The Company shall not be responsible for any failure by a Grantee to obtain any such consent or for any taxation, duty, social security payment or other liability to which a Grantee may become subject as a result of his participation in this Scheme.

14.2 To the greatest extent permitted by law, each Grantee shall pay to the Company on demand an amount equal to the full amount of any actual or future liability to any taxation, levy, duty, social security or other payment incurred by the Company or any other Group Company arising out of the grant, subsistence, vest, exercise or disposal of his Option and/or RS.

15. MISCELLANEOUS

15.1 This Scheme shall supersede any prior plan or scheme adopted or arrangement made by any Group Company with respect to the subject matter contained herein and supersede all such prior plan, scheme or arrangement in respect thereof.

15.2 This Scheme and the grant of any Option and RS hereunder shall not form part of any contract of employment between any member of the Group and any Employee, and the rights and obligations of any Employee under the terms of his office or employment shall not be affected by his participation in this Scheme.

15.3 The Scheme shall in all respects be administered by the Board who may from time to time make and vary, with a duly passed Board Approval (including consent of at least two-thirds of the Preferred Directors), such rules and regulations for its conduct not inconsistent with these Rules and may from time to time establish such procedures for administration and implementation of the Scheme as it thinks fit, and in the event of any dispute or disagreement as to the interpretation of the Scheme, or of any rule, regulation or procedure, or as to any question or right arising from or related to the Scheme, the decision of the Board shall be final and binding upon all persons (subject to the written concurrence of the Auditors having been obtained when so required by these Rules)

15.4 The Company will ensure that all necessary books of account and records relating to the Scheme will be properly maintained by its HR department as well as the Escrow Holder.

15.5 The Company shall bear the costs of establishing and administering this Scheme, including any costs of the Nominee(s), Auditors and Escrow Holder in relation to the preparation of any certificate by them or providing any other service in relation to this Scheme.

15.6 Each holder of an Option which has not been exercised and each holder of a RS (vested or unvested) shall be entitled to receive copies of any notices or other documents sent by the Company to holders of Shares in relation to any proposal for an Exit, but not otherwise.

15.7 Any notice or other communication between the Company and a Grantee may be given by sending the same by prepaid post or by personal delivery to, in the case of the Company, its principal place of business in Guangzhou, the PRC and, in the case of the Grantee, in person or at his address as notified to the Company from time to time.

15.8 Any notice or other communication if sent by the Grantee shall be irrevocable and shall not be effective until actually received by the Company.

15.9 Any notice or other communication if sent to the Grantee shall be deemed to be given or made:-

(a) three (3) days after the date of posting, if sent by mail; and

(b) when delivered, if delivered by hand.

15.10 These Rules are written in English only. Any Chinese translation is produced for reference only. If there is any inconsistency between the English version and the Chinese translation, the English version shall prevail.

DUOWAN ENTERTAINMENT CORP.

(Chop)

Exhibit 10.2

YY INC.

2011 SHARE INCENTIVE PLAN

ARTICLE 1

PURPOSE

The purpose of the YY Inc. 2011 Share Incentive Plan (the "Plan") is to promote the success and enhance the value of YY Inc., a company formed under the laws of the Cayman Islands (the "Company"), by linking the personal interests of the members of the Board, Employees, and Consultants to those of the Company's shareholders and by providing such individuals with an incentive for outstanding performance to generate superior returns to the Company's shareholders. The Plan is further intended to provide flexibility to the Company in its ability to motivate, attract, and retain the services of members of the Board, Employees, and Consultants upon whose judgment, interest, and special effort the successful conduct of the Company's operation is largely dependent.

ARTICLE 2

DEFINITIONS AND CONSTRUCTION

Wherever the following terms are used in the Plan they shall have the meanings specified below, unless the context clearly indicates otherwise. The singular pronoun shall include the plural where the context so indicates.

2.1 "Applicable Laws" means the legal requirements relating to the Plan and the Awards under applicable provisions of the corporate, securities, tax and other laws, rules, regulations and government orders, and the rules of any applicable stock exchange or national market system, of any jurisdiction applicable to Awards granted to residents therein.

2.2 "Award" means an Option, Restricted Share or Restricted Share Unit award granted to a Participant pursuant to the Plan.

2.3 "Award Agreement" means any written agreement, contract, or other instrument or document evidencing an Award, including through electronic medium.

2.4 "Board" means the Board of Directors of the Company.

2.5 “Cause” with respect to a Participant means (unless otherwise expressly provided in the applicable Award Agreement, or another applicable contract with the Participant that defines such term for purposes of determining the effect that a “for cause” termination has on the Participant’s Awards) a termination of employment or service based upon a finding by the Service Recipient, acting in good faith and based on its reasonable belief at the time, that the Participant:

(a) has been negligent in the discharge of his or her duties to the Service Recipient, has refused to perform stated or assigned duties or is incompetent in or (other than by reason of a disability or analogous condition) incapable of performing those duties;

(b) has been dishonest or committed or engaged in an act of theft, embezzlement or fraud, a breach of confidentiality, an unauthorized disclosure or use of inside information, customer lists, trade secrets or other confidential information;

(c) has breached a fiduciary duty, or willfully and materially violated any other duty, law, rule, regulation or policy of the Service Recipient; or has been convicted of, or plead guilty or nolo contendere to, a felony or misdemeanor (other than minor traffic violations or similar offenses);

(d) has materially breached any of the provisions of any agreement with the Service Recipient;

(e) has engaged in unfair competition with, or otherwise acted intentionally in a manner injurious to the reputation, business or assets of, the Service Recipient; or

(f) has improperly induced a vendor or customer to break or terminate any contract with the Service Recipient or induced a principal for whom the Service Recipient acts as agent to terminate such agency relationship.

A termination for Cause shall be deemed to occur (subject to reinstatement upon a contrary final determination by the Committee) on the date on which the Service Recipient first delivers written notice to the Participant of a finding of termination for Cause.

2.6 “Code” means the Internal Revenue Code of 1986 of the United States, as amended.

2.7 “Committee” means the Board or a committee of the Board described in Article 10.

2.8 “Consultant” means any consultant or adviser if: (a) the consultant or adviser renders bona fide services to a Service Recipient; (b) the services rendered by the consultant or adviser are not in connection with the offer or sale of securities in a capital-raising transaction and do not directly or indirectly promote or maintain a market for the Company’s securities; and (c) the consultant or adviser is a natural person who has contracted directly with the Service Recipient to render such services.

2.9 "Corporate Transaction", unless otherwise defined in an Award Agreement, means any of the following transactions, provided, however, that the Committee shall determine under (d) and (e) whether multiple transactions are related, and its determination shall be final, binding and conclusive:

(a) an amalgamation, arrangement or consolidation or scheme of arrangement (i) in which the Company is not the surviving entity, except for a transaction the principal purpose of which is to change the jurisdiction in which the Company is incorporated or (ii) following which the holders of the voting securities of the Company do not continue to hold more than 50% of the combined voting power of the voting securities of the surviving entity;

(b) the sale, transfer or other disposition of all or substantially all of the assets of the Company;

(c) the complete liquidation or dissolution of the Company;

(d) any reverse takeover or series of related transactions culminating in a reverse takeover (including, but not limited to, a tender offer followed by a reverse takeover) in which the Company is the surviving entity but (A) the Company's equity securities outstanding immediately prior to such takeover are converted or exchanged by virtue of the takeover into other property, whether in the form of securities, cash or otherwise, or (B) in which securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities are transferred to a person or persons different from those who held such securities immediately prior to such takeover or the initial transaction culminating in such takeover, but excluding any such transaction or series of related transactions that the Committee determines shall not be a Corporate Transaction; or

(e) acquisition in a single or series of related transactions by any person or related group of persons (other than the Company or by a Company-sponsored employee benefit plan) of beneficial ownership (within the meaning of Rule 13d-3 of the Exchange Act) of securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities but excluding any such transaction or series of related transactions that the Committee determines shall not be a Corporate Transaction.

2.10 "Disability", unless otherwise defined in an Award Agreement, means that the Participant qualifies to receive long-term disability payments under the Service Recipient's long-term disability insurance program, as it may be amended from time to time, to which the Participant provides services regardless of whether the Participant is covered by such policy. If the Service Recipient to which the Participant provides service does not have a long-term disability plan in place, "Disability" means that a Participant is unable to carry out the responsibilities and functions of the position held by the Participant by reason of any medically determinable physical or mental impairment for a period of not less than ninety (90) consecutive days. A Participant will not be considered to have incurred a Disability unless he or she furnishes proof of such impairment sufficient to satisfy the Committee in its discretion.

2.11 "Effective Date" shall have the meaning set forth in Section 11.1.

2.12 “Employee” means any person, including an officer or a member of the Board of the Company or any Parent or Subsidiary of the Company, who is in the employment of a Service Recipient, subject to the control and direction of the Service Recipient as to both the work to be performed and the manner and method of performance. The payment of a director’s fee by a Service Recipient shall not be sufficient to constitute “employment” by the Service Recipient.

2.13 “Exchange Act” means the Securities Exchange Act of 1934 of the United States, as amended.

2.14 “Fair Market Value” means, as of any date, the value of Shares determined as follows:

(a) If the Shares are listed on one or more established stock exchanges or national market systems, including without limitation, The New York Stock Exchange and The Nasdaq Stock Market, its Fair Market Value shall be the closing sales price for such shares (or the closing bid, if no sales were reported) as quoted on the principal exchange or system on which the Shares are listed (as determined by the Committee) on the date of determination (or, if no closing sales price or closing bid was reported on that date, as applicable, on the last trading date such closing sales price or closing bid was reported), as reported in The Wall Street Journal or such other source as the Committee deems reliable;

(b) If the Shares are regularly quoted on an automated quotation system (including the OTC Bulletin Board) or by a recognized securities dealer, its Fair Market Value shall be the closing sales price for such shares as quoted on such system or by such securities dealer on the date of determination, but if selling prices are not reported, the Fair Market Value of a Share shall be the mean between the high bid and low asked prices for the Shares on the date of determination (or, if no such prices were reported on that date, on the last date such prices were reported), as reported in The Wall Street Journal or such other source as the Committee deems reliable; or

(c) In the absence of an established market for the Shares of the type described in (a) and (b), above, the Fair Market Value thereof shall be determined by the Committee in good faith and in its discretion by reference to (i) the placing price of the latest private placement of the Shares and the development of the Company’s business operations and the general economic and market conditions since such latest private placement, (ii) other third party transactions involving the Shares and the development of the Company’s business operation and the general economic and market conditions since such sale, (iii) an independent valuation of the Shares, or (iv) such other methodologies or information as the Committee determines to be indicative of Fair Market Value and relevant.

2.15 “Incentive Share Option” means an Option that is intended to meet the requirements of Section 422 of the Code or any successor provision thereto.

2.16 “Independent Director” means (i) before the Shares or other securities representing the Shares are listed on a stock exchange, a member of the Board who is a Non-Employee Director; and (ii) after the Shares or other securities representing the Shares are listed on a stock exchange, a member of the Board who meets the independence standards under the applicable corporate governance rules of the stock exchange.

2.17 “Non-Employee Director” means a member of the Board who qualifies as a “Non-Employee Director” as defined in Rule 16b-3(b)(3) of the Exchange Act, or any successor definition adopted by the Board.

2.18 “Non-Qualified Share Option” means an Option that is not intended to be an Incentive Share Option.

2.19 “Option” means a right granted to a Participant pursuant to Article 5 of the Plan to purchase a specified number of Shares at a specified price during specified time periods. An Option may be either an Incentive Share Option or a Non-Qualified Share Option.

2.20 “Participant” means a person who, as a member of the Board, Consultant or Employee, has been granted an Award pursuant to the Plan.

2.21 “Parent” means a parent corporation under Section 424(e) of the Code.

2.22 “Plan” means this YY Inc. 2011 Share Incentive Plan, as it may be amended from time to time.

2.23 “Related Entity” means any business, corporation, partnership, limited liability company or other entity in which the Company, a Parent or Subsidiary of the Company holds a substantial ownership interest, directly or indirectly, but which is not a Subsidiary and which the Board designates as a Related Entity for purposes of the Plan.

2.24 “Restricted Share” means a Share awarded to a Participant pursuant to Article 6 that is subject to certain restrictions and may be subject to risk of forfeiture.

2.25 “Restricted Share Unit” means the right granted to a Participant pursuant to Article 7 to receive a Share at a future date.

2.26 “Securities Act” means the Securities Act of 1933 of the United States, as amended.

2.27 “Service Recipient” means the Company, any Parent or Subsidiary of the Company and any Related Entity to which a Participant provides services as an Employee, a Consultant or a Director.

2.28 “Share” means any class of Common Shares of the Company, and such other securities of the Company that may be substituted for Shares pursuant to Article 9.

2.29 “Subsidiary” means any corporation or other entity of which a majority of the outstanding voting shares or voting power is beneficially owned directly or indirectly by the Company.

2.30 “Trading Date” means the closing of the first sale to the general public of the Shares pursuant to a registration statement filed with and declared effective by the U.S. Securities and Exchange Commission under the Securities Act.

ARTICLE 3

SHARES SUBJECT TO THE PLAN

3.1 Number of Shares.

(a) Subject to the provisions of Article 9 and Section 3.1(b), the maximum aggregate number of Shares which may be issued pursuant to all Awards (including Incentive Share Options) shall be 43,000,000.

(b) To the extent that an Award terminates, expires, or lapses for any reason, any Shares subject to the Award shall again be available for the grant of an Award pursuant to the Plan. To the extent permitted by Applicable Laws, Shares issued in assumption of, or in substitution for, any outstanding awards of any entity acquired in any form or combination by the Company or any Parent or Subsidiary of the Company shall not be counted against Shares available for grant pursuant to the Plan. Shares delivered by the Participant or withheld by the Company upon the exercise of any Award under the Plan, in payment of the exercise price thereof or tax withholding thereon, may again be optioned, granted or awarded hereunder, subject to the limitations of Section 3.1(a). If any Restricted Shares are forfeited by the Participant or repurchased by the Company, such Shares may again be optioned, granted or awarded hereunder, subject to the limitations of Section 3.1(a). Notwithstanding the provisions of this Section 3.1(b), no Shares may again be optioned, granted or awarded if such action would cause an Incentive Share Option to fail to qualify as an Incentive Share Option under Section 422 of the Code.

3.2 Shares Distributed. Any Shares distributed pursuant to an Award may consist, in whole or in part, of authorized and unissued Shares, treasury shares (subject to Applicable Laws) or Shares purchased on the open market. Additionally, in the discretion of the Committee, American Depository Shares in an amount equal to the number of Shares which otherwise would be distributed pursuant to an Award may be distributed in lieu of Shares in settlement of any Award. If the number of Shares represented by an American Depository Share is other than on a one-to-one basis, the limitations of Section 3.1 shall be adjusted to reflect the distribution of American Depository Shares in lieu of Shares.

ARTICLE 4

ELIGIBILITY AND PARTICIPATION

4.1 Eligibility. Persons eligible to participate in this Plan include Employees, Consultants, and all members of the Board, as determined by the Committee.

4.2 Participation. Subject to the provisions of the Plan, the Committee may, from time to time, select from among all eligible individuals, those to whom Awards shall be granted and shall determine the nature and amount of each Award. No individual shall have any right to be granted an Award pursuant to this Plan.

4.3 Jurisdictions. In order to assure the viability of Awards granted to Participants employed in various jurisdictions, the Committee may provide for such special terms as it may consider necessary or appropriate to accommodate differences in local law, tax policy, or custom applicable in the jurisdiction in which the Participant resides or is employed. Moreover, the Committee may approve such supplements to, or amendments, restatements, or alternative versions of, the Plan as it may consider necessary or appropriate for such purposes without thereby affecting the terms of the Plan as in effect for any other purpose; *provided, however*, that no such supplements, amendments, restatements, or alternative versions shall increase the share limitations contained in Section 3.1 of the Plan. Notwithstanding the foregoing, the Committee may not take any actions hereunder, and no Awards shall be granted, that would violate any Applicable Laws.

ARTICLE 5

OPTIONS

5.1 General. The Committee is authorized to grant Options to Participants on the following terms and conditions:

(a) Exercise Price. The exercise price per Share subject to an Option shall be determined by the Committee and set forth in the Award Agreement which may be a fixed or variable price related to the Fair Market Value of the Shares. The exercise price per Share subject to an Option may be amended or adjusted in the absolute discretion of the Committee, the determination of which shall be final, binding and conclusive. For the avoidance of doubt, to the extent not prohibited by Applicable Laws or any exchange rule, a downward adjustment of the exercise prices of Options mentioned in the preceding sentence shall be effective without the approval of the Company's shareholders or the approval of the affected Participants.

(b) Time and Conditions of Exercise. The Committee shall determine the time or times at which an Option may be exercised in whole or in part, including exercise prior to vesting; *provided* that the term of any Option granted under the Plan shall not exceed ten years, except as provided in Section 12.1. The Committee shall also determine any conditions, if any, that must be satisfied before all or part of an Option may be exercised.

(c) Payment. The Committee shall determine the methods by which the exercise price of an Option may be paid, the form of payment, including, without limitation (i) cash or check denominated in U.S. Dollars, (ii) to the extent permissible under the Applicable Laws, cash or check in Chinese Renminbi, (iii) cash or check denominated in any other local currency as approved by the Committee, (iv) Shares held for such period of time as may be required by the Committee in order to avoid adverse financial accounting consequences and having a Fair Market Value on the date of delivery equal to the aggregate exercise price of the Option or exercised portion thereof, (v) after the Trading Date the delivery of a notice that the Participant has placed a market sell order with a broker with respect to Shares then issuable upon exercise of the Option, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the Option exercise price; *provided* that payment of such proceeds is then made to the Company upon settlement of such sale, (vi) other property acceptable to the Committee with a Fair Market Value equal to the exercise price, or (vii) any combination of the foregoing. Notwithstanding any other provision of the Plan to the contrary, no Participant who is a member of the Board or an "executive officer" of the Company within the meaning of Section 13(k) of the Exchange Act shall be permitted to pay the exercise price of an Option in any method which would violate Section 13(k) of the Exchange Act.

(d) Evidence of Grant. All Options shall be evidenced by an Award Agreement between the Company and the Participant. The Award Agreement shall include such additional provisions as may be specified by the Committee.

(e) Effects of Termination of Employment or Service on Options. Termination of employment or service shall have the following effects on Options granted to the Participants:

(i) Dismissal for Cause. Unless otherwise provided in the Award Agreement, if a Participant's employment by or service to the Service Recipient is terminated by the Service Recipient for Cause, the Participant's Options will terminate upon such termination, whether or not the Option is then vested and/or exercisable;

(ii) Death or Disability. Unless otherwise provided in the Award Agreement, if a Participant's employment by or service to the Service Recipient terminates as a result of the Participant's death or Disability:

(a) the Participant (or his or her legal representative or beneficiary, in the case of the Participant's Disability or death, respectively), will have until the date that is 12 months after the Participant's termination of Employment to exercise the Participant's Options (or portion thereof) to the extent that such Options were vested and exercisable on the date of the Participant's termination of Employment on account of death or Disability;

(b) the Options, to the extent not vested and exercisable on the date of the Participant's termination of Employment or service, shall terminate upon the Participant's termination of Employment or service on account of death or Disability; and

(c) the Options, to the extent exercisable for the 12-month period following the Participant's termination of Employment or service and not exercised during such period, shall terminate at the close of business on the last day of the 12-month period.

(iii) Other Terminations of Employment or Service. Unless otherwise provided in the Award Agreement, if a Participant's employment by or service to the Service Recipient terminates for any reason other than a termination by the Service Recipient for Cause or because of the Participant's death or Disability:

(a) the Participant will have until the date that is 90 days after the Participant's termination of Employment or service to exercise his or her Options (or portion thereof) to the extent that such Options were vested and exercisable on the date of the Participant's termination of Employment or service;

(b) the Options, to the extent not vested and exercisable on the date of the Participant's termination of Employment or service, shall terminate upon the Participant's termination of Employment or service; and

(c) the Options, to the extent exercisable for the 90-day period following the Participant's termination of Employment or service and not exercised during such period, shall terminate at the close of business on the last day of the 90-day period.

5.2 Incentive Share Options. Incentive Share Options may be granted to Employees of the Company, a Parent or Subsidiary of the Company. Incentive Share Options may not be granted to Employees of a Related Entity or to Independent Directors or Consultants. The terms of any Incentive Share Options granted pursuant to the Plan, in addition to the requirements of Section 5.1, must comply with the following additional provisions of this Section 5.2:

(a) Individual Dollar Limitation. The aggregate Fair Market Value (determined as of the time the Option is granted) of all Shares with respect to which Incentive Share Options are first exercisable by a Participant in any calendar year may not exceed $100,000 or such other limitation as imposed by Section 422(d) of the Code, or any successor provision. To the extent that Incentive Share Options are first exercisable by a Participant in excess of such limitation, the excess shall be considered Non-Qualified Share Options.

(b) Exercise Price. The exercise price of an Incentive Share Option shall be equal to the Fair Market Value on the date of grant. However, the exercise price of any Incentive Share Option granted to any individual who, at the date of grant, owns Shares possessing more than ten percent of the total combined voting power of all classes of shares of the Company may not be less than 110% of Fair Market Value on the date of grant and such Option may not be exercisable for more than five years from the date of grant.

(c) Transfer Restriction. The Participant shall give the Company prompt notice of any disposition of Shares acquired by exercise of an Incentive Share Option within (i) two years from the date of grant of such Incentive Share Option or (ii) one year after the transfer of such Shares to the Participant.

(d) Expiration of Incentive Share Options. No Award of an Incentive Share Option may be made pursuant to this Plan after the tenth anniversary of the Effective Date.

(e) Right to Exercise. During a Participant's lifetime, an Incentive Share Option may be exercised only by the Participant.

ARTICLE 6

RESTRICTED SHARES

6.1 Grant of Restricted Shares. The Committee, at any time and from time to time, may grant Restricted Shares to Participants as the Committee, in its sole discretion, shall determine. The Committee, in its sole discretion, shall determine the number of Restricted Shares to be granted to each Participant.

6.2 Restricted Shares Award Agreement. Each Award of Restricted Shares shall be evidenced by an Award Agreement that shall specify the period of restriction, the number of Restricted Shares granted, and such other terms and conditions as the Committee, in its sole discretion, shall determine. Unless the Committee determines otherwise, Restricted Shares shall be held by the Company as escrow agent until the restrictions on such Restricted Shares have lapsed.

6.3 Issuance and Restrictions. Restricted Shares shall be subject to such restrictions on transferability and other restrictions as the Committee may impose (including, without limitation, limitations on the right to vote Restricted Shares or the right to receive dividends on the Restricted Share). These restrictions may lapse separately or in combination at such times, pursuant to such circumstances, in such installments, or otherwise, as the Committee determines at the time of the grant of the Award or thereafter.

6.4 Forfeiture/Repurchase. Except as otherwise determined by the Committee at the time of the grant of the Award or thereafter, upon termination of employment or service during the applicable restriction period, Restricted Shares that are at that time subject to restrictions shall be forfeited or repurchased in accordance with the Award Agreement; *provided, however*, the Committee may (a) provide in any Restricted Share Award Agreement that restrictions or forfeiture and repurchase conditions relating to Restricted Shares will be waived in whole or in part in the event of terminations resulting from specified causes, and (b) in other cases waive in whole or in part restrictions or forfeiture and repurchase conditions relating to Restricted Shares.

6.5 Certificates for Restricted Shares. Restricted Shares granted pursuant to the Plan may be evidenced in such manner as the Committee shall determine. If certificates representing Restricted Shares are registered in the name of the Participant, certificates must bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Shares, and the Company may, at its discretion, retain physical possession of the certificate until such time as all applicable restrictions lapse.

6.6 Removal of Restrictions. Except as otherwise provided in this Article 6, Restricted Shares granted under the Plan shall be released from escrow as soon as practicable after the last day of the period of restriction. The Committee, in its discretion, may accelerate the time at which any restrictions shall lapse or be removed. After the restrictions have lapsed, the Participant shall be entitled to have any legend or legends under Section 6.5 removed from his or her Share certificate, and the Shares shall be freely transferable by the Participant, subject to applicable legal restrictions. The Committee (in its discretion) may establish procedures regarding the release of Shares from escrow and the removal of legends, as necessary or appropriate to minimize administrative burdens on the Company.

ARTICLE 7

RESTRICTED SHARE UNITS

7.1 Grant of Restricted Share Units. The Committee, at any time and from time to time, may grant Restricted Share Units to Participants as the Committee, in its sole discretion, shall determine. The Committee, in its sole discretion, shall determine the number of Restricted Share Units to be granted to each Participant.

7.2 Restricted Share Units Award Agreement. Each Award of Restricted Share Units shall be evidenced by an Award Agreement that shall specify any vesting conditions, the number of Restricted Share Units granted, and such other terms and conditions as the Committee, in its sole discretion, shall determine.

7.3 Performance Objectives and Other Terms. The Committee, in its discretion, may set performance objectives or other vesting criteria which, depending on the extent to which they are met, will determine the number or value of Restricted Share Units that will be paid out to the Participants.

7.4 Form and Timing of Payment of Restricted Share Units. At the time of grant, the Committee shall specify the date or dates on which the Restricted Share Units shall become fully vested and nonforfeitable. Upon vesting, the Committee, in its sole discretion, may pay Restricted Share Units in the form of cash, in Shares or in a combination thereof.

7.5 Forfeiture/Repurchase. Except as otherwise determined by the Committee at the time of the grant of the Award or thereafter, upon termination of employment or service during the applicable restriction period, Restricted Share Units that are at that time unvested shall be forfeited or repurchased in accordance with the Award Agreement; *provided*, *however*, the Committee may (a) provide in any Restricted Share Unit Award Agreement that restrictions or forfeiture and repurchase conditions relating to Restricted Share Units will be waived in whole or in part in the event of terminations resulting from specified causes, and (b) in other cases waive in whole or in part restrictions or forfeiture and repurchase conditions relating to Restricted Share Units.

ARTICLE 8

PROVISIONS APPLICABLE TO AWARDS

8.1 Award Agreement. Awards under the Plan shall be evidenced by Award Agreements that set forth the terms, conditions and limitations for each Award which may include the term of an Award, the provisions applicable in the event the Participant’s employment or service terminates, and the Company’s authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind an Award.

8.2 No Transferability; Limited Exception to Transfer Restrictions.

8.2.1 Limits on Transfer. Unless otherwise expressly provided in (or pursuant to) this Section 8.2, by applicable law and by the Award Agreement, as the same may be amended:

(a) all Awards are non-transferable and will not be subject in any manner to sale, transfer, anticipation, alienation, assignment, pledge, encumbrance or charge;

(b) Awards will be exercised only by the Participant; and

(c) amounts payable or shares issuable pursuant to an Award will be delivered only to (or for the account of), and, in the case of Shares, registered in the name of, the Participant.

In addition, the shares shall be subject to the restrictions set forth in the applicable Award Agreement.

8.2.2 Further Exceptions to Limits on Transfer. The exercise and transfer restrictions in Section 8.2.1 will not apply to:

(a) transfers to the Company or a Subsidiary;

(b) transfers by gift to “immediate family” as that term is defined in SEC Rule 16a-1(e) promulgated under the Exchange Act;

(c) the designation of a beneficiary to receive benefits if the Participant dies or, if the Participant has died, transfers to or exercises by the Participant’s beneficiary, or, in the absence of a validly designated beneficiary, transfers by will or the laws of descent and distribution; or

(d) if the Participant has suffered a disability, permitted transfers or exercises on behalf of the Participant by the Participant’s duly authorized legal representative; or

(e) subject to the prior approval of the Committee or an executive officer or director of the Company authorized by the Committee, transfer to one or more natural persons who are the Participant’s family members or entities owned and controlled by the Participant and/or the Participant’s family members, including but not limited to trusts or other entities whose beneficiaries or beneficial owners are the Participant and/or the Participant’s family members, or to such other persons or entities as may be expressly approved by the Committee, pursuant to such conditions and procedures as the Committee or may establish. Any permitted transfer shall be subject to the condition that the Committee receives evidence satisfactory to it that the transfer is being made for estate and/or tax planning purposes and on a basis consistent with the Company’s lawful issue of securities.

Notwithstanding anything else in this Section 8.2.2 to the contrary, but subject to compliance with all applicable laws, Incentive Share Options, Restricted Shares and Restricted Share Units will be subject to any and all transfer restrictions under the Code applicable to such Awards or necessary to maintain the intended tax consequences of such Awards. Notwithstanding clause (b) above but subject to compliance with all applicable laws, any contemplated transfer by gift to “immediate family” as referenced in clause (b) above is subject to the condition precedent that the transfer be approved by the Administrator in order for it to be effective.

8.3 Beneficiaries. Notwithstanding Section 8.2, a Participant may, in the manner determined by the Committee, designate a beneficiary to exercise the rights of the Participant and to receive any distribution with respect to any Award upon the Participant’s death. A beneficiary, legal guardian, legal representative, or other person claiming any rights pursuant to the Plan is subject to all terms and conditions of the Plan and any Award Agreement applicable to the Participant, except to the extent the Plan and Award Agreement otherwise provide, and to any additional restrictions deemed necessary or appropriate by the Committee. If the Participant is married and resides in a community property state, a designation of a person other than the Participant’s spouse as his or her beneficiary with respect to more than 50% of the Participant’s interest in the Award shall not be effective without the prior written consent of the Participant’s spouse. If no beneficiary has been designated or survives the Participant, payment shall be made to the person entitled thereto pursuant to the Participant’s will or the laws of descent and distribution. Subject to the foregoing, a beneficiary designation may be changed or revoked by a Participant at any time provided the change or revocation is filed with the Committee.

8.4 Share Certificates. Notwithstanding anything herein to the contrary, the Company shall not be required to issue or deliver any certificates evidencing the Shares pursuant to the exercise of any Award, unless and until the Committee has determined, with advice of counsel, that the issuance and delivery of such certificates is in compliance with all Applicable Laws, regulations of governmental authorities and, if applicable, the requirements of any exchange on which the Shares are listed or traded. All Share certificates delivered pursuant to the Plan are subject to any stop-transfer orders and other restrictions as the Committee deems necessary or advisable to comply all Applicable Laws, and the rules of any national securities exchange or automated quotation system on which the Shares are listed, quoted, or traded. The Committee may place legends on any Share certificate to reference restrictions applicable to the Shares. In addition to the terms and conditions provided herein, the Committee may require that a Participant make such reasonable covenants, agreements, and representations as the Committee, in its discretion, deems advisable in order to comply with any such laws, regulations, or requirements. The Committee shall have the right to require any Participant to comply with any timing or other restrictions with respect to the settlement or exercise of any Award, including a window-period limitation, as may be imposed in the discretion of the Committee.

8.5 Paperless Administration. Subject to Applicable Laws, the Committee may make Awards, provide applicable disclosure and procedures for exercise of Awards by an internet website or interactive voice response system for the paperless administration of Awards.

8.6 Foreign Currency. A Participant may be required to provide evidence that any currency used to pay the exercise price of any Award were acquired and taken out of the jurisdiction in which the Participant resides in accordance with Applicable Laws, including foreign exchange control laws and regulations. In the event the exercise price for an Award is paid in Chinese Renminbi or other foreign currency, as permitted by the Committee, the amount payable will be determined by conversion from U.S. dollars at the official rate promulgated by the People's Bank of China for Chinese Renminbi, or for jurisdictions other than the Peoples Republic of China, the exchange rate as selected by the Committee on the date of exercise.

ARTICLE 9

CHANGES IN CAPITAL STRUCTURE

9.1 Adjustments. In the event of any dividend, share split, combination or exchange of Shares, amalgamation, arrangement or consolidation, spin-off, recapitalization or other distribution (other than normal cash dividends) of Company assets to its shareholders, or any other change affecting the shares of Shares or the share price of a Share, the Committee shall make such proportionate adjustments, if any, as the Committee in its discretion may deem appropriate to reflect such change with respect to (a) the aggregate number and type of shares that may be issued under the Plan (including, but not limited to, adjustments of the limitations in Section 3.1); (b) the terms and conditions of any outstanding Awards (including, without limitation, any applicable performance targets or criteria with respect thereto); and (c) the grant or exercise price per share for any outstanding Awards under the Plan.

9.2 Corporate Transactions. Except as may otherwise be provided in any Award Agreement or any other written agreement entered into by and between the Company and a Participant, if the Committee anticipates the occurrence, or upon the occurrence, of a Corporate Transaction, the Committee may, in its sole discretion, provide for (i) any and all Awards outstanding hereunder to terminate at a specific time in the future and shall give each Participant the right to exercise the vested portion of such Awards during a period of time as the Committee shall determine, or (ii) the purchase of any Award for an amount of cash equal to the amount that could have been attained upon the exercise of such Award (and, for the avoidance of doubt, if as of such date the Committee determines in good faith that no amount would have been attained upon the exercise of such Award, then such Award may be terminated by the Company without payment), or (iii) the replacement of such Award with other rights or property selected by the Committee in its sole discretion or the assumption of or substitution of such Award by the successor or surviving corporation, or a Parent or Subsidiary thereof, with appropriate adjustments as to the number and kind of Shares and prices, or (iv) payment of Award in cash based on the value of Shares on the date of the Corporate Transaction plus reasonable interest on the Award through the date when such Award would otherwise be vested or have been paid in accordance with its original terms, if necessary to comply with Section 409A of the Code.

9.3 Outstanding Awards – Other Changes. In the event of any other change in the capitalization of the Company or corporate change other than those specifically referred to in this Article 9, the Committee may, in its absolute discretion, make such adjustments in the number and class of shares subject to Awards outstanding on the date on which such change occurs and in the per share grant or exercise price of each Award as the Committee may consider appropriate to prevent dilution or enlargement of rights.

9.4 No Other Rights. Except as expressly provided in the Plan, no Participant shall have any rights by reason of any subdivision or consolidation of Shares of any class, the payment of any dividend, any increase or decrease in the number of shares of any class or any dissolution, liquidation, merger, or consolidation of the Company or any other corporation. Except as expressly provided in the Plan or pursuant to action of the Committee under the Plan, no issuance by the Company of shares of any class, or securities convertible into shares of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number of shares subject to an Award or the grant or exercise price of any Award.

ARTICLE 10

ADMINISTRATION

10.1 Committee. The Plan shall be administered by the Board or a committee of one or more members of the Board to whom the Board shall delegate the authority to grant or amend Awards to Participants other than any of the Committee members. Any grant or amendment of Awards to any Committee member shall then require an affirmative vote of a majority of the Board members who are not on the Committee.

10.2 Action by the Committee. A quorum is only formed when all of the members of the Committee are present. The acts of a majority of the members of the Committee present at any meeting at which a quorum is present, and acts approved in writing by a majority of the Committee in lieu of a meeting, shall be deemed the acts of the Committee, *provided that* such majority shall always include any member of the Committee who is also an Investor Director (as defined in Company's Memorandum of Association and Articles). Initially, the Investor Director on the Committee shall be Ms. Jenny Hong Wei Li. Each member of the Committee is entitled to, in good faith, rely or act upon any report or other information furnished to that member by any officer or other employee of the Company or any Subsidiary, the Company's independent certified public accountants, or any executive compensation consultant or other professional retained by the Company to assist in the administration of the Plan.

10.3 Authority of the Committee. Subject to any specific designation in the Plan, the Committee has the exclusive power, authority and discretion to:

(a) designate Participants to receive Awards;

(b) determine the type or types of Awards to be granted to each Participant;

(c) determine the number of Awards to be granted and the number of Shares to which an Award will relate;

(d) determine the terms and conditions of any Award granted pursuant to the Plan, including, but not limited to, the exercise price, grant price, or purchase price, any restrictions or limitations on the Award, any schedule for lapse of forfeiture restrictions or restrictions on the exercisability of an Award, and accelerations or waivers thereof, any provisions related to non-competition and recapture of gain on an Award, based in each case on such considerations as the Committee in its sole discretion determines;

(e) determine whether, to what extent, and pursuant to what circumstances an Award may be settled in, or the exercise price of an Award may be paid in, cash, Shares, other Awards, or other property, or an Award may be canceled, forfeited, or surrendered;

(f) prescribe the form of each Award Agreement, which need not be identical for each Participant;

(g) decide all other matters that must be determined in connection with an Award;

(h) establish, adopt, or revise any rules and regulations as it may deem necessary or advisable to administer the Plan;

(i) interpret the terms of, and any matter arising pursuant to, the Plan or any Award Agreement; and

(j) make all other decisions and determinations that may be required pursuant to the Plan or as the Committee deems necessary or advisable to administer the Plan.

10.4 Decisions Binding. The Committee's interpretation of the Plan, any Awards granted pursuant to the Plan, any Award Agreement and all decisions and determinations by the Committee with respect to the Plan are final, binding, and conclusive on all parties.

ARTICLE 11

EFFECTIVE AND EXPIRATION DATE

11.1 Effective Date. The Plan is effective as of July 1, 2011 (the "Effective Date"). The Plan will be deemed to be approved by the shareholders if it receives the affirmative vote of the holders of a majority of the share capital of the Company present or represented and entitled to vote at a meeting duly held in accordance with the applicable provisions of the Company's Memorandum of Association and Articles of Association, including affirmative consents of a majority of the Investor Directors. The term "Investor Directors" is as defined in the Memorandum and Articles of Association of the Company, as amended and restated from time to time.

11.2 Expiration Date. The Plan will expire on, and no Award may be granted pursuant to the Plan after, the tenth anniversary of the Effective Date. Any Awards that are outstanding on the tenth anniversary of the Effective Date shall remain in force according to the terms of the Plan and the applicable Award Agreement.

ARTICLE 12

AMENDMENT, MODIFICATION, AND TERMINATION

12.1 Amendment, Modification, And Termination. With the approval of the Board, at any time and from time to time, the Committee may terminate, amend or modify the Plan; *provided, however*, that (a) to the extent necessary and desirable to comply with Applicable Laws, the Company shall obtain shareholder approval of any Plan amendment in such a manner and to such a degree as required, unless the Company decides to follow home country practice, and (b) unless the Company decides to follow home country practice, shareholder approval is required for any amendment to the Plan that (i) increases the number of Shares available under the Plan (other than any adjustment as provided by Article 9), (ii) permits the Committee to extend the term of the Plan or the exercise period for an Option beyond ten years from the date of grant, or (iii) results in a material increase in benefits or a change in eligibility requirements.

12.2 Awards Previously Granted. Except with respect to amendments made pursuant to Section 12.1, no termination, amendment, or modification of the Plan shall adversely affect in any material way any Award previously granted pursuant to the Plan without the prior written consent of the Participant.

ARTICLE 13

GENERAL PROVISIONS

13.1 No Rights to Awards. No Participant, employee, or other person shall have any claim to be granted any Award pursuant to the Plan, and neither the Company nor the Committee is obligated to treat Participants, employees, and other persons uniformly.

13.2 No Shareholders Rights. No Award gives the Participant any of the rights of a Shareholder of the Company unless and until Shares are in fact issued to such person in connection with such Award.

13.3 Taxes. No Shares shall be delivered under the Plan to any Participant until such Participant has made arrangements acceptable to the Committee for the satisfaction of any income and employment tax withholding obligations under Applicable Laws. The Company or any Subsidiary shall have the authority and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy all applicable taxes (including the Participant's payroll tax obligations) required or permitted by Applicable Laws to be withheld with respect to any taxable event concerning a Participant arising as a result of this Plan. The Committee may in its discretion and in satisfaction of the foregoing requirement allow a Participant to elect to have the Company withhold Shares otherwise issuable under an Award (or allow the return of Shares) having a Fair Market Value equal to the sums required to be withheld. Notwithstanding any other provision of the Plan, the number of Shares which may be withheld with respect to the issuance, vesting, exercise or payment of any Award (or which may be repurchased from the Participant of such Award after such Shares were acquired by the Participant from the Company) in order to satisfy any income and payroll tax liabilities applicable to the Participant with respect to the issuance, vesting, exercise or payment of the Award shall, unless specifically approved by the Committee, be limited to the number of Shares which have a Fair Market Value on the date of withholding or repurchase equal to the aggregate amount of such liabilities based on the minimum statutory withholding rates for the applicable income and payroll tax purposes that are applicable to such supplemental taxable income.

13.4 No Right to Employment or Services. Nothing in the Plan or any Award Agreement shall interfere with or limit in any way the right of the Service Recipient to terminate any Participant's employment or services at any time, nor confer upon any Participant any right to continue in the employment or services of any Service Recipient.

13.5 Unfunded Status of Awards. The Plan is intended to be an "unfunded" plan for incentive compensation. With respect to any payments not yet made to a Participant pursuant to an Award, nothing contained in the Plan or any Award Agreement shall give the Participant any rights that are greater than those of a general creditor of the Company or any Subsidiary.

13.6 Indemnification. To the extent allowable pursuant to Applicable Laws, each member of the Committee or of the Board shall be indemnified and held harmless by the Company from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by such member in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action or failure to act pursuant to the Plan and against and from any and all amounts paid by him or her in satisfaction of judgment in such action, suit, or proceeding against him or her; *provided* he or she gives the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled pursuant to the Company's Memorandum of Association and Articles of Association, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

13.7 Relationship to other Benefits. No payment pursuant to the Plan shall be taken into account in determining any benefits pursuant to any pension, retirement, savings, profit sharing, group insurance, welfare or other benefit plan of the Company or any Subsidiary except to the extent otherwise expressly provided in writing in such other plan or an agreement thereunder.

13.8 Expenses. The expenses of administering the Plan shall be borne by the Company and its Subsidiaries.

13.9 Titles and Headings. The titles and headings of the Sections in the Plan are for convenience of reference only and, in the event of any conflict, the text of the Plan, rather than such titles or headings, shall control.

13.10 Fractional Shares. No fractional Shares shall be issued and the Committee shall determine, in its discretion, whether cash shall be given in lieu of fractional Shares or whether such fractional Shares shall be eliminated by rounding up or down as appropriate.

13.11 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan, the Plan, and any Award granted or awarded to any Participant who is then subject to Section 16 of the Exchange Act, shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by the Applicable Laws, the Plan and Awards granted or awarded hereunder shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

13.12 Government and Other Regulations. The obligation of the Company to make payment of awards in Shares or otherwise shall be subject to all Applicable Laws, and to such approvals by government agencies as may be required. The Company shall be under no obligation to register any of the Shares paid pursuant to the Plan under the Securities Act or any other similar law in any applicable jurisdiction. If the Shares paid pursuant to the Plan may in certain circumstances be exempt from registration pursuant to the Securities Act or other Applicable Laws, the Company may restrict the transfer of such Shares in such manner as it deems advisable to ensure the availability of any such exemption.

13.13 Governing Law. The Plan and all Award Agreements shall be construed in accordance with and governed by the laws of the Cayman Islands.

13.14 Section 409A. To the extent that the Committee determines that any Award granted under the Plan is or may become subject to Section 409A of the Code, the Award Agreement evidencing such Award shall incorporate the terms and conditions required by Section 409A of the Code. To the extent applicable, the Plan and the Award Agreements shall be interpreted in accordance with Section 409A of the Code and the U.S. Department of Treasury regulations and other interpretative guidance issued thereunder, including without limitation any such regulation or other guidance that may be issued after the Effective Date. Notwithstanding any provision of the Plan to the contrary, in the event that following the Effective Date the Committee determines that any Award may be subject to Section 409A of the Code and related Department of Treasury guidance (including such Department of Treasury guidance as may be issued after the Effective Date), the Committee may adopt such amendments to the Plan and the applicable Award agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Committee determines are necessary or appropriate to (a) exempt the Award from Section 409A of the Code and/or preserve the intended tax treatment of the benefits provided with respect to the Award, or (b) comply with the requirements of Section 409A of the Code and related U.S. Department of Treasury guidance.

13.15 Appendices. The Committee may approve such supplements, amendments or appendices to the Plan as it may consider necessary or appropriate for purposes of compliance with Applicable Laws or otherwise and such supplements, amendments or appendices shall be considered a part of the Plan; provided, however, that no such supplements shall increase the share limitation contained in Section 3.1 of the Plan without the approval of the Board.

AMENDMENT NO. 1 TO
THE YY INC. 2011 SHARE INCENTIVE PLAN

YY Inc. (the "Company"), having adopted the 2011 Share Incentive Plan (the "Plan"), as amended, hereby amends the Plan as follows pursuant to a resolution of the board of directors of the Company, effective as of October 12, 2012:

Section 3.1(a) of the Plan is hereby amended such that it now reads, in its entirety, as follows: "(a) Subject to the provisions of Article 9 and Section 3.1(b), the maximum aggregate number of Shares which may be issued pursuant to all Awards (including Incentive Share Options) shall be ***43,000,000, plus an annual increase of 20,000,000 on the first day of each fiscal year, beginning in 2013, or such lesser number of Class A Common Shares as determined by the board of directors of the Company***."

The amended portions are in bold and italics.

Exhibit 10.3

FORM INDEMNIFICATION AGREEMENT FOR DIRECTORS AND OFFICERS

THIS INDEMNIFICATION AGREEMENT (this "Agreement") is made as of , by and between YY Inc., an exempted company duly incorporated and validly existing under the law of the Cayman Islands (the "Company"), and (the "Indemnitee"), a director/an executive officer of the Company.

WHEREAS, the Indemnitee has agreed to serve as a director/an executive officer of the Company and in such capacity will render valuable services to the Company; and

WHEREAS, in order to induce and encourage highly experienced and capable persons such as the Indemnitee to serve as directors/executive officers of the Company, the board of directors of the Company (the "Board of Directors") has determined that this Agreement is not only reasonable and prudent, but necessary to promote and ensure the best interests of the Company and its shareholders;

NOW, THEREFORE, in consideration of the premises and mutual agreements hereinafter set forth, and other good and valuable consideration, including, without limitation, the service of the Indemnitee, the receipt of which hereby is acknowledged, and in order to induce the Indemnitee to serve as a director/an executive officer of the Company, the Company and the Indemnitee hereby agree as follows:

1. Definitions. As used in this Agreement:

(a) "Change in Control" shall mean a change in control of the Company of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or in response to any similar item on any similar or successor schedule or form) promulgated under the United States Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (collectively, the "Act"), whether or not the Company is then subject to such reporting requirement; provided, however, that, without limitation, such a Change in Control shall be deemed to have occurred (irrespective of the applicability of the initial clause of this definition) if (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Act, but excluding any trustee or other fiduciary holding securities pursuant to an employee benefit or welfare plan or employee share plan of the Company or any subsidiary of the Company, or any entity organized, appointed, established or holding securities of the Company with voting power for or pursuant to the terms of any such plan) becomes the "beneficial owner" (as defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company's then outstanding securities without the prior approval of at least two-thirds of the Continuing Directors (as defined below) in office immediately prior to such person's attaining such interest; (ii) the Company is a party to a merger, consolidation, scheme of arrangement, sale of assets or other reorganization, or a proxy contest, as a consequence of which Continuing Directors in office immediately prior to such transaction or event constitute less than a majority of the Board of Directors of the Company (or any successor entity) thereafter; or (iii) during any period of two (2) consecutive years, individuals who at the beginning of such period constituted the Board of Directors of the Company (including for this purpose any new director whose election or nomination for election by the Company's shareholders was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such period) (such directors being referred to herein as "Continuing Directors") cease for any reason to constitute at least a majority of the Board of Directors of the Company.

(b) "Disinterested Director" with respect to any request by the Indemnitee for indemnification or advancement of expenses hereunder shall mean a director of the Company who neither is nor was a party to the Proceeding (as defined below) in respect of which indemnification or advancement is being sought by the Indemnitee.

(c) The term "Expenses" shall mean, without limitation, expenses of Proceedings, including attorneys' fees, disbursements and retainers, accounting and witness fees, expenses related to preparation for service as a witness and to service as a witness, travel and deposition costs, expenses of investigations, judicial or administrative proceedings and appeals, amounts paid in settlement of a Proceeding by or on behalf of the Indemnitee, costs of attachment or similar bonds, any expenses of attempting to establish or establishing a right to indemnification or advancement of expenses, under this Agreement, the Company's Memorandum of Association and Articles of Association as currently in effect (the "Articles"), applicable law or otherwise, and reasonable compensation for time spent by the Indemnitee in connection with the investigation, defense or appeal of a Proceeding or action for indemnification for which the Indemnitee is not otherwise compensated by the Company or any third party. The term "Expenses" shall not include the amount of judgments, fines, interest or penalties, or excise taxes assessed with respect to any employee benefit or welfare plan, which are actually levied against or sustained by the Indemnitee to the extent sustained after final adjudication.

(d) The term "Independent Legal Counsel" shall mean any firm of attorneys reasonably selected by the Board of Directors of the Company, so long as such firm has not represented the Company, the Company's subsidiaries or affiliates, the Indemnitee, any entity controlled by the Indemnitee, or any party adverse to the Company, within the preceding five (5) years. Notwithstanding the foregoing, the term "Independent Legal Counsel" shall not include any person who, under applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or the Indemnitee in an action to determine the Indemnitee's right to indemnification or advancement of expenses under this Agreement, the Company's Articles, applicable law or otherwise.

(e) The term "Proceeding" shall mean any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, or other proceeding (including, without limitation, an appeal therefrom), formal or informal, whether brought in the name of the Company or otherwise, whether of a civil, criminal, administrative or investigative nature, and whether by, in or involving a court or an administrative, other governmental or private entity or body (including, without limitation, an investigation by the Company or its Board of Directors), by reason of (i) the fact that the Indemnitee is or was a director/an executive officer of the Company, or is or was serving at the request of the Company as an agent of another enterprise, whether or not the Indemnitee is serving in such capacity at the time any liability or expense is incurred for which indemnification or reimbursement is to be provided under this Agreement, (ii) any actual or alleged act or omission or neglect or breach of duty, including, without limitation, any actual or alleged error or misstatement or misleading statement, which the Indemnitee commits or suffers while acting in any such capacity, or (iii) the Indemnitee attempting to establish or establishing a right to indemnification or advancement of expenses pursuant to this Agreement, the Company's Articles, applicable law or otherwise.

(f) The phrase "serving at the request of the Company as an agent of another enterprise" or any similar terminology shall mean, unless the context otherwise requires, serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, limited liability company, trust, employee benefit or welfare plan or other enterprise, foreign or domestic. The phrase "serving at the request of the Company" shall include, without limitation, any service as a director/an executive officer of the Company which imposes duties on, or involves services by, such director/executive officer with respect to the Company or any of the Company's subsidiaries, affiliates, employee benefit or welfare plans, such plan's participants or beneficiaries or any other enterprise, foreign or domestic. In the event that the Indemnitee shall be a director, officer, employee or agent of another corporation, partnership, joint venture, limited liability company, trust, employee benefit or welfare plan or other enterprise, foreign or domestic, 50% or more of the ordinary shares, combined voting power or total equity interest of which is owned by the Company or any subsidiary or affiliate thereof, then it shall be presumed conclusively that the Indemnitee is so acting at the request of the Company.

2. Services by the Indemnitee. [For a director: The Indemnitee agrees to serve as a director of the Company under the terms of the Indemnitee's agreement with the Company for so long as the Indemnitee is duly elected or appointed or until such time as the Indemnitee tenders a resignation in writing or is removed as a director; provided, however, that the Indemnitee may at any time and for any reason resign from such position (subject to any other contractual obligation or other obligation imposed by operation of law).][For an executive officer: The Indemnitee agrees to serve as an executive officer of the Company under the terms of the Indemnitee's agreement with the Company until such time as the Indemnitee's employment is terminated for any reason.]

3. Proceedings By or In the Right of the Company. The Company shall indemnify the Indemnitee if the Indemnitee is a party to or threatened to be made a party to or is otherwise involved in any Proceeding by or in the right of the Company to procure a judgment in its favor by reason of the fact that the Indemnitee is or was a director/an executive officer of the Company, or is or was serving at the request of the Company as an agent of another enterprise, against all Expenses, judgments, fines, interest or penalties, and excise taxes assessed with respect to any employee benefit or welfare plan, which are actually and reasonably incurred by the Indemnitee in connection with the defense or settlement of such a Proceeding, to the fullest extent permitted by applicable law.

4. Proceeding Other Than a Proceeding By or In the Right of the Company. The Company shall indemnify the Indemnitee if the Indemnitee is a party to or threatened to be made a party to or is otherwise involved in any Proceeding (other than a Proceeding by or in the right of the Company), by reason of the fact that the Indemnitee is or was a director/an executive officer of the Company, or is or was serving at the request of the Company as an agent of another enterprise, against all Expenses, judgments, fines, interest or penalties, and excise taxes assessed with respect to any employee benefit or welfare plan, which are actually and reasonably incurred by the Indemnitee in connection with such a Proceeding, to the fullest extent permitted by applicable law; provided, however, that any settlement of a Proceeding must be approved in advance in writing by the Company (which approval shall not be unreasonably withheld).

5. Indemnification for Costs, Charges and Expenses of Witness or Successful Party. Notwithstanding any other provision of this Agreement (except as set forth in subparagraph 9(a) hereof), and without a requirement for determination as required by Paragraph 8 hereof, to the extent that the Indemnitee (a) has prepared to serve or has served as a witness in any Proceeding in any way relating to (i) the Company or any of the Company's subsidiaries, affiliates, employee benefit or welfare plans or such plan's participants or beneficiaries or (ii) anything done or not done by the Indemnitee as a director/an executive officer of the Company or in connection with serving at the request of the Company as an agent of another enterprise, or (b) has been successful in defense of any Proceeding or in defense of any claim, issue or matter therein, on the merits or otherwise, including the dismissal of a Proceeding without prejudice or the settlement of a Proceeding without an admission of liability, the Indemnitee shall be indemnified against all Expenses actually and reasonably incurred by the Indemnitee in connection therewith to the fullest extent permitted by applicable law.

6. Partial Indemnification. If the Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for a portion of the Expenses, judgments, fines, interest or penalties, or excise taxes assessed with respect to any employee benefit or welfare plan, which are actually and reasonably incurred by the Indemnitee in the investigation, defense, appeal or settlement of any Proceeding, but not, however, for the total amount of the Indemnitee's Expenses, judgments, fines, interest or penalties, or excise taxes assessed with respect to any employee benefit or welfare plan, then the Company shall nevertheless indemnify the Indemnitee for the portion of such Expenses, judgments, fines, interest penalties or excise taxes to which the Indemnitee is entitled.

7. Advancement of Expenses. The Expenses incurred by the Indemnitee in any Proceeding shall be paid promptly by the Company in advance of the final disposition of the Proceeding at the written request of the Indemnitee to the fullest extent permitted by applicable law; provided, however, that the Indemnitee shall set forth in such request reasonable evidence that such Expenses have been incurred by the Indemnitee in connection with such Proceeding, a statement that such Expenses do not relate to any matter described in subparagraph 9(a) of this Agreement, and an undertaking in writing to repay any advances if it is ultimately determined as provided in subparagraph 8(b) of this Agreement that the Indemnitee is not entitled to indemnification under this Agreement.

8. Indemnification Procedure; Determination of Right to Indemnification.

(a) Promptly after receipt by the Indemnitee of notice of the commencement of any Proceeding, the Indemnitee shall, if a claim for indemnification or advancement of Expenses in respect thereof is to be made against the Company under this Agreement, notify the Company of the commencement thereof in writing. The omission to so notify the Company will not relieve the Company from any liability which the Company may have to the Indemnitee under this Agreement unless the Company shall have lost significant substantive or procedural rights with respect to the defense of any Proceeding as a result of such omission to so notify.

(b) The Indemnitee shall be conclusively presumed to have met the relevant standards of conduct, if any, as defined by applicable law, for indemnification pursuant to this Agreement and shall be absolutely entitled to such indemnification, unless a determination is made that the Indemnitee has not met such standards by (i) the Board of Directors by a majority vote of a quorum thereof consisting of Disinterested Directors, (ii) the shareholders of the Company by majority vote of a quorum thereof consisting of shareholders who are not parties to the Proceeding due to which a claim for indemnification is made under this Agreement, (iii) Independent Legal Counsel as set forth in a written opinion (it being understood that such Independent Legal Counsel shall make such determination only if the quorum of Disinterested Directors referred to in clause (i) of this subparagraph 8(b) is not obtainable or if the Board of Directors of the Company by a majority vote of a quorum thereof consisting of Disinterested Directors so directs), or (iv) a court of competent jurisdiction; provided, however, that if a Change of Control shall have occurred and the Indemnitee so requests in writing, such determination shall be made only by a court of competent jurisdiction.

(c) If a claim for indemnification or advancement of Expenses under this Agreement is not paid by the Company within thirty (30) days after receipt by the Company of written notice thereof, the rights provided by this Agreement shall be enforceable by the Indemnitee in any court of competent jurisdiction. Such judicial proceeding shall be made de novo. The burden of proving that indemnification or advances are not appropriate shall be on the Company. Neither the failure of the directors or shareholders of the Company or Independent Legal Counsel to have made a determination prior to the commencement of such action that indemnification or advancement of Expenses is proper in the circumstances because the Indemnitee has met the applicable standard of conduct, if any, nor an actual determination by the directors or shareholders of the Company or Independent Legal Counsel that the Indemnitee has not met the applicable standard of conduct shall be a defense to an action by the Indemnitee or create a presumption for the purpose of such an action that the Indemnitee has not met the applicable standard of conduct. The termination of any Proceeding by judgment, order, settlement or conviction, or upon a plea of *nolo contendere* or its equivalent, shall not, of itself (i) create a presumption that the Indemnitee did not act in good faith and in a manner which he reasonably believed to be in the best interests of the Company and/or its shareholders, and, with respect to any criminal Proceeding, that the Indemnitee had reasonable cause to believe that his conduct was unlawful or (ii) otherwise adversely affect the rights of the Indemnitee to indemnification or advancement of Expenses under this Agreement, except as may be provided herein.

(d) If a court of competent jurisdiction shall determine that the Indemnitee is entitled to any indemnification or advancement of Expenses hereunder, the Company shall pay all Expenses actually and reasonably incurred by the Indemnitee in connection with such adjudication (including, but not limited to, any appellate proceedings).

(e) With respect to any Proceeding for which indemnification or advancement of Expenses is requested, the Company will be entitled to participate therein at its own expense and, except as otherwise provided below, to the extent that it may wish, the Company may assume the defense thereof, with counsel reasonably satisfactory to the Indemnitee. After notice from the Company to the Indemnitee of its election to assume the defense of a Proceeding, the Company will not be liable to the Indemnitee under this Agreement for any Expenses subsequently incurred by the Indemnitee in connection with the defense thereof, other than as provided below. The Company shall not settle any Proceeding in any manner which would impose any penalty or limitation on the Indemnitee without the Indemnitee's written consent. The Indemnitee shall have the right to employ his own counsel in any Proceeding, but the fees and expenses of such counsel incurred after notice from the Company of its assumption of the defense of the Proceeding shall be at the expense of the Indemnitee, unless (i) the employment of counsel by the Indemnitee has been authorized by the Company, (ii) the Indemnitee shall have reasonably concluded that there may be a conflict of interest between the Company and the Indemnitee in the conduct of the defense of a Proceeding, or (iii) the Company shall not in fact have employed counsel to assume the defense of a proceeding, in each of which cases the fees and expenses of the Indemnitee's counsel shall be advanced by the Company. The Company shall not be entitled to assume the defense of any Proceeding brought by or on behalf of the Company or as to which the Indemnitee has reasonably concluded that there may be a conflict of interest between the Company and the Indemnitee.

9. Limitations on Indemnification. No payments pursuant to this Agreement shall be made by the Company:

(a) To indemnify or advance funds to the Indemnitee for Expenses with respect to (i) Proceedings initiated or brought voluntarily by the Indemnitee and not by way of defense, except with respect to Proceedings brought to establish or enforce a right to indemnification under this Agreement or any other statute or law or otherwise as required under applicable law or (ii) Expenses incurred by the Indemnitee in connection with preparing to serve or serving, prior to a Change in Control, as a witness in cooperation with any party or entity who or which has threatened or commenced any action or proceeding against the Company, or any director, officer, employee, trustee, agent, representative, subsidiary, parent corporation or affiliate of the Company, but such indemnification or advancement of Expenses in each such case may be provided by the Company if the Board of Directors finds it to be appropriate;

(b) To indemnify the Indemnitee for any Expenses, judgments, fines, interest or penalties, or excise taxes assessed with respect to any employee benefit or welfare plan, and sustained in any Proceeding for which payment is actually made to the Indemnitee under a valid and collectible insurance policy, except in respect of any excess beyond the amount of payment under such insurance;

(c) To indemnify the Indemnitee for any Expenses, judgments, fines, expenses or penalties sustained in any Proceeding for an accounting of profits made from the purchase or sale by the Indemnitee of securities of the Company pursuant to the provisions of Section 16(b) of the Act or similar provisions of any foreign or United States federal, state or local statute or regulation;

(d) To indemnify the Indemnitee for any Expenses, judgments, fines, interest or penalties, or excise taxes assessed with respect to any employee benefit or welfare plan, for which the Indemnitee is indemnified by the Company otherwise than pursuant to this Agreement;

(e) To indemnify the Indemnitee for any Expenses (including without limitation any Expenses relating to a Proceeding attempting to enforce this Agreement), judgments, fines, interest or penalties, or excise taxes assessed with respect to any employee benefit or welfare plan, on account of the Indemnitee's conduct if such conduct shall be finally adjudged to have been knowingly fraudulent, deliberately dishonest or willful misconduct, including, without limitation, breach of the duty of loyalty; or

(f) If a court of competent jurisdiction finally determines that any indemnification hereunder is unlawful.

10. Continuation of Indemnification. All agreements and obligations of the Company contained herein shall continue during the period that the Indemnitee is a director/an executive officer of the Company (or is or was serving at the request of the Company as an agent of another enterprise, foreign or domestic) and shall continue thereafter so long as the Indemnitee shall be subject to any possible Proceeding by reason of the fact that the Indemnitee was a director/an executive officer of the Company or serving in any other capacity referred to in this Paragraph 10.

11. Indemnification Hereunder Not Exclusive. The indemnification provided by this Agreement shall not be deemed to be exclusive of any other rights to which the Indemnitee may be entitled under the Company's Articles, any agreement, vote of shareholders or vote of Disinterested Directors, provisions of applicable law, or otherwise, both as to action or omission in the Indemnitee's official capacity and as to action or omission in another capacity on behalf of the Company while holding such office.

12. Successors and Assigns.

(a) This Agreement shall be binding upon the Indemnitee, and shall inure to the benefit of, the Indemnitee and the Indemnitee's heirs, executors, administrators and assigns, whether or not the Indemnitee has ceased to be a director/an executive officer, and the Company and its successors and assigns. Upon the sale of all or substantially all of the business, assets or share capital of the Company to, or upon the merger of the Company into or with, any corporation, partnership, joint venture, trust or other person, this Agreement shall inure to the benefit of and be binding upon both the Indemnitee and such purchaser or successor person. Subject to the foregoing, this Agreement may not be assigned by either party without the prior written consent of the other party hereto.

(b) If the Indemnitee is deceased and is entitled to indemnification under any provision of this Agreement, the Company shall indemnify the Indemnitee's estate and the Indemnitee's spouse, heirs, executors, administrators and assigns against, and the Company shall, and does hereby agree to assume, any and all Expenses actually and reasonably incurred by or for the Indemnitee or the Indemnitee's estate, in connection with the investigation, defense, appeal or settlement of any Proceeding. Further, when requested in writing by the spouse of the Indemnitee, and/or the Indemnitee's heirs, executors, administrators and assigns, the Company shall provide appropriate evidence of the Company's agreement set out herein to indemnify the Indemnitee against and to itself assume such Expenses.

13. Subrogation. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of the Indemnitee, who shall execute all documents required and shall do all acts that may be necessary to secure such rights and to enable the Company effectively to bring suit to enforce such rights.

14. Severability. Each and every paragraph, sentence, term and provision of this Agreement is separate and distinct so that if any paragraph, sentence, term or provision thereof shall be held to be invalid, unlawful or unenforceable for any reason, such invalidity, unlawfulness or unenforceability shall not affect the validity, unlawfulness or enforceability of any other paragraph, sentence, term or provision hereof. To the extent required, any paragraph, sentence, term or provision of this Agreement may be modified by a court of competent jurisdiction to preserve its validity and to provide the Indemnitee with the broadest possible indemnification permitted under applicable law. The Company's inability, pursuant to a court order or decision, to perform its obligations under this Agreement shall not constitute a breach of this Agreement.

15. Savings Clause. If this Agreement or any paragraph, sentence, term or provision hereof is invalidated on any ground by any court of competent jurisdiction, the Company shall nevertheless indemnify the Indemnitee as to any Expenses, judgments, fines, interest or penalties, or excise taxes assessed with respect to any employee benefit or welfare plan, which are incurred with respect to any Proceeding to the fullest extent permitted by any (a) applicable paragraph, sentence, term or provision of this Agreement that has not been invalidated or (b) applicable law.

16. Interpretation; Governing Law. This Agreement shall be construed as a whole and in accordance with its fair meaning and any ambiguities shall not be construed for or against either party. Headings are for convenience only and shall not be used in construing meaning. This Agreement shall be governed and interpreted in accordance with the laws of the State of New York without regard to the conflict of laws principles thereof.

17. Amendments. No amendment, waiver, modification, termination or cancellation of this Agreement shall be effective unless in writing signed by the party against whom enforcement is sought. The indemnification rights afforded to the Indemnitee hereby are contract rights and may not be diminished, eliminated or otherwise affected by amendments to the Company's Articles, or by other agreements, including directors' and officers' liability insurance policies, of the Company.

18. Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each party and delivered to the other.

19. Notices. Any notice required to be given under this Agreement shall be directed to Mr. [ ] of the Company at [ ], and to the Indemnitee at or to such other address as either shall designate to the other in writing.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties have executed this Indemnification Agreement as of the date first written above.

INDEMNITEE

____
Name:

YY INC.

By: ____________________________________
Name:
Title:

Exhibit 10.4

EMPLOYMENT AGREEMENT (FORM)

This EMPLOYMENT AGREEMENT (the "Agreement") is entered into as of by and between YY Inc., a company incorporated and existing under the laws of the Cayman Islands (the "Company") and ([Passport/ID] Number), an individual (the "Executive"). The term "Company" as used herein with respect to all obligations of the Executive hereunder shall be deemed to include the Company and all of its direct or indirect parent companies, subsidiaries, affiliates, or subsidiaries or affiliates of its parent companies (collectively, the "Group").

RECITALS

A. The Company desires to employ the Executive and to assure itself of the services of the Executive during the term of Employment (as defined below).

B. The Executive desires to be employed by the Company during the term of Employment and under the terms and conditions of this Agreement.

AGREEMENT

The parties hereto agree as follows:

1. POSITION

The Executive hereby accepts a position of (the "Employment") of the Company.

2. TERM

Subject to the terms and conditions of this Agreement, the initial term of the Employment shall be three years, commencing on , 2012 (the "Effective Date"), until , 2015, unless terminated earlier pursuant to the terms of this Agreement. Upon expiration of the initial three-year term, the Employment shall be automatically extended for successive one-year terms unless either party gives the other party hereto a prior written notice to terminate the Employment prior to the expiration of such one-year term or unless terminated earlier pursuant to the terms of this Agreement.

3. DUTIES AND RESPONSIBILITIES

The Executive's duties at the Company will include all jobs assigned by the Company's Chief Executive Officer. If the Executive is the Chief Executive Officer of the Company, the Executive's duties will include all jobs assigned by the Board of Directors of the Company (the "Board") .

The Executive shall devote all of his/her working time, attention and skills to the performance of his/her duties at the Company and shall faithfully and diligently serve the Company in accordance with this Agreement and the guidelines, policies and procedures of the Company approved from time to time by the Board.

The Executive shall use his/her best efforts to perform his/her duties hereunder. The Executive shall not, without the prior written consent of the Board, become an employee of any entity other than the Company and any subsidiary or affiliate of the Company, and shall not be concerned or interested in the business or entity that competes with that carried on by the Company (any such business or entity, a "Competitor"), provided that nothing in this clause shall preclude the Executive from holding any shares or other securities of any Competitor that is listed on any securities exchange or recognized securities market anywhere. The Executive shall notify the Company in writing of his/her interest in such shares or securities in a timely manner and with such details and particulars as the Company may reasonably require.

4. NO BREACH OF CONTRACT

The Executive hereby represents to the Company that: (i) the execution and delivery of this Agreement by the Executive and the performance by the Executive of the Executive's duties hereunder shall not constitute a breach of, or otherwise contravene, the terms of any other agreement or policy to which the Executive is a party or otherwise bound, except for agreements that are required to be entered into by and between the Executive and any member of the Group pursuant to applicable law of the jurisdiction where the Executive is based, if any; (ii) that the Executive has no information (including, without limitation, confidential information and trade secrets) relating to any other person or entity which would prevent, or be violated by, the Executive entering into this Agreement or carrying out his/her duties hereunder; and (iii) that the Executive is not bound by any confidentiality, trade secret or similar agreement (other than this) with any other person or entity except for other member(s) of the Group, as the case may be.

5. LOCATION

The Executive will be based in Beijing, China or any other location as requested by the Company during the term of this Agreement.

6. COMPENSATION AND BENEFITS

(a) ***Cash Compensation.*** *The Executive's cash compensation (inclusive of the statutory welfare reserves that the Company is required to set aside for the Executive under applicable law) shall be provided by the Company pursuant to Schedule A hereto, subject to annual review and adjustment by the Company or the compensation committee of the Board (or the Board itself, before the formation of the compensation committee).*

(b) ***Equity Incentives.*** *To the extent the Company adopts and maintains a share incentive plan, the Executive will be eligible for participating in such plan pursuant to the terms thereof as determined by the Company.*

(c) **Benefits.** The Executive is eligible for participation in any standard employee benefit plan of the Company that currently exists or may be adopted by the Company in the future, including, but not limited to, any retirement plan, and travel/holiday policy.

7. TERMINATION OF THE AGREEMENT

(a) *By the Company.* The Company may terminate the Employment for cause, at any time, without advance notice or remuneration, if (i) the Executive is convicted or pleads guilty to a felony or to an act of fraud, misappropriation or embezzlement, (ii) the Executive has been negligent or acted dishonestly to the detriment of the Company, (iii) the Executive has engaged in actions amounting to misconduct or failed to perform his/her duties hereunder and such failure continues after the Executive is afforded a reasonable opportunity to cure such failure, (iv) the Executive has died, or (v) the Executive has a disability which shall mean a physical or mental impairment which, as reasonably determined by the Board, renders the Executive unable to perform the essential functions of his/her employment with the Company, even with reasonable accommodation that does not impose an undue hardship on the Company, for more than 180 days in any 12-month period, unless a longer period is required by applicable law, in which case that longer period would apply.

In addition, the Company may terminate the Employment without cause, at any time, upon one-month prior written notice to the Executive. Upon termination without cause, the Company shall provide the Executive with a severance payment in cash in an amount equal to the Executive's 3-months salary at the then current rate. Under such circumstance, the Executive agrees not to make any further claims for compensation for loss of office, accrued remuneration, fees, wrongful dismissal or any other claim whatsoever against the Company or its subsidiaries or the respective officers or employees of any of them**.**

(b) ***By the Executive.*** *If there is a material and substantial reduction in the Executive's existing authority and responsibilities, the Executive may resign upon one-month prior written notice to the Company. In addition, the Executive may resign prior to the expiration of the Agreement if such resignation is approved by the Board or an alternative arrangement with respect to the Employment is agreed to by the Board.*

(c) **Notice of Termination.** Any termination of the Executive's employment under this Agreement shall be communicated by written notice of termination from the terminating party to the other party. The notice of termination shall indicate the specific provision(s) of this Agreement relied upon in effecting the termination.

8. CONFIDENTIALITY AND NONDISCLOSURE

(a) **Confidentiality and Non-disclosure.** In the course of the Executive's services, the Executive may have access to the Company and/or the Company's customer/supplier's and/or prospective customer/supplier's trade secrets and confidential information, including but not limited to those embodied in memoranda, manuals, letters or other documents, computer disks, tapes or other information storage devices, hardware, or other media or vehicles, pertaining to the Company and/or the Company's customer/supplier's and/or prospective customer/supplier's business. All such trade secrets and confidential information are considered confidential. All materials containing any such trade secret and confidential information are the property of the Company and/or the Company's customer/supplier and/or prospective customer/supplier, and shall be returned to the Company and/or the Company's customer/supplier and/or prospective customer/supplier upon expiration or earlier termination of this Agreement. The Executive shall not directly or indirectly disclose or use any such trade secret or confidential information, except as required in the performance of the Executive's duties in connection with the Employment, or pursuant to applicable law.

(b) **Trade Secrets.** During and after the Employment, the Executive shall hold the Trade Secrets in strict confidence; the Executive shall not disclose these Trade Secrets to anyone except other employees of the Company who have a need to know the Trade Secrets in connection with the Company's business. The Executive shall not use the Trade Secrets other than for the benefits of the Company.

"Trade Secrets" means information deemed confidential by the Company, treated by the Company or which the Executive know or ought reasonably to have known to be confidential, and trade secrets, including without limitation designs, processes, pricing policies, methods, inventions, conceptions, technology, technical data, financial information, corporate structure and know-how, relating to the business and affairs of the Company and its subsidiaries, affiliates and business associates, whether embodied in memoranda, manuals, letters or other documents, computer disks, tapes or other information storage devices, hardware, or other media or vehicles. Trade Secrets do not include information generally known or released to public domain through no fault of yours.

(c) **<u>Former Employer Information</u>.** The Executive agrees that he or she has not and will not, during the term of his/her employment, (i) improperly use or disclose any proprietary information or trade secrets of any former employer or other person or entity with which the Executive has an agreement or duty to keep in confidence information acquired by Executive, if any, or (ii) bring into the premises of Company any document or confidential or proprietary information belonging to such former employer, person or entity unless consented to in writing by such former employer, person or entity. The Executive will indemnify the Company and hold it harmless from and against all claims, liabilities, damages and expenses, including reasonable attorneys' fees and costs of suit, arising out of or in connection with any violation of the foregoing.

(d) **<u>Third Party Information</u>.** The Executive recognizes that the Company may have received, and in the future may receive, from third parties their confidential or proprietary information subject to a duty on the Company's part to maintain the confidentiality of such information and to use it only for certain limited purposes. The Executive agrees that the Executive owes the Company and such third parties, during the Executive's employment by the Company and thereafter, a duty to hold all such confidential or proprietary information in the strictest confidence and not to disclose it to any person or firm and to use it in a manner consistent with, and for the limited purposes permitted by, the Company's agreement with such third party.

This Section 8 shall survive the termination of this Agreement for any reason. In the event the Executive breaches this Section 8, the Company shall have right to seek remedies permissible under applicable law.

9. INVENTIONS

(a) **<u>Inventions Retained and Licensed.</u>** The Executive has attached hereto, as <u>Schedule B</u>, a list describing all inventions, ideas, improvements, designs and discoveries, whether or not patentable and whether or not reduced to practice, original works of authorship and trade secrets made or conceived by or belonging to the Executive (whether made solely by the Executive or jointly with others) that (i) were developed by Executive prior to the Executive's employment by the Company (collectively, "<u>Prior Inventions</u>"), (ii) relate to the Company' actual or proposed business, products or research and development, and (iii) are not assigned to the Company hereunder; or, if no such list is attached, the Executive represents that there are no such Prior Inventions. Except to the extent set forth in <u>Schedule B</u>, the Executive hereby acknowledges that, if in the course of his/her service for the Company, the Executive incorporates into a Company product, process or machine a Prior Invention owned by the Executive or in which he has an interest, the Company is hereby granted and shall have a nonexclusive, royalty-free, irrevocable, perpetual, worldwide right and license (which may be freely transferred by the Company to any other person or entity) to make, have made, modify, use, sell, sublicense and otherwise distribute such Prior Invention as part of or in connection with such product, process or machine.

(b) **<u>Disclosure and Assignment of Inventions.</u>** The Executive understands that the Company engages in research and development and other activities in connection with its business and that, as an essential part of the Employment, the Executive is expected to make new contributions to and create inventions of value for the Company.

From and after the Effective Date, the Executive shall disclose in confidence to the Company all inventions, improvements, designs, original works of authorship, formulas, processes, compositions of matter, computer software programs, databases, mask works and trade secrets (collectively, the "Inventions"), which the Executive may solely or jointly conceive or develop or reduce to practice, or cause to be conceived or developed or reduced to practice, during the period of the Executive's Employment at the Company. The Executive acknowledges that copyrightable works prepared by the Executive within the scope of and during the period of the Executive's Employment with the Company are "works for hire" and that the Company will be considered the author thereof. The Executive agrees that all the Inventions shall be the sole and exclusive property of the Company and the Executive hereby assign all his/her right, title and interest in and to any and all of the Inventions to the Company or its successor in interest without further consideration.

(c) **Patent and Copyright Registration.** The Executive agrees to assist the Company in every proper way to obtain for the Company and enforce patents, copyrights, mask work rights, trade secret rights, and other legal protection for the Inventions. The Executive will execute any documents that the Company may reasonably request for use in obtaining or enforcing such patents, copyrights, mask work rights, trade secrets and other legal protections. The Executive's obligations under this paragraph will continue beyond the termination of the Employment with the Company, provided that the Company will reasonably compensate the Executive after such termination for time or expenses actually spent by the Executive at the Company's request on such assistance. The Executive appoints the Secretary of the Company as the Executive's attorney-in-fact to execute documents on the Executive's behalf for this purpose.

(d) **Return of Confidential Material.** In the event of the Executive's termination of employment with the Company for any reason whatsoever, Executive agrees promptly to surrender and deliver to the Company all records, materials, equipment, drawings, documents and data of any nature pertaining to any confidential information or to his/her employment, and Executive will not retain or take with him or her any tangible materials or electronically stored data, containing or pertaining to any confidential information that Executive may produce, acquire or obtain access to during the course of his/her employment.

This Section 9 shall survive the termination of this Agreement for any reason. In the event the Executive breaches this Section 9, the Company shall have right to seek remedies permissible under applicable law.

10. CONFLICTING EMPLOYMENT.

The Executive hereby agrees that, during the term of his/her employment with the Company, he will not engage in any other employment, occupation, consulting or other business activity related to the business in which the Company is now involved or becomes involved during the term of the Executive's employment, nor will the Executive engage in any other activities that conflict with his/her obligations to the Company without the prior written consent of the Company.

11. NON-COMPETITION AND NON-SOLICITATION

In consideration of the compensation provided to the Executive by the Company hereunder, the adequacy of which is hereby acknowledged by the parties hereto, the Executive agree that during the term of the Employment and for a period of *two* years following the termination of the Employment for whatever reason:

(a) The Executive will not approach clients, customers or contacts of the Company or other persons or entities introduced to the Executive in the Executive's capacity as a representative of the Company for the purposes of doing business with such persons or entities which will harm the business relationship between the Company and such persons and/or entities;

(b) unless expressly consented to by the Company, the Executive will not assume employment with or provide services as a director or otherwise for any Competitor, or engage, whether as principal, partner, licensor or otherwise, in any Competitor; and

(c) unless expressly consented to by the Company, the Executive will not seek directly or indirectly, by the offer of alternative employment or other inducement whatsoever, to solicit the services of any employee of the Company employed as at or after the date of such termination, or in the year preceding such termination.

The provisions contained in Section 11 are considered reasonable by the Executive and the Company. In the event that any such provisions should be found to be void under applicable laws but would be valid if some part thereof was deleted or the period or area of application reduced, such provisions shall apply with such modification as may be necessary to make them valid and effective.

This Section 11 shall survive the termination of this Agreement for any reason. In the event the Executive breaches this Section 11, the Executive acknowledges that there will be no adequate remedy at law, and the Company shall be entitled to injunctive relief and/or a decree for specific performance, and such other relief as may be proper (including monetary damages if appropriate). In any event, the Company shall have right to seek all remedies permissible under applicable law.

12. WITHHOLDING TAXES

Notwithstanding anything else herein to the contrary, the Company may withhold (or cause there to be withheld, as the case may be) from any amounts otherwise due or payable under or pursuant to this Agreement such national, provincial, local or any other income, employment, or other taxes as may be required to be withheld pursuant to any applicable law or regulation.

13. ASSIGNMENT

This Agreement is personal in its nature and neither of the parties hereto shall, without the consent of the other, assign or transfer this Agreement or any rights or obligations hereunder; provided, however, that (i) the Company may assign or transfer this Agreement or any rights or obligations hereunder to any member of the Group without such consent, and (ii) in the event of a merger, consolidation, or transfer or sale of all or substantially all of the assets of the company with or to any other individual(s) or entity, this Agreement shall, subject to the provisions hereof, be binding upon and inure to the benefit of such successor and such successor shall discharge and perform all the promises, covenants, duties, and obligations of the Company hereunder.

14. SEVERABILITY

If any provision of this Agreement or the application thereof is held invalid, the invalidity shall not affect other provisions or applications of this Agreement which can be given effect without the invalid provisions or applications and to this end the provisions of this Agreement are declared to be severable.

15. ENTIRE AGREEMENT

This Agreement constitutes the entire agreement and understanding between the Executive and the Company regarding the terms of the Employment and supersedes all prior or contemporaneous oral or written agreements concerning such subject matter. The Executive acknowledges that he has not entered into this Agreement in reliance upon any representation, warranty or undertaking which is not set forth in this Agreement. Any amendment to this Agreement must be in writing and signed by the Executive and the Company.

16. GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the law of the State of New York, USA, without regard to the conflicts of law principles.

17. AMENDMENT

This Agreement may not be amended, modified or changed (in whole or in part), except by a formal, definitive written agreement expressly referring to this Agreement, which agreement is executed by both of the parties hereto.

18. WAIVER

Neither the failure nor any delay on the part of a party to exercise any right, remedy, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege preclude any other or further exercise of the same or of any right, remedy, power or privilege, nor shall any waiver of any right, remedy, power or privilege with respect to any occurrence be construed as a waiver of such right, remedy, power or privilege with respect to any other occurrence. No waiver shall be effective unless it is in writing and is signed by the party asserted to have granted such waiver.

19. NOTICES

All notices, requests, demands and other communications required or permitted under this Agreement shall be in writing and shall be deemed to have been duly given and made if (i) delivered by hand, (ii) otherwise delivered against receipt therefor, (iii) sent by a recognized courier with next-day or second-day delivery to the last known address of the other party; or (iv) sent by e-mail with confirmation of receipt.

20. COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original as against any party whose signature appears thereon, and all of which together shall constitute one and the same instrument. This Agreement shall become binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of all of the parties reflected hereon as the signatories. Photographic copies of such signed counterparts may be used in lieu of the originals for any purpose.

21. NO INTERPRETATION AGAINST DRAFTER

Each party recognizes that this Agreement is a legally binding contract and acknowledges that such party has had the opportunity to consult with legal counsel of choice. In any construction of the terms of this Agreement, the same shall not be construed against either party on the basis of that party being the drafter of such terms.

[Remainder of this page intentionally has been intentionally left blank.]

IN WITNESS WHEREOF, this Agreement has been executed as of the date first written above.

YY Inc.

By: ______________________________
Name:
Title:

Executive

Signature: ______________________________
Name:

Schedule A

Cash Compensation

	Amount	Pay Period
Base Salary		
Cash Bonus		

Schedule B

List of Prior Inventions

Title	Date	Identifying Number or Brief Description

No inventions or improvements

Additional Sheets Attached

Signature of Executive:

Print Name of Executive:

Date:

Exhibit 10.5

Exclusive Business Cooperation Agreement

This Exclusive Business Cooperation Agreement (this "Agreement") is made and entered into by and between the following parties on August 12, 2008 in Beijing, the People's Republic of China ("China" or the "PRC").

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited**
Address: Suite 1707C3, Qingyun Dangdai Plaza, No. 9 Mantingfangyuan Community, Qingyunli, Haidian District, Beijing

Party B: **Guangzhou Huaduo Network Technology Company Limited**
Address: Suite 602, East Tower, No. 64 and 66, Jianzhong Road, Tianhe District, Beijing

Each of Party A and Party B shall be hereinafter referred to as a "Party" respectively, and as the "Parties" collectively.

Whereas,

(1) Party A is a wholly-foreign-owned enterprise established in China, and has the necessary resources to provide technology and consulting services;

(2) Party B is a company with exclusively domestic capital registered in China and may engage in Internet based valued added services as approved by the applicable government authorities in China; and

(3) Party A is willing to provide Party B with comprehensive business support services ranging from commercial consulting, employee training, market consulting to technology support services on exclusive basis during the term of this Agreement, utilizing its advantages in technology, human resources, and information, and Party B is willing to accept such services provided by Party A or Party A's designee(s), each on the terms set forth herein.

Now, therefore, through mutual discussion, the Parties have reached the following agreements:

1. SERVICES PROVIDED BY PARTY A

1.1 Party B hereby appoints Party A as Party B's exclusive services provider to provide Party B with complete technology support, business support and related consulting services during the term of this Agreement, in accordance with the terms and conditions of this Agreement, which may include all services within the scope of business of Party B as may be determined from time to time by Party A, such as, but not limited to, technology services, business consultations, equipment or property leasing, marketing consultancy, employee training, business management consulting and services, system maintenance and financial support.

1.2 Party B agrees to accept all the consultations and services provided by Party A. Party B further agrees that unless with Party A's prior written consent, during the term of this Agreement, Party B shall not accept the same or any similar consultations and/or services provided by any third party and shall not establish similar cooperation relationships with any third party regarding the matters contemplated by this Agreement. Party A may appoint other parties, who may enter into certain agreements described in Section 1.3 with Party B, to provide Party B with the consultations and/or services under this Agreement.

1.3 Service Providing Methodology

1.3.1 Party A and Party B agree that during the term of this Agreement Party B may enter into further technology service agreements or consulting service agreements with Party A or any other party designated by Party A, which agreement shall provide the specific contents, manner, personnel, and fees for the specific technology services and consulting services.

1.3.2 To fulfill this Agreement, Party A and Party B agree that during the term of this Agreement, where necessary, Party B may enter into equipment or property leases with Party A or any other party designated by Party A, which lease shall permit Party B to use Party A's relevant equipment or property based on the needs of the business of Party B.

1.3.3 To fulfill this Agreement, Party A and Party B agree to directly or through their respective affiliates enter into any other relevant agreements during the term of this Agreement as necessary to provide supporting services to Party B from Party A based on the needs of the business of Party B.

2. THE CALCULATION AND PAYMENT OF THE SERVICE FEES

Both Parties agree that, in consideration of the services provided by Party A, Party B shall pay Party A service fees equal to certain portion of its audited annual operating income ("Service Fee Rate"). The Service Fee Rate will be separately agreed in writing by the Parties following execution of this Agreement. Party B will pay annual service fees to Party A within 15 days upon completion of its annual financial audit. With prior written consent by Party A, the Service Fee Rate may be adjusted pursuant to the operational needs of Party B subject to agreement of the Parties in writing.

3. INTELLECTUAL PROPERTY RIGHTS AND CONFIDENTIALITY CLAUSES

3.1 Party A shall have exclusive and proprietary rights and interests in all rights, ownership, interests and intellectual properties arising out of or created during the performance of this Agreement, including but not limited to copyrights, patents, patent applications, software, technology secrets, trade secrets and others.

3.2 The Parties acknowledge that the existence and the terms of this Agreement and any oral or written information exchanged between the Parties in connection with the preparation and performance of this Agreement are regarded as confidential information. Each Party shall maintain confidentiality of all such confidential information, and without obtaining the written consent of the other Party, it shall not disclose any relevant confidential information to any third parties, except for the information that: (a) is or will be in the public domain (other than through the receiving Party's unauthorized disclosure); (b) is under the obligation to be disclosed pursuant to the applicable laws or regulations, rules of any stock exchanges or orders of the court or other government authorities; or (c) is required to be disclosed by any Party to its shareholders, investors, legal counsels or financial advisors regarding the transaction contemplated hereunder, provided that such shareholders, investors, legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this Section. Disclosure of any confidential information by the staff members or agencies hired by any Party shall be deemed disclosure of such confidential information by such Party, which Party shall be held liable for breach of this Agreement. This Section shall survive the termination of this Agreement for any reason.

3.3 The Parties agree that this Section shall survive changes to, and rescission or termination of, this Agreement.

4. REPRESENTATIONS AND WARRANTIES

4.1 Party A hereby represents and warrants as follows:

4.1.1 Party A is a wholly owned foreign enterprise legally registered and validly existing in accordance with the laws of China.

4.1.2 Party A has taken all necessary corporate actions, obtained all necessary authorization and the consent and approval from third parties and government agencies (if any) for the execution, delivery and performance of this Agreement. Party A's execution, delivery and performance of this Agreement do not violate any explicit requirements under any law or regulation binding on Party A.

4.1.3 This Agreement constitutes Party A's legal, valid and binding obligations, enforceable in accordance with its terms.

4.2 Party B hereby represents and warrants as follows:

4.2.1 Party B is a company legally registered and validly existing in accordance with the laws of China and has obtained the relevant permit and license for engaging in the network research and development, sports and cultural promotion services from the government;

4.2.2 Party B has taken all necessary corporate actions, obtained all necessary authorization and the consent and approval from third parties and government agencies (if any) for the execution, delivery and performance of this Agreement. Party B's execution, delivery and performance of this Agreement do not violate any explicit requirements under any law or regulation binding on Party B.

4.2.3 This Agreement constitutes Party B's legal, valid and binding obligations, and shall be enforceable against it.

5. EFFECTIVENESS AND TERM

5.1 This Agreement is executed on the date first above written and shall take effect as of such date. Unless earlier terminated in accordance with the provisions of this Agreement or relevant agreements separately executed between the Parties, the term of this Agreement shall be 30 years. After the execution of this Agreement, both Parties shall review this Agreement every 3 months to determine whether to amend or supplement the provisions in this Agreement based on the actual circumstances at that time.

5.2 The term of this Agreement may be extended if confirmed in writing by Party A prior to the expiration thereof. The extended term shall be determined by Party A, and Party B shall accept such extended term unconditionally.

6. TERMINATION

6.1 Unless renewed in accordance with the relevant terms of this Agreement, this Agreement shall be terminated upon the date of expiration hereof.

6.2 During the term of this Agreement, unless Party A commits gross negligence, or a fraudulent act, against Party B, Party B shall not terminate this Agreement prior to its expiration date. Nevertheless, Party A shall have the right to terminate this Agreement upon giving 30 days' prior written notice to Party B at any time.

6.3 The rights and obligations of the Parties under Articles 3, 7 and 8 shall survive the termination of this Agreement.

7. GOVERNING LAW AND RESOLUTION OF DISPUTES

7.1 The execution, effectiveness, construction, performance, amendment and termination of this Agreement and the resolution of disputes hereunder shall be governed by the laws of China.

7.2 In the event of any dispute with respect to the construction and performance of this Agreement, the Parties shall first resolve the dispute through friendly negotiations. In the event the Parties fail to reach an agreement on the dispute within 30 days after either Party has sent a written request to the other Party for resolution of the dispute through negotiations, either Party may submit the relevant dispute to the China International Economic and Trade Arbitration Commission for arbitration, in accordance with its Arbitration Rules. The arbitration shall be conducted in Beijing, and the language used in arbitration shall be Chinese. The arbitration award shall be final and binding on both Parties.

7.3 Upon the occurrence of any disputes arising from the construction and performance of this Agreement or during the pending arbitration of any dispute, except for the matters under dispute, the Parties to this Agreement shall continue to exercise their respective rights under this Agreement and perform their respective obligations under this Agreement.

8. INDEMNIFICATION

Party B shall indemnify and hold harmless Party A from any losses, injuries, obligations or expenses caused by any lawsuit, claims or other demands against Party A arising from or caused by the consultations and services provided by Party A to Party B pursuant to this Agreement, except where such losses, injuries, obligations or expenses arise from the gross negligence or willful misconduct of Party A.

9. NOTICES

9.1 All notices and other communications required or permitted to be given pursuant to this Agreement shall be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by facsimile transmission to the address of such Party set forth below. A confirmation copy of each notice shall also be sent by electronic mail. The date on which notices shall be deemed to have been effectively given shall be determined as follows:

9.1.1 Notices given in person, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of receipt or refusal at the address specified for notices.

9.1.2 Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).

9.2 For the purpose of notices, the addresses of the Parties are as follows:

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited**
Address: Suite 1707C3, Qingyun Dangdai Plaza, No. 9 Mantingfangyuan Community, Qingyunli, Haidian District, Beijing
Attn: Xueling Li
Phone:
Facsimile:

Party B: **Guangzhou Huaduo Network Technology Company Limited**
Address: Suite 602, East Tower, No. 64 and 66, Jianzhong Road, Tianhe District, Beijing
Attn: Xueling Li
Phone:
Facsimile:

9.3 Any Party may at any time change its address for notices by a notice delivered to the other Party in accordance with the terms hereof.

10. ASSIGNMENT

10.1 Without Party A's prior written consent, Party B shall not assign its rights or obligations under this Agreement to any third party.

10.2 Party B agrees that Party A may assign its obligations and rights under this Agreement to any third party upon a prior written notice to Party B but without the consent of Party B.

11. SEVERABILITY

In the event that one or several of the provisions of this Agreement are held invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any aspect. The Parties shall seek in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by law and the intentions of the Parties, and the economic effect of such effective provisions shall be as close as possible to the economic effect of those invalid, illegal or unenforceable provisions.

12. AMENDMENTS AND SUPPLEMENTS

Any amendment and supplement to this Agreement shall be in writing. Any amendment and supplement to this Agreement that have been signed by both Parties shall be an integral part of this Agreement and shall have the same legal validity as this Agreement.

13. COUNTERPARTS

This Agreement is in two counterparts with each Party having one copy. Both copies have the same legal effect.

[Signature page]

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Business Cooperation Agreement as of the date first above written.

Party A: Duowan Entertainment Information Technology (Beijing) Company Limited (Seal)

By: /s/ Xueling Li
Name: Xueling Li
Title: Authorized Representative

Party B: Guangzhou Huaduo Network Technology Company Limited (Seal)

By: /s/ Xueling Li
Name: Xueling Li
Title: Authorized Representative

Exhibit 10.6

Supplementary Agreement to Exclusive Business Cooperation Agreement

This Supplementary Agreement to Exclusive Business Cooperation Agreement (the "Supplementary Agreement") is entered into by and among the following parties on November 10, 2011:

Party A: Duowan Entertainment Information Technology (Beijing) Company

Address: Room B1507, Huizhi Building, No. 9 Xueqing Road, Haidian District, Beijing

Party B: Guangzhou Huaduo Network Technology Company Limited

Address: 2nd Floor, Jiadu International Building, No. 48-50 Jianzhong Road, Tianhe District, Guangzhou

WHEREAS:

(A) Party A and Party B entered into the Exclusive Business Cooperation Agreement on August 12, 2008 (the "Original Agreement");

(B) Both parties propose to revise Section 6.2 of the Original Agreement.

Through friendly negotiation, the parties hereto agree to supplement the Original Agreement as follows:

1. Section 6.2 of Original Agreement shall be deleted and be replaced by the following:

"6.2 Within the term of the Agreement, Party B shall not terminate the Agreement under any circumstance. Party A is entitled to terminate the Agreement by written notice to Party B 30 days in advance."

2. The Original Agreement shall be applied to the matters not provided in this Supplementary Agreement.

3. This Supplementary Agreement shall prevail should there be any inconsistency between the Original Agreement and this Supplementary Agreement.

4. This Supplementary Agreement shall be executed in two originals, each party holding one original. All the originals shall have the same legal effect.

Both parties authorize their authorized representatives to sign this Supplementary Agreement on the date indicated above and to make effective upon signing.

Party A: Duowan Entertainment Information Technology (Beijing) Company (Seal)

Signature: /s/ Xueling Li
Name: Xueling Li
Position: Legal Representative/Authorized Representative

Party B: Guangzhou Huaduo Network Technology Company Limited (Seal)

Signature: /s/ Xueling Li
Name: Xueling Li
Position: Legal Representative/Authorized Representative

Confirmation Letter

Duowan Entertainment Information Technology (Beijing) Company ("Beijing Duowan") and Guangzhou Huaduo Network Technology Company Limited ("Guangzhou Huaduo") have entered into an Exclusive Business Cooperation Agreement (the "Original Agreement") on August 12, 2008. According to Section 2 of the Original Agreement, both parties confirm the fee rate and payment of services as follows:

1. Fee rate of services: Guangzhou Huaduo shall, according to the Original Agreement, pay services fees to Beijing Duowan at the rate of not more than 100% of Guangzhou Huaduo's annual audited net income of each year.

2. Payment time: The time of paying services fees above shall be determined by Beijing Duowan according to actual situation. Guangzhou Huaduo shall arrange payment after receiving written notice from Beijing Duowan.

3. This confirmation letter shall prevail should there be any inconsistency between the Original Agreement and this confirmation letter.

Party A: Duowan Entertainment Information Technology (Beijing) Company (Seal)

Signature: /s/ Xueling Li
Name: Xueling Li
Position: Legal Representative/Authorized Representative

Party B: Guangzhou Huaduo Network Technology Company Limited (Seal)

Signature: /s/ Xueling Li
Name: Xueling Li
Position: Legal Representative/Authorized Representative

Date: November 10, 2011

Exhibit 10.8

Exclusive Technology Support and Technology Service Agreement

This Exclusive Technology Support and Technology Services Agreement (the "Agreement") is executed by the following parties on August 12, 2008 in Beijing:

Party A: Duowan Entertainment Information Technology (Beijing) Company Limited
Address: Suite 1707C3, Qingyun Dangdai Plaza, No.9 Mantingfangyuan Community, Qingyunli, Haidian District, Beijing

Party B: Guangzhou Huaduo Network Technology Company Limited
Address: Suite 602, East Tower, No. 64 and 66, Jianzhong Road, Tianhe District, Beijing

Whereas:

1. Party A is a duly registered and established wholly foreign owned enterprise, has strong Internet technology development and supporting strength, and rich experience in providing technology support and services; and
2. Party B needs professional technology company to provide technology support and services during its operation.

Based on the above, through friendly negotiation and based on the principles of equality and reciprocity, both parties agree to the following provisions and intend to be bound by such provisions:

Article I Technology Support and Technology Services

1.1 Party A agrees to provide to Party B, and Party B agrees to accept from Party A, the technology support and services in accordance with the terms and conditions of this Agreement, the detailed contents of which are as follows:

(1) To make research and development of relevant software and technologies according to Party B's business needs;

(2) To be responsible for daily maintenance, supervision, testing and debugging for Party B's computer network equipment;

(3) To provide technology consultation and answers to Party B's technology question regarding network equipment, technology products and software; and

(4) To provide other relevant technology support and services to Party B in accordance with this Agreement.

1.2 Party B shall actively cooperate with Party A to complete the above support and services, including, but not limited to, providing relevant data, technology specifications and instructions.

1.3 The service term under this Agreement is 20 years commencing on the effective date of the Agreement. The parties agree to grant Party A an option to extend the term of this Agreement. Before expiration of this Agreement, Party A is entitled to extend the term of this Agreement for 10 years by written notification. Party A may use its option to extend the term of this Agreement for unlimited times.

1.4 Party A shall be the exclusive provider of the technology support and services under this Agreement to Party B; without Party A's prior written consent, Party B shall not accept any technology support or services from any third parties.

1.5 Party A has sole and exclusive rights to and interests in any rights, ownership, interests and all intellectual property including but not limited to copyrights, patents, technology secrets, commercial secrets and others, arising from the performance of this Agreement, whether developed by Party B or Party A. The parties agree that this article survives the modification, termination or expiration of this Agreement.

Article II Service Fees

2.1 The parties agree that Party B shall pay services fees to Party A in accordance with the Appendix to this Agreement as consideration for the technology support and services provided by Party A under Section 1.1 of this Agreement, the amount and payment method of which are set forth in such Appendix. The Appendix may be amended by both parties according to their negotiation and the implementation of the Agreement.

Article III Confidentiality

3.1 For the purpose of this Agreement, Confidential Information include, but is not limited to, all or any part of the following contents or information: technology information, materials, plans, drawing, data, indicators, standards, software, computer applications, network design materials provided by one party to the other party with respect to technology development, design, research, production, manufacture and repair; any contracts, agreements, memorandum, appendix, draft or minutes executed for the purpose of this Agreement (including this Agreement); and any notice given by one party to the other party for the purpose of this Agreement without indicating such information as public information when provided. Upon the termination of this Agreement, Party A shall return or destroy, in accordance with Party B's requirements, any documents, materials or software that contain Confidential Information, and delete any Confidential Information from any memory device, and refrain from using such Confidential Information any longer.

3.2 Without prior written consent of the other party, neither party shall disclose Confidential Information by any means to any third parties.

3.3 Both parties shall adopt necessary measures to restrict the Confidential Information known or understood by it within the scope of relevant employees, agents or consultants, and require such person to comply with this provision strictly and not disclose the Confidential Information to any third parties. Both parties undertake not to disclose or reveal Confidential Information obtained from the other party to its irrelevant employees.

3.4 Under the following circumstances, neither party will be deemed to have disclosed or revealed Confidential Information:

3.4.1 The disclosed information has been known to public before disclosure (not by any means in violation of this provision);

3.4.2 The disclosure is made with the other party's prior written consent;

3.4.3 The disclosure is made under mandatory requirements by governmental departments, laws or orders, provided that requirements by governmental departments must be issued by formal documents, otherwise the party shall refuse to comply and shall not disclose or reveal any Confidential Information.

3.5 If any party violates this provision, such breaching party shall compensate all losses incurred by the non-breaching party.

Article IV Breach Liabilities

4.1 If any party violates the provisions of this Agreement, such breaching party shall compensate all losses incurred by the non-breaching party.

4.2 Any waiver of the breaching party's breach may only be made in writing to be effective. The non-exercise or delay in exercise by any party of any rights or remedies under this Agreement does not constitute waiver of such party; any partial exercise of rights or remedies by any party shall not prejudice such party's exercise of other rights or remedies.

4.3 The effectiveness of this Article IV shall not be affected by the expiration or termination of this Agreement.

Article V Force Majeure

5.1 Under this Agreement, force majeure means wars, fires, earthquakes, floods, rainstorms, snowstorms and other natural disasters; or other events that cannot be foreseen, overcome or avoided by the parties when entering into this Agreement.

5.2 If a party cannot perform or delay to perform all or part of its obligations under this Agreement due to effect of force majeure, such party shall be released from relevant liabilities, but shall continue to perform after the effect of such force majeure is eliminated. If the force majeure has caused the performance of this Agreement to be impossible or unnecessary, the parties shall friendly negotiate about other resolutions.

Article VI Modification, Termination and Expiration of the Agreement

6.1 This Agreement may be modified through both parties' negotiation, or due to force majeure or other events provided by laws and regulations and this Agreement.

6.2 Any modification to this Agreement shall be executed by both parties in writing, otherwise it shall not bind the parties.

6.3 If any party fails to perform this Agreement within specified term, and the non-performance continues for a grace period of up to thirty days granted by the non-breaching party, the non-breaching party may terminate this Agreement by notice to the other party. The terminating notice is effective on the date when it is sent. Within the term of this Agreement, Party B may terminate this Agreement by 30-day's written notice to Party B.

6.4 During the term of this Agreement, if any party has made bankruptcy application in any form, has entered into bankruptcy liquidation proceedings, has been prohibited from continuing operation by competent governmental authority, or has lost legal person status or other legal subject status due to other reasons, the other party is entitled to terminate this Agreement. The terminating notice is effective on the date when it is sent.

6.5 The termination of this Agreement does not prejudice the other party's right to seek for compensations. If the modification or termination of this Agreement causes losses to any party, the responsible parties shall compensate such losses, except for those exempted by relevant laws. If this Agreement is terminated due to reasons attributable to Party A, Party B is entitled to compensations for all losses caused by such termination, as well as service fees for all services that have been rendered.

Article VII Governing Law and Dispute Resolution

7.1 The execution, effectiveness, interpretation, performance, amendment, termination and dispute resolution of this Agreement shall be governed by the laws of the People's Republic of China.

7.2 If there are any disputes or controversies in the performance of this Agreement, the parties shall first resolve them through friendly negotiation and, if negotiation fails, such disputes shall be submit to the China International Economic and Trade Arbitration Commission for arbitration in accordance with the then current arbitration rules of such commission. The arbitration shall be held in Beijing.

Article VIII Miscellaneous

8.1 This Agreement becomes effective upon signature of both parties. After this Agreement becomes effective and has been performed, the parties may execute supplementary agreements with respect to matters not addressed in this Agreement, or new situations occurring during the performance of this Agreement. Such supplementary agreement constitutes an integral part to this Agreement and has the same legal effect with the Agreement.

8.2 Provisions regarding confidentiality, dispute resolution and breach liabilities in this Agreement survive the termination or suspension of this Agreement.

8.3 Without prior written consent of the other party, neither party may assign all or any of its rights and duties under this Agreement to any third party.

8.4 The invalidity of any provisions of this Agreement shall not affect the validity of other provisions of this Agreement.

8.5 This Agreement is executed in two copies, each party holding one copy, and both copies have the same legal effect.

[Signature page]

Party A: Duowan Entertainment Information Technology (Beijing) Company Limited (Seal)

By: /s/ Xueling Li
Name: Xueling Li
Title: Authorized Representative

Party B: Guangzhou Huaduo Network Technology Company Limited (Seal)

By: /s/ Xueling Li
Name: Xueling Li
Title: Authorized Representative

Appendix

Standards and Payments of Technology Service Fee

1. Both parties agree that Party B shall pay services fees to Party A as consideration for the technology support and technology services provided by Party A in accordance with Section 1.1 of this Agreement according to the following provisions:

   (1) **Basic Annual Fees**

   Party B shall pay to Party A RMB[ ] annually as the basic annual fees for the technology support and technology services provided by Party A in the year under this Agreement, which shall be made by four equal installments and be paid by quarter. Party B shall, within fifteen (15) business days after the beginning of each quarter, pay RMB[ ] to a bank account designated by Party A.

   (2) **Floating Fees**

   In addition to the basic annual fees provided in the above paragraph (1), Party B shall pay to Party A floating fees based on the specific situation of the provision of technology support and services in each year. The floating fees shall be paid by quarter, and the amount of such floating fees payable in each quarter shall be determined by both parties considering the following factors:

   (i) The number and qualifications of professional personnel of Party A used to provide supporting services to Party B in the quarter;

   (ii) Time spent by Party A's professional personnel to provide supporting services in the quarter;

   (iii) Party A's various investments in providing supporting services in the quarter;

   (iv) Detailed contents and values of the consulting and training services provided by Party A in the quarter; and

   (v) Party B's business revenue.

2. Within 15 days after the end of each quarter, Party B shall provide Party A with all necessary financial materials for calculation of such quarter's floating fees, and to pay Party A such floating fees within 30 days after the end of such quarter. If Party A questions the financial materials provided by Party B, it may delegate a reputable independent accountant to conduct an audit of relevant materials. Such audit shall be conducted during normal business hours and shall not affect Party B's normal business. Under such conditions, Party B shall provide cooperation.

3. If Party A deems that the agreed amount of service fees provided in the first paragraph of this Appendix cannot accommodate to changes of objective situations and needs adjustment, Party B shall, within seven business days after Party A gives a written request for adjustment of fees, negotiate with Party A actively and in good faith to determine the new fees schedule or system.

Exhibit 10.9

Supplementary Agreement to Exclusive Technology Support and Technology Services Agreement

This Supplementary Agreement to Exclusive Technology Support and Technology Services Agreement (the "Supplementary Agreement") is entered into by and among the following parties on November 10, 2011:

Party A: Duowan Entertainment Information Technology (Beijing) Company

Address: Room B1507, Huizhi Building, No. 9 Xueqing Road, Haidian District, Beijing

Party B: Guangzhou Huaduo Network Technology Company Limited

Address: 2nd Floor, Jiadu International Building, No. 48-50 Jianzhong Road, Tianhe District, Guangzhou

WHEREAS:

(A) Party A and Party B entered into the Exclusive Technology Support and Technology Services Agreement on August 12, 2008 (the "Original Agreement");

(B) Both parties propose to revise Section 6.3 of the Original Agreement.

Through friendly negotiation, the parties hereto agree to supplement the Original Agreement as follows:

1. Section 6.3 of Original Agreement shall be deleted and be replaced by the following:

"6.3 Within the term of the Agreement, Party B shall not terminate the Agreement under any circumstance. Party A is entitled to terminate the Agreement by written notice to Party B 30 days in advance."

2. The Original Agreement shall be applied to the matters not provided in this Supplementary Agreement.

3. This Supplementary Agreement shall prevail should there be any inconsistency between the Original Agreement and this Supplementary Agreement.

4. This Supplementary Agreement shall be executed in two originals, each party holding one original. All the originals shall have the same legal effect.

Both parties authorize their authorized representatives to sign this Supplementary Agreement on the date indicated above and to make effective upon signing.

Party A: Duowan Entertainment Information Technology (Beijing) Company (Seal)

Signature: /s/ Xueling Li
Name: Xueling Li
Position: Legal Representative/Authorized Representative

Party B: Guangzhou Huaduo Network Technology Company Limited (Seal)

Signature: /s/ Xueling Li
Name: Xueling Li
Position: Legal Representative/Authorized Representative

Confirmation Letter

Duowan Entertainment Information Technology (Beijing) Company ("Beijing Duowan") and Guangzhou Huaduo Network Technology Company Limited ("Guangzhou Huaduo") have entered into an Exclusive Technology Support and Technology Services Agreement (the "Original Agreement") on August 12, 2008. According to Section 2 of the Original Agreement, both parties confirm the fee rate and payment of services as follows:

1. Fee rate of services: Guangzhou Huaduo shall, according to the Original Agreement, pay services fees to Beijing Duowan at the rate of 10% of Guangzhou Huaduo's annual revenue of each year.

2. Payment time: The time of paying services fees above shall be determined by Beijing Duowan according to actual situation. Guangzhou Huaduo shall arrange payment after receiving written notice from Beijing Duowan.

3. This confirmation letter shall prevail should there be any inconsistency between the Original Agreement and this confirmation letter.

Party A: Duowan Entertainment Information Technology (Beijing) Company (Seal)

Signature: /s/ Xueling Li
Name: Xueling Li
Position: Legal Representative/Authorized Representative

Party B: Guangzhou Huaduo Network Technology Company Limited (Seal)

Signature: /s/ Xueling Li
Name: Xueling Li
Position: Legal Representative/Authorized Representative

Date: November 10, 2011

Exhibit 10.11

Power of Attorney

The undersigned, Beijing Tuda Science and Technology Company Limited, a company registered in China, and a holder of 96.6667% the entire registered capital in Guangzhou Huaduo Network Technology Company Limited ("Guangzhou Huaduo") (the "Shareholding"), hereby irrevocably authorize Duowan Entertainment Information Technology (Beijing) Company Limited ("Duowan Beijing") to exercise the following rights relating to the Shareholding during the term of this Power of Attorney:

Duowan Beijing is hereby authorized to act on behalf of the undersigned as the sole and exclusive agent with respect to all matters concerning the Shareholding, including, but not limited to: 1) attend shareholders' meetings of Guangzhou Huaduo; 2) exercise all the shareholder's rights and shareholder's voting rights of the undersigned under laws and the articles of association of Guangzhou Huaduo, including, but not limited to, the sale or transfer or pledge or disposition of all or any part of the Shareholding; and 3) designate and appoint on behalf of the undersigned the legal representative (chairperson), directors, supervisors, the chief executive officer and other senior management members of Guangzhou Huaduo.

Without limiting the generality of the powers granted hereunder, Duowan Beijing shall have the power and authority under this Power of Attorney to execute the Transfer Contracts stipulated in Exclusive Option Agreement, to which the undersigned is required to be a party, on behalf of the undersigned, and to effect the terms of the Share Pledge Agreement and Exclusive Option Agreement, both dated the date hereof, to which the undersigned is a party.

All the actions associated with the Shareholding conducted by Duowan Beijing shall be deemed as the actions of the undersigned, and all the documents related to the Shareholding executed by Duowan Beijing shall be deemed to be executed by the undersigned. The undersigned hereby acknowledge and ratify those actions and/or documents by Duowan Beijing.

Duowan Beijing is entitled to re-authorize or assign its rights related to the aforesaid matters to any other person or entity at its own discretion and without giving prior notice to or obtaining consent from the undersigned.

This Power of Attorney shall be irrevocable and continuously valid from the date of execution of this Power of Attorney, so long as the undersigned is a shareholder of Guangzhou Huaduo.

During the term of this Power of Attorney, the undersigned hereby waives all the rights associated with the Shareholding, which have been authorized to Beijing Duowan through this Power of Attorney, and shall not exercise such rights by itself.

By: Beijing Tuda Science and Technology Company Limited (Seal)

Dated: September 16, 2011

Power of Attorney

The undersigned, Xueling Li, a Chinese citizen, and a holder of 1.6654% of the entire registered capital in Guangzhou Huaduo Network Technology Company Limited ("Guangzhou Huaduo") (the "Shareholding"), hereby irrevocably authorize Duowan Entertainment Information Technology (Beijing) Company Limited ("Duowan Beijing") to exercise the following rights relating to the Shareholding during the term of this Power of Attorney:

Duowan Beijing is hereby authorized to act on behalf of the undersigned as the sole and exclusive agent with respect to all matters concerning the Shareholding, including, but not limited to: 1) attend shareholders' meetings of Guangzhou Huaduo; 2) exercise all the shareholder's rights and shareholder's voting rights of the undersigned under laws and the articles of association of Guangzhou Huaduo, including, but not limited to, the sale or transfer or pledge or disposition of all or any part of the Shareholding; and 3) designate and appoint on behalf of the undersigned the legal representative (chairperson), directors, supervisors, the chief executive officer and other senior management members of Guangzhou Huaduo.

Without limiting the generality of the powers granted hereunder, Duowan Beijing shall have the power and authority under this Power of Attorney to execute the Transfer Contracts stipulated in Exclusive Option Agreement, to which the undersigned is required to be a party, on behalf of the undersigned, and to effect the terms of the Share Pledge Agreement and Exclusive Option Agreement, both dated the date hereof, to which the undersigned is a party.

All the actions associated with the Shareholding conducted by Duowan Beijing shall be deemed as the actions of the undersigned, and all the documents related to the Shareholding executed by Duowan Beijing shall be deemed to be executed by the undersigned. The undersigned hereby acknowledge and ratify those actions and/or documents by Duowan Beijing.

Duowan Beijing is entitled to re-authorize or assign its rights related to the aforesaid matters to any other person or entity at its own discretion and without giving prior notice to or obtaining consent from the undersigned.

This Power of Attorney shall be irrevocable and continuously valid from the date of execution of this Power of Attorney, so long as the undersigned is a shareholder of Guangzhou Huaduo.

During the term of this Power of Attorney, the undersigned hereby waives all the rights associated with the Shareholding, which have been authorized to Beijing Duowan through this Power of Attorney, and shall not exercise such rights by itself.

By: /s/ Xueling Li

Dated: September 16, 2011

Power of Attorney

The undersigned, Jun Lei, a Chinese citizen, and a holder of 1.4570% of the entire registered capital in Guangzhou Huaduo Network Technology Company Limited ("Guangzhou Huaduo") (the "Shareholding"), hereby irrevocably authorize Duowan Entertainment Information Technology (Beijing) Company Limited ("Duowan Beijing") to exercise the following rights relating to the Shareholding during the term of this Power of Attorney:

Duowan Beijing is hereby authorized to act on behalf of the undersigned as the sole and exclusive agent with respect to all matters concerning the Shareholding, including, but not limited to: 1) attend shareholders' meetings of Guangzhou Huaduo; 2) exercise all the shareholder's rights and shareholder's voting rights of the undersigned under laws and the articles of association of Guangzhou Huaduo, including, but not limited to, the sale or transfer or pledge or disposition of all or any part of the Shareholding; and 3) designate and appoint on behalf of the undersigned the legal representative (chairperson), directors, supervisors, the chief executive officer and other senior management members of Guangzhou Huaduo.

Without limiting the generality of the powers granted hereunder, Duowan Beijing shall have the power and authority under this Power of Attorney to execute the Transfer Contracts stipulated in Exclusive Option Agreement, to which the undersigned is required to be a party, on behalf of the undersigned, and to effect the terms of the Share Pledge Agreement and Exclusive Option Agreement, both dated the date hereof, to which the undersigned is a party.

All the actions associated with the Shareholding conducted by Duowan Beijing shall be deemed as the actions of the undersigned, and all the documents related to the Shareholding executed by Duowan Beijing shall be deemed to be executed by the undersigned. The undersigned hereby acknowledge and ratify those actions and/or documents by Duowan Beijing.

Duowan Beijing is entitled to re-authorize or assign its rights related to the aforesaid matters to any other person or entity at its own discretion and without giving prior notice to or obtaining consent from the undersigned.

This Power of Attorney shall be irrevocable and continuously valid from the date of execution of this Power of Attorney, so long as the undersigned is a shareholder of Guangzhou Huaduo.

During the term of this Power of Attorney, the undersigned hereby waives all the rights associated with the Shareholding, which have been authorized to Beijing Duowan through this Power of Attorney, and shall not exercise such rights by itself.

By: /s/ Jun Lei

Dated: September 16, 2011

Power of Attorney

The undersigned, Jin Cao, a Chinese citizen, and a holder of 0.0703% of the entire registered capital in Guangzhou Huaduo Network Technology Company Limited ("Guangzhou Huaduo") (the "Shareholding"), hereby irrevocably authorize Duowan Entertainment Information Technology (Beijing) Company Limited ("Duowan Beijing") to exercise the following rights relating to the Shareholding during the term of this Power of Attorney:

Duowan Beijing is hereby authorized to act on behalf of the undersigned as the sole and exclusive agent with respect to all matters concerning the Shareholding, including, but not limited to: 1) attend shareholders' meetings of Guangzhou Huaduo; 2) exercise all the shareholder's rights and shareholder's voting rights of the undersigned under laws and the articles of association of Guangzhou Huaduo, including, but not limited to, the sale or transfer or pledge or disposition of all or any part of the Shareholding; and 3) designate and appoint on behalf of the undersigned the legal representative (chairperson), directors, supervisors, the chief executive officer and other senior management members of Guangzhou Huaduo.

Without limiting the generality of the powers granted hereunder, Duowan Beijing shall have the power and authority under this Power of Attorney to execute the Transfer Contracts stipulated in Exclusive Option Agreement, to which the undersigned is required to be a party, on behalf of the undersigned, and to effect the terms of the Share Pledge Agreement and Exclusive Option Agreement, both dated the date hereof, to which the undersigned is a party.

All the actions associated with the Shareholding conducted by Duowan Beijing shall be deemed as the actions of the undersigned, and all the documents related to the Shareholding executed by Duowan Beijing shall be deemed to be executed by the undersigned. The undersigned hereby acknowledge and ratify those actions and/or documents by Duowan Beijing.

Duowan Beijing is entitled to re-authorize or assign its rights related to the aforesaid matters to any other person or entity at its own discretion and without giving prior notice to or obtaining consent from the undersigned.

This Power of Attorney shall be irrevocable and continuously valid from the date of execution of this Power of Attorney, so long as the undersigned is a shareholder of Guangzhou Huaduo.

During the term of this Power of Attorney, the undersigned hereby waives all the rights associated with the Shareholding, which have been authorized to Beijing Duowan through this Power of Attorney, and shall not exercise such rights by itself.

By: /s/ Jin Cao

Dated: September 16, 2011

Power of Attorney

The undersigned, Bin Zhao, a Chinese citizen, and a holder of 0.1406% of the entire registered capital in Guangzhou Huaduo Network Technology Company Limited ("Guangzhou Huaduo") (the "Shareholding"), hereby irrevocably authorize Duowan Entertainment Information Technology (Beijing) Company Limited ("Duowan Beijing") to exercise the following rights relating to the Shareholding during the term of this Power of Attorney:

Duowan Beijing is hereby authorized to act on behalf of the undersigned as the sole and exclusive agent with respect to all matters concerning the Shareholding, including, but not limited to: 1) attend shareholders' meetings of Guangzhou Huaduo; 2) exercise all the shareholder's rights and shareholder's voting rights of the undersigned under laws and the articles of association of Guangzhou Huaduo, including, but not limited to, the sale or transfer or pledge or disposition of all or any part of the Shareholding; and 3) designate and appoint on behalf of the undersigned the legal representative (chairperson), directors, supervisors, the chief executive officer and other senior management members of Guangzhou Huaduo.

Without limiting the generality of the powers granted hereunder, Duowan Beijing shall have the power and authority under this Power of Attorney to execute the Transfer Contracts stipulated in Exclusive Option Agreement, to which the undersigned is required to be a party, on behalf of the undersigned, and to effect the terms of the Share Pledge Agreement and Exclusive Option Agreement, both dated the date hereof, to which the undersigned is a party.

All the actions associated with the Shareholding conducted by Duowan Beijing shall be deemed as the actions of the undersigned, and all the documents related to the Shareholding executed by Duowan Beijing shall be deemed to be executed by the undersigned. The undersigned hereby acknowledge and ratify those actions and/or documents by Duowan Beijing.

Duowan Beijing is entitled to re-authorize or assign its rights related to the aforesaid matters to any other person or entity at its own discretion and without giving prior notice to or obtaining consent from the undersigned.

This Power of Attorney shall be irrevocable and continuously valid from the date of execution of this Power of Attorney, so long as the undersigned is a shareholder of Guangzhou Huaduo.

During the term of this Power of Attorney, the undersigned hereby waives all the rights associated with the Shareholding, which have been authorized to Beijing Duowan through this Power of Attorney, and shall not exercise such rights by itself.

By: /s/ Bin Zhao

Dated: September 16, 2011

Exclusive Option Agreement

This Exclusive Option Agreement (this "Agreement") dated September 16, 2011, is made in Beijing, the People's Republic of China (the "PRC"), by and among:

Party A: Duowan Entertainment Information Technology (Beijing) Company Limited
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing

Party B: Beijing Tuda Science and Technology Company Limited
Address: Suite B1506, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing

Party C: Guangzhou Huaduo Network Technology Co., Ltd.
Address: 2nd Floor, Jiadu International Plaza, 48-50 Jianzhong Road, Tianhe District, Guangzhou

Party A, Party B and Party C respectively referred to as a "Party", collectively referred to as "Parties".

WHEREAS:

1. Party B holds 96.6667% equity interests of Party C;
2. Party A and Party C entered into a series of legal documents, including an Exclusive Business Cooperation Agreement and Exclusive Technology Support and Technology Services Agreement on August 12, 2008, which are made for purpose of formation of Party A's control over Party C (collectively as "Controlling Documents").

THEREFORE, the Parties hereby agree as follows:

1. Sale and Purchase of Equity Interests

1.1 Right of Grant

Considering that Party A has paid RMB 10 to Party B as the consideration, and Party B has confirmed that it had received such consideration and such consideration was sufficient, Party B hereby irrevocably grants Party A an exclusive right to, according to the exercise steps decided by Party A at is own discretion and the price described in Clause 1.3 hereof, at anytime purchase or designate one or several persons ("Designated Person") to purchase any portion of all of equity interests held by Party B in Party C in one or several installments, to the extent allowed by laws of the PRC ("Equity Purchase Right"). Any third party other than Party A and Appointed Person should not enjoy the Equity Purchase Right or any other rights with respect to Party B's equity interests. Party C hereby allows Party B to grant the Equity Purchase Right to Party A. "Person" mentioned in this clause and this Agreement refers to individuals, companies, joint ventures, partnerships, enterprises, trusts and non-corporate organizations.

1.2 Steps of Exercise

The exercise of Equity Purchase Right by Party A is subject to provisions of laws and regulations of PRC. When exercising the Equity Purchase Right, Party A shall serve a written notice ("Purchase Notice") to Party B, to specify the following issues: (a) decisions of Party A regarding the exercise of Equity Purchase Right; (b) the percentage of equity interests to be purchased by Party A from Party B ("Purchased Equity Interests"), and (c) date of purchase/assignment of Purchased Equity Right.

1.3 Purchase Price

Lowest price allowed by laws of the PRC.

1.4 Assignment of Purchased Equity Interests

Every time Party A exercises the Equity Purchase Right,

1.4.1 Party B shall cause Party C to hold the shareholders' meeting, by which the resolutions regarding Party B's assignment of Purchased Equity Interests to Party A and/or Designated Person shall be resolved and approved;

1.4.2 Party B shall obtain Party C's other shareholders' consent regarding the assignment of Purchased Equity Interests to Party A and/or Designated Person, and provide a written statement with respect to waiver of the option right;

1.4.3 Party B shall enter into a respective equity transfer Agreement for each transfer of equity interests with Party A and/or the Designated Person (if applicable) in accordance with the provisions hereof and the Purchase Notice;

1.4.4 related parties shall enter into all the other contracts, agreements and documents, obtain all governmental approvals and consents, and take all actions necessary for the transfer of all valid ownership of the Purchased Equity Interests to Party A and/or the Designated Person, as well as validation of Party A and/or the Designated Person's status as registered owner of the Purchased Equity Interests, without any security interest. For the purpose of this clause and this Agreement, "security interest" includes guaranty, mortgage, third party's rights or interests, any stock option, right of purchase, option right, setting-off right, ownership retention or other guaranty arrangement, etc., provided that, for purchase of clarification, it will not include any security interest arising from this Agreement and Party B's Equity Pledge Agreement. "Party B's Equity Pledge Agreement" as mentioned in this clause and this Agreement refers to the Equity Pledge Agreement entered into by and among Party A, Party B and Party C on the date hereof, in accordance with which, Party B pledges all the equity interests held by it in Party C to Party A, for purpose of security of Party C's performance of all its obligations under the Exclusive Business Cooperation Agreement between Party C and Party A.

1.5 Payment

The Parties agree that, the equity interests transfer price to be paid by Party A to Party B for exercising the exclusive option right hereunder by Party A, in principle, shall be the lowest amount allowed by then effective laws and regulations of the PRC. If Party B is held liable to Party A or its affiliates then, Party A may also use related creditor's right as the consideration for the transfer of equity interests.

2. Undertakings

2.1 Undertakings Relating to Party C

Party B (as Party C's shareholder) and Party C hereby undertake that with respect to Party C, they:

2.1.1 without written consent of Party A, will not, in any way, supplement, change or amend the organizational documents of Party C, increase or decrease its registered capital, or change the structure of its registered capital in any other form;

2.1.2 will maintain its existence, diligently and validly operate its business and deal with its daily corporate matters, according to a well-accepted financial and commercial standard and practice;

2.1.3 without written consent of Party A, will not sell, transfer, mortgage, or dispose of in any other way, any legal or beneficial interest in Party C's assets, business or revenue, or allow any security interest to be created over thereon, anytime upon the execution hereof;

2.1.4 without written consent of Party A, will not incur, succeed, guaranty, or allow the existing of, any liability, provided that, (i) such liability arises from its routine or daily operation, instead of borrowing; and (ii) such liability has been disclosed by Party A and consented by Party A in writing;

2.1.5 will operate all business in the course of normal operation, and will not take any action/non-action imposing any adverse effect on Party C's operation status and value of assets, in order to maintain Party C's assets value;

2.1.6 without written consent of Party A, will not cause Party C to enter into any material contract, except for contracts made during the ordinary course of business (for purpose of this clause, if the value of contract exceeds RMB 100,000, the contract will be deemed material);

2.1.7 without written consent of Party A, will not cause Party C to provide any loan or credit facility to any other person;

2.1.8 will provide to Party A all materials in respect of Party C's operation and financial situation, as required by Party A;

2.1.9 if required by Party A, will procure from the insurer accepted by Party A insurance and maintain the insurance with respect to its assts and business, and the insurance premium and policy shall be in compliance with those of other companies operating similar businesses;

2.1.10 without written consent of Party A, will not cause Party C to merge or amalgamate with any other person, or acquire or invest in any other person;

2.1.11 will notify Party A of any occurrence or threat of any lawsuit, arbitration or administrative proceeding with respect to Party C's assets, business and revenue;

2.1.12 for purpose of maintenance of Party C's ownership of all of its assets, will sign all necessary or appropriate documents, take all necessary and appropriate actions, and file any necessary or appropriate claims, or proceed with all necessary and appropriate defenses against all claims;

2.1.13 without written consent of Party A, will not distribute any dividend in any form to shareholders, provided that, if required so by Party A, will immediately distribute all its distributable profits to its shareholders; and

2.1.14 will appoint the persons designated by Party A as Party C's directors, as required by Party A.

2.2 Party B's Undertakings

Party B undertakes that it:

2.2.1 without written consent of Party A, will not sell, transfer, mortgage, or dispose of in any other way, any legal or beneficial interest in the equity interests held by it of Party C, or allow any security interest to be created over thereon, except for the pledge created over such equity interests in accordance with Party B's Equity Pledge Agreement;

2.2.2 will cause Party C's shareholders' meeting and/or directors' meeting not to approve the sale, transfer, mortgage, or disposition in any other way of, any legal or beneficial interest in the equity interests held by it of Party C, or any security interest to be created over thereon, except for the pledge created over such equity interests in accordance with Party B's Equity Pledge Agreement;

2.2.3 without written consent of Party A, will cause Party C's shareholders' meeting and/or directors' meeting not to approve Party C's merger or amalgamation with any other person, or its acquisition of or investment in any other person;

2.2.4 will notify Party A of any occurrence or threat of any lawsuit, arbitration or administrative proceeding with respect to the equity interests held by it;

2.2.5 will cause Party C's shareholders' meeting and/or directors meeting to resolve to agree upon the transfer of Purchased Equity Interests mentioned herein, and take any other actions as required by Party A;

2.2.6 for purpose of maintaining its legitimate ownership of equity interests held by it, will sign all necessary or appropriate documents, take all necessary and appropriate actions, and file any necessary or appropriate claims, or proceed with all necessary and appropriate defenses against all claims;

2.2.7 will appoint the persons designated by Party A as Party C's directors, as required by Party A;

2.2.8 as required by Party A at anytime, will at anytime, unconditionally transfer its equity interests to the representatives designated by Party A in accordance with the Equity Purchase Right mentioned herein, and waive the option right with respect to the transfer of corresponding equity interests to another existing shareholder (if any); and

2.2.9 will strictly abide by all provisions of this Agreement and other contracts among the Parties, and between any two of them, perform all the obligations thereunder, and will not take any action/non-action which may impose any effect on the validity and enforceability of such contracts. If Party B still maintains any right with respect to the equity interests under this Agreement, or Equity Pledge Agreement among the Parties, or the authorization letter of Party A, Party B will not exercise any of such rights unless with the written direction of Party A.

3. **Representations and Warrants**

Party B and Party C hereby respectively and jointly represent and warrant to Party A on the date hereof and each day of transfer, that:

3.1 it has the power and capacity to execute and deliver this Agreement, as well as any other equity interests transfer contract, to which it is a party, and which is made for each transfer of Purchased Equity Interests in accordance with this Agreement (individually referred to as "Transfer Agreement"), and perform its obligations under this Agreement and the Transfer Agreement. Party B and Party C agree to enter into a respective Transfer Agreement containing the provisions same to this Agreement when Party A exercises the Equity Purchase Right. This Agreement and any Transfer Agreement to which it is a party, upon being executed, constitutes or will constitute its valid and binding obligation enforceable against it in accordance with the terms hereof;

3.2 its execution, delivery and performance of this Agreement or any Transfer Agreement will not (i) violate any applicable laws of the PRC; (ii) conflict with the articles of association and other organizational documents of Party C; (iii) breach any contract or document which is binding upon it, or to which it is a party; (iv) violate any permit or approval, or the conditions for maintaining its validity of such permit or approval, granted to any party; or (v) cause the suspension or withdrawal of, or impose any additional conditions on, the permit or approval granted to any party;

3.3 Party B owns good and salable ownership of the equity interests by it in Party C, and Party B has not created any security interest over such equity interests except for Party B's Equity Pledge Agreement;

3.4 Party C owns good and salable ownership of all of its assets, and Party C has not created any security interest over such assets;

3.5 Party C does not have any outstanding liabilities, except for (i) those arising from the ordinary course of business and (ii) those disclosed to Party A and approved by Party A in writing;

3.6 Party C has been complying with all applicable laws and regulations related to the acquisition of assets; and

3.7 there are no lawsuits, arbitrations or administrative proceedings pending or threatened with respect to the equity interests, Party C's assets or Party C itself.

4. **Effective Date**

This Agreement becomes effective upon the execution by each Party. The term of this Agreement is ten (10) years, and may be extended subject to Party A's decision. All the related Exclusive Stock Option Agreement and the Amendment thereto entered among the Parties will no longer be effective from the date hereof.

5. **Applicable Law and Dispute Resolution**

5.1 Applicable Law

The formation of this Agreement, its validity, interpretation, performance, change, and termination of this Agreement, and the settlement of any dispute between the Parties, shall be governed by and construed in accordance with the laws of the PRC, which are officially promulgated and available to the public. The issues not governed by the laws of the PRC, which are officially promulgated and available to the public, shall apply international legal rules and practices.

5.2 Dispute Resolution

The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Agreement through friendly consultations. If a dispute is not resolved through friendly consultations within 30 days from the date a Party gives the other Party written notice of the dispute, then each Party may submit the dispute to China International Economic and Trade Arbitration Commission ("CIETAC") for arbitration in accordance with then effective arbitration rules. The arbitration shall be conducted in Shanghai in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

6. **<u>Taxes, Fees</u>**

Each Party shall respectively bear any and all the taxes, expenses and fees incurred by, or collected from such Party, for preparation and execution of this Agreement, each Transfer Agreement, and completion of the transactions contemplated by this Agreement and each Transfer Agreement, in accordance with laws of the PRC.

7. **<u>Notices</u>**

7.1 All the notices and other communications required by or sent pursuant to this Agreement shall be delivered to the following address of each Party in person, by registered mail, prepaid post, or commercial courier services, or facsimile. Each notice shall be confirmed with a respective email. Delivery shall be deemed to have occurred:

7.1.1 the same day (local time at the recipient's place of business) on which delivery is made by personal delivery, or by courier services, registered mail, or prepaid post, or delivery is refused.

7.1.2 the day of delivery being successfully made, if by facsimile (certified by the automatically generated transmission confirmation).

7.2 Each Party's address for purpose of notice is as follows:

Party A: Duowan Entertainment Information Technology (Beijing) Company Limited
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing
Attention: Li Xueling
Telephone:
Facsimile:

Party B: Beijing Tuda Science and Technology Company Limited
Address: Suite B1506, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing
Attention: Jin Cao
Telephone:
Facsimile:

Party C: Guangzhou Huaduo Network Technology Co., Ltd.
Address: 2nd Floor, Jiadu International Plaza, 48-50 Jianzhong Road, Tianhe District, Guangzhou
Attention: Li Xueling
Telephone:
Facsimile:

7.3 Each Party may at anytime change its address for receiving notices by giving a notice to the other Parties in accordance with this clause.

8. **Confidentiality**

Each Party recognizes and confirms this Agreement, the content of this Agreement, and any and all oral and written information exchanged among them for the preparation and performance of this Agreement shall be deemed as confidential information. Each Party shall hold in confidence all such confidential information, and without the written consent from the other Parties, should not disclose any confidential information to any third party, provided that, confidential information shall not include information that (i) is or becomes available to the public other than as a result of a disclosure by the receiving Party in violation of this Agreement, or (ii) any information which must be disclosed pursuant to laws and regulations, stock trading rules, or as required by order or decree of governmental authorities or courts; or (iii) any information disclosed by either Party to its shareholders, invertors, legal or financial advisors in relation to the transactions contemplated herein, who are bound by confidentiality obligation similar to this provision. Any disclosure of confidential information by the professionals or institutions engaged by either Party shall be deemed as the disclosure by such Party, and such Party shall be held liable for breach. This provision shall survive the termination of this Agreement for any reason.

9. **Further Assurance**

The Parties hereto shall each immediately perform such beneficial acts, execute and deliver such beneficial instruments and documents, and do all such other things as may be reasonably necessary to perform the provisions and purpose of this Agreement.

10. **Miscellaneous**

10.1 Amendment, Change and Supplement

Any amendment, change and supplement to this Agreement can only be made with the written agreement signed by each Party hereto.

10.2 Entirety

Except for any written amendment, supplement and change made to this Agreement upon the execution hereof, this Agreement constitutes the entire agreement reached among the Parties relating to the subject matter hereof, and supersedes in their entirety all prior written and oral agreements and understandings among the Parties relating to the subject matter hereof.

10.3 Headings

The headings of this Agreement are created only for reading convenience and should not be interpreted, or explained to affect the meanings of the provisions hereof.

10.4 Languages

This Agreement is written in Chinese in three (3) originals, each Party holding one (1) copy.

10.5 Severability

If any single or multiple provisions hereof are judged invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be affected in any aspect. The Parties shall in good faith endeavor to use valid provisions to the extent allowed by laws and reflecting the intensions of all the Parties to replace those invalid, illegal or unenforceable provisions, provided that, the economic effects achieved by such valid provisions shall be similar to the economic effects achieved by those invalid, illegal or unenforceable provisions.

10.6 Successors

This Agreement shall be binding upon, and inure to the benefit of, the Parties and their successors and permitted assigns.

10.8 Survival

10.8.1 Any obligations arising from, or expiring upon the expiry or earlier termination of this Agreement survive the expiry or earlier termination of this Agreement.

10.8.2 Section 5, Section 7, Section 8 of this Agreement and this Clause 10.8 shall survive the termination of this Agreement.

10.9 Waiver

Each Party can only waive any term or condition of this Agreement in writing and with the signatures of all the Parties. Any waiver made by one Party regarding the other Party's breach should not be deemed as the waiver of such Party regarding the other Party's similar breaches in other situations.

10.10 Indemnification

10.10.1 Each Party hereby agrees and confirms that, if any existing shareholder materially breaches any provision hereof ("Default Party"), or materially fails to perform any obligation hereunder, then it has constituted the breach of this Agreement ("Breach"), and Party A has the right to require the Default Party to cure such Breach or take any correction measures regarding such Breach within a reasonable period. In the event that the Default Party fails to cure such Breach or take any correction measures regarding such Breach within such reasonable period or ten (10) days after Party A sends the written breach notice to the Default Party to require the correction, then Party A is entitled to choose any of the following relieves for the Breach: (i) to terminate this Agreement and require the Default Party to provide full indemnification for such Breach; (2) to require the enforcement of all the obligations of the Default Party under this Agreement, and the Default Party to provide full indemnification for such Breach; or (3) to sell or dispose of the pledged equity interests in accordance with the Equity Pledge Agreement, to be indemnified at the first priority with the price of sale and disposal of such equity interests, and require the Default Party to be liable for all losses so incurred by it.

10.10.2 Each Party agrees and confirms that under no circumstance may the existing shareholders require the termination of this Agreement for any reason.

10.10.3 The rights and relieves available hereunder are accumulative and do not exclude any other right or relief available in accordance with laws.

10.10.4 Notwithstanding anything contained herein to the contrary, the validity of this provision survives the suspension or termination of this Agreement.

[Signature page]

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited**

Signature: (Seal)
Name:
Title: Legal Representative/Authorized Representative

Party B: **Beijing Tuda Science and Technology Company Limited**

Signature: (Seal)
Name:
Title: Legal Representative/Authorized Representative

Party C: **Guangzhou Huaduo Network Technology Co., Ltd.**

Signature: (Seal)
Name:
Title: Legal Representative/Authorized Representative

Exclusive Option Agreement

This Exclusive Option Agreement (this “Agreement”) dated September 16, 2011, is made in Beijing, the People’s Republic of China (the “PRC”), by and among:

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited**
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing

Party B: **Xueling Li**
Address:

Party C: **Guangzhou Huaduo Network Technology Co., Ltd.**
Address: 2nd Floor, Jiadu International Plaza, 48-50 Jianzhong Road, Tianhe District, Guangzhou

Party A, Party B and Party C respectively referred to as a “Party”, collectively referred to as “Parties”.

WHEREAS:

1. Party B holds 1.6654% equity interests of Party C;
2. Party A and Party C entered into a series of legal documents, including an Exclusive Business Cooperation Agreement and Exclusive Technology Support and Technology Services Agreement on August 12, 2008, which are made for purpose of formation of Party A’s control over Party C (collectively as “Controlling Documents”).

THEREFORE, the Parties hereby agree as follows:

1. Sale and Purchase of Equity Interests

1.1 Right of Grant

Considering that Party A has paid RMB 10 to Party B as the consideration, and Party B has confirmed that it had received such consideration and such consideration was sufficient, Party B hereby irrevocably grants Party A an exclusive right to, according to the exercise steps decided by Party A at is own discretion and the price described in Clause 1.3 hereof, at anytime purchase or designate one or several persons (“Designated Person”) to purchase any portion of all of equity interests held by Party B in Party C in one or several installments, to the extent allowed by laws of the PRC (“Equity Purchase Right”). Any third party other than Party A and Appointed Person should not enjoy the Equity Purchase Right or any other rights with respect to Party B’s equity interests. Party C hereby allows Party B to grant the Equity Purchase Right to Party A. “Person” mentioned in this clause and this Agreement refers to individuals, companies, joint ventures, partnerships, enterprises, trusts and non-corporate organizations.

1.2 Steps of Exercise

The exercise of Equity Purchase Right by Party A is subject to provisions of laws and regulations of PRC. When exercising the Equity Purchase Right, Party A shall serve a written notice ("Purchase Notice") to Party B, to specify the following issues: (a) decisions of Party A regarding the exercise of Equity Purchase Right; (b) the percentage of equity interests to be purchased by Party A from Party B ("Purchased Equity Interests"), and (c) date of purchase/assignment of Purchased Equity Right.

1.3 Purchase Price

Lowest price allowed by laws of the PRC.

1.4 Assignment of Purchased Equity Interests

Every time Party A exercises the Equity Purchase Right,

1.4.1 Party B shall cause Party C to hold the shareholders' meeting, by which the resolutions regarding Party B's assignment of Purchased Equity Interests to Party A and/or Designated Person shall be resolved and approved;

1.4.2 Party B shall obtain Party C's other shareholders' consent regarding the assignment of Purchased Equity Interests to Party A and/or Designated Person, and provide a written statement with respect to waiver of the option right;

1.4.3 Party B shall enter into a respective equity transfer contract for each transfer of equity interests with Party A and/or the Designated Person (if applicable) in accordance with the provisions hereof and the Purchase Notice;

1.4.4 related parties shall enter into all the other contracts, agreements and documents, obtain all governmental approvals and consents, and take all actions necessary for the transfer of all valid ownership of the Purchased Equity Interests to Party A and/or the Designated Person, as well as validation of Party A and/or the Designated Person's status as registered owner of the Purchased Equity Interests, without any security interest. For the purpose of this clause and this Agreement, "security interest" includes guaranty, mortgage, third party's rights or interests, any stock option, right of purchase, option right, setting-off right, ownership retention or other guaranty arrangement, etc., provided that, for purchase of clarification, it will not include any security interest arising from this Agreement and Party B's Equity Pledge Agreement. "Party B's Equity Pledge Agreement" as mentioned in this clause and this Agreement refers to the Equity Pledge Agreement entered into by and among Party A, Party B and Party C on the date hereof, in accordance with which, Party B pledges all the equity interests held by it in Party C to Party A, for purpose of security of Party C's performance of all its obligations under the Exclusive Business Cooperation Agreement between Party C and Party A.

1.5 Payment

The Parties agree that, the equity interests transfer price to be paid by Party A to Party B for exercising the exclusive option right hereunder by Party A, in principle, shall be the lowest amount allowed by then effective laws and regulations of the PRC. If Party B is held liable to Party A or its affiliates then, Party A may also use related creditor's right as the consideration for the transfer of equity interests.

2. **Undertakings**

2.1 Undertakings Relating to Party C

Party B (as Party C's shareholder) and Party C hereby undertake that with respect to Party C, they:

2.1.1 without written consent of Party A, will not, in any way, supplement, change or amend the organizational documents of Party C, increase or decrease its registered capital, or change the structure of its registered capital in any other form;

2.1.2 will maintain its existence, diligently and validly operate its business and deal with its daily corporate matters, according to a well-accepted financial and commercial standard and practice;

2.1.3 without written consent of Party A, will not sell, transfer, mortgage, or dispose of in any other way, any legal or beneficial interest in Party C's assets, business or revenue, or allow any security interest to be created over thereon, anytime upon the execution hereof;

2.1.4 without written consent of Party A, will not incur, succeed, guaranty, or allow the existing of, any liability, provided that, (i) such liability arises from its routine or daily operation, instead of borrowing; and (ii) such liability has been disclosed by Party A and consented by Party A in writing;

2.1.5 will operate all business in the course of normal operation, and will not take any action/non-action imposing any adverse effect on Party C's operation status and value of assets, in order to maintain Party C's assets value;

2.1.6 without written consent of Party A, will not cause Party C to enter into any material contract, except for the contracts made during the ordinary course of business (for purpose of this clause, if the value of contract exceeds RMB 100,000, the contract will be deemed material);

2.1.7 without written consent of Party A, will not cause Party C to provide any loan or credit facility to any other person;

2.1.8 will provide to Party A all materials in respect of Party C's operation and financial situation, as required by Party A;

2.1.9 if required by Party A, will procure from the insurer accepted by Party A insurance and maintain the insurance with respect to its assets and business, and the insurance premium and policy shall be in compliance with those of other companies operating similar businesses;

2.1.10 without written consent of Party A, will not cause Party C to merge or amalgamate with any other person, or acquire or invest in any other person;

2.1.11 will notify Party A of any occurrence or threat of any lawsuit, arbitration or administrative proceeding with respect to Party C's assets, business and revenue;

2.1.12 for purpose of maintenance of Party C's ownership of all of its assets, will sign all necessary or appropriate documents, take all necessary and appropriate actions, and file any necessary or appropriate claims, or proceed with all necessary and appropriate defenses against all claims;

2.1.13 without written consent of Party A, will not distribute any dividend in any form to shareholders, provided that, if required so by Party A, will immediately distribute all its distributable profits to its shareholders; and

2.1.14 will appoint the persons designated by Party A as Party C's directors, as required by Party A.

2.2 Party B's Undertakings

Party B undertakes that it:

2.2.1 without written consent of Party A, will not sell, transfer, mortgage, or dispose of in any other way, any legal or beneficial interest in the equity interests held by it of Party C, or allow any security interest to be created over thereon, except for the pledge created over such equity interests in accordance with Party B's Equity Pledge Agreement;

2.2.2 will cause Party C's shareholders' meeting and/or directors' meeting not to approve the sale, transfer, mortgage, or disposition in any other way of, any legal or beneficial interest in the equity interests held by it of Party C, or any security interest to be created over thereon, except for the pledge created over such equity interests in accordance with Party B's Equity Pledge Agreement;

2.2.3 without written consent of Party A, will cause Party C's shareholders' meeting and/or directors' meeting not to approve Party C's merger or amalgamation with any other person, or its acquisition of or investment in any other person;

2.2.4 will notify Party A of any occurrence or threat of any lawsuit, arbitration or administrative proceeding with respect to the equity interests held by it;

2.2.5 will cause Party C's shareholders' meeting and/or directors meeting to resolve to agree upon the transfer of Purchased Equity Interests mentioned herein, and take any other actions as required by Party A;

2.2.6 for purpose of maintaining its legitimate ownership of equity interests held by it, will sign all necessary or appropriate documents, take all necessary and appropriate actions, and file any necessary or appropriate claims, or proceed with all necessary and appropriate defenses against all claims;

2.2.7 will appoint the persons designated by Party A as Party C's directors, as required by Party A;

2.2.8 as required by Party A at anytime, will at anytime, unconditionally transfer its equity interests to the representatives designated by Party A in accordance with the Equity Purchase Right mentioned herein, and waive the option right with respect to the transfer of corresponding equity interests to another existing shareholder (if any); and

2.2.9 will strictly abide by all provisions of this Agreement and other contracts among the Parties, and between any two of them, perform all the obligations thereunder, and will not take any action/non-action which may impose any effect on the validity and enforceability of such contracts. If Party B still maintains any right with respect to the equity interests under this Agreement, or Equity Pledge Agreement among the Parties, or the authorization letter of Party A, Party B will not exercise any of such rights unless with the written direction of Party A.

3. **Representations and Warrants**

Party B and Party C hereby respectively and jointly represent and warrant to Party A on the date hereof and each day of transfer, that:

3.1 it has the power and capacity to execute and deliver this Agreement, as well as any other equity interests transfer contract, to which it is a party, and which is made for each transfer of Purchased Equity Interests in accordance with this Agreement (individually referred to as "Transfer Agreement"), and perform its obligations under this Agreement and the Transfer Agreement. Party B and Party C agree to enter into a respective Transfer Agreement containing the provisions same to this Agreement when Party A exercises the Equity Purchase Right. This Agreement and any Transfer Agreement to which it is a party, upon being executed, constitutes or will constitute its valid and binding obligation enforceable against it in accordance with the terms hereof;

3.2 its execution, delivery and performance of this Agreement or any Transfer Agreement will not (i) violate any applicable laws of the PRC; (ii) conflict with the articles of association and other organizational documents of Party C; (iii) breach any Agreement or document which is binding upon it, or to which it is a party; (iv) violate any permit or approval, or the conditions for maintaining its validity of such permit or approval, granted to any party; or (v) cause the suspension or withdrawal of, or impose any additional conditions on, the permit or approval granted to any party;

3.3 Party B owns good and salable ownership of the equity interests by it in Party C, and Party B has not created any security interest over such equity interests except for Party B's Equity Pledge Agreement;

3.4 Party C owns good and salable ownership of all of its assets, and Party C has not created any security interest over such assets;

3.5 Party C does not have any outstanding liabilities, except for (i) those arising from the ordinary course of business; and (ii) those disclosed to Party A and approved by Party A in writing;

3.6 Party C has been complying with all applicable laws and regulations related to the acquisition of assets; and

3.7 there are no lawsuits, arbitrations or administrative proceedings pending or threatened with respect to the equity interests, Party C's assets or Party C itself.

4. **Effective Date**

This Agreement becomes effective upon the execution by each Party. The term of this Agreement is ten (10) years, and may be extended subject to Party A's decision. All the related Exclusive Stock Option Agreement and the Amendment thereto entered among the Parties will no longer be effective from the date hereof.

5. **Applicable Law and Dispute Resolution**

5.1 Applicable Law

The formation of this Agreement, its validity, interpretation, performance, change, and termination of this Agreement, and the settlement of any dispute between the Parties, shall be governed by and construed in accordance with the laws of the PRC, which are officially promulgated and available to the public. The issues not governed by the laws of the PRC, which are officially promulgated and available to the public, shall apply international legal rules and practices.

5.2 Dispute Resolution

The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Agreement through friendly consultations. If a dispute is not resolved through friendly consultations within 30 days from the date a Party gives the other Party written notice of the dispute, then each Party may submit the dispute to China International Economic and Trade Arbitration Commission ("CIETAC") for arbitration in accordance with then effective arbitration rules. The arbitration shall be conducted in Shanghai in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

6. **Taxes, Fees**

Each Party shall respectively bear any and all the taxes, expenses and fees incurred by, or collected from such Party, for preparation and execution of this Agreement, each Transfer Agreement, and completion of the transactions contemplated by this Agreement and each Transfer Agreement, in accordance with laws of the PRC.

7. **Notices**

7.1 All the notices and other communications required by or sent pursuant to this Agreement shall be delivered to the following address of each Party in person, by registered mail, prepaid post, or commercial courier services, or facsimile. Each notice shall be confirmed with a respective email. Delivery shall be deemed to have occurred:

7.1.1 the same day (local time at the recipient's place of business) on which delivery is made by personal delivery, or by courier services, registered mail, or prepaid post, or delivery is refused.

7.1.2 the day of delivery being successfully made, if by facsimile (certified by the automatically generated transmission confirmation).

7.2 Each Party's address for purpose of notice is as follows:

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited**
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing
Attention: Li Xueling
Telephone:
Facsimile:

Party B: **Xueling Li**
Address: No.2, Haiyuncang Hutong, Dongcheng District, Beijing
Telephone:
Facsimile:

Party C: **Guangzhou Huaduo Network Technology Co., Ltd.**
Address: 2nd Floor, Jiadu International Plaza, 48-50 Jianzhong Road, Tianhe District, Guangzhou
Attention: Li Xueling
Telephone:
Facsimile:

7.3 Each Party may at anytime change its address for receiving notices by giving a notice to the other Parties in accordance with this clause.

8. **Confidentiality**

Each Party recognizes and confirms this Agreement, the content of this Agreement, and any and all oral and written information exchanged among them for the preparation and performance of this Agreement shall be deemed as confidential information. Each Party shall hold in confidence all such confidential information, and without the written consent from the other Parties, should not disclose any confidential information to any third party, provided that, confidential information shall not include information that (i) is or becomes available to the public other than as a result of a disclosure by the receiving Party in violation of this Agreement, or (ii) any information which must be disclosed pursuant to laws and regulations, stock trading rules, or as required by order or decree of governmental authorities or courts; or (iii) any information disclosed by either Party to its shareholders, invertors, legal or financial advisors in relation to the transactions contemplated herein, who are bound by confidentiality obligation similar to this provision. Any disclosure of confidential information by the professionals or institutions engaged by either Party shall be deemed as the disclosure by such Party, and such Party shall be held liable for breach. This provision shall survive the termination of this Agreement for any reason.

9. **Further Assurance**

The Parties hereto shall each immediately perform such beneficial acts, execute and deliver such beneficial instruments and documents, and do all such other things as may be reasonably necessary to perform the provisions and purpose of this Agreement.

10. **Miscellaneous**

10.1 Amendment, Change and Supplement

Any amendment, change and supplement to this Agreement can only be made with the written agreement signed by each Party hereto.

10.2 Entirety

Except for any written amendment, supplement and change made to this Agreement upon the execution hereof, this Agreement constitutes the entire agreement reached among the Parties relating to the subject matter hereof, and supersedes in their entirety all prior written and oral agreements and understandings among the Parties relating to the subject matter hereof.

10.3 Headings

The headings of this Agreement are created only for reading convenience and should not be interpreted, or explained to affect the meanings of the provisions hereof.

10.4 Languages

This Agreement is written in Chinese in three (3) originals, each Party holding one (1) copy.

10.5 Severability

If any single or multiple provisions hereof are judged invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be affected in any aspect. The Parties shall in good faith endeavor to use valid provisions to the extent allowed by laws and reflecting the intensions of all the Parties to replace those invalid, illegal or unenforceable provisions, provided that, the economic effects achieved by such valid provisions shall be similar to the economic effects achieved by those invalid, illegal or unenforceable provisions.

10.6 Successors

This Agreement shall be binding upon, and inure to the benefit of, the Parties and their successors and permitted assigns.

10.8 Survival

10.8.1 Any obligations arising from, or expiring upon the expiry or earlier termination of this Agreement survive the expiry or earlier termination of this Agreement.

10.8.2 Section 5, Section 7, Section 8 of this Agreement and this Clause 10.8 shall survive the termination of this Agreement.

10.9 Waiver

Each Party can only waive any term or condition of this Agreement in writing and with the signatures of all the Parties. Any waiver made by one Party regarding the other Party's breach should not be deemed as the waiver of such Party regarding the other Party's similar breaches in other situations.

10.10 Indemnification

10.10.1 Each Party hereby agrees and confirms that, if any existing shareholder materially breaches any provision hereof ("Default Party"), or materially fails to perform any obligation hereunder, then it has constituted the breach of this Agreement ("Breach"), and Party A has the right to require the Default Party to cure such Breach or take any correction measures regarding such Breach within a reasonable period. In the event that the Default Party fails to cure such Breach or take any correction measures regarding such Breach within such reasonable period or ten (10) days after Party A sends the written breach notice to the Default Party to require the correction, then Party A is entitled to choose any of the following relieves for the Breach: (i) to terminate this Agreement and require the Default Party to provide full indemnification for such Breach; (2) to require the enforcement of all the obligations of the Default Party under this Agreement, and the Default Party to provide full indemnification for such Breach; or (3) to sell or dispose of the pledged equity interests in accordance with the Equity Pledge Agreement, to be indemnified at the first priority with the price of sale and disposal of such equity interests, and require the Default Party to be liable for all losses so incurred by it.

10.10.2 Each Party agrees and confirms that under no circumstance may the existing shareholders require the termination of this Agreement for any reason.

10.10.3 The rights and relieves available hereunder are accumulative and do not exclude any other right or relief available in accordance with laws.

10.10.4 Notwithstanding anything contained herein to the contrary, the validity of this provision survives the suspension or termination of this Agreement.

[Signature page]

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited**

Signature: (Seal)
Name:
Title: Legal Representative/Authorized Representative

Party B: **Xueling Li**

Signature: /s/ Xueling Li

Party C: **Guangzhou Huaduo Network Technology Co., Ltd.**

Signature: (Seal)
Name:
Title: Legal Representative/Authorized Representative

Exclusive Option Agreement

This Exclusive Option Agreement (this "Agreement") dated September 16, 2011, is made in Beijing, the People's Republic of China (the "PRC"), by and among:

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited**
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing

Party B: **Jun Lei**
Address:

Party C: **Guangzhou Huaduo Network Technology Co., Ltd.**
Address: 2nd Floor, Jiadu International Plaza, 48-50 Jianzhong Road, Tianhe District, Guangzhou

Party A, Party B and Party C respectively referred to as a "Party", collectively referred to as "Parties".

WHEREAS:

1. Party B holds 1.4570% equity interests of Party C;

2. Party A and Party C entered into a series of legal documents, including an Exclusive Business Cooperation Agreement and Exclusive Technology Support and Technology Services Agreement on August 12, 2008, which are made for purpose of formation of Party A's control over Party C (collectively as "Controlling Documents").

THEREFORE, the Parties hereby agree as follows:

1. Sale and Purchase of Equity Interests

1.1 Right of Grant

Considering that Party A has paid RMB 10 to Party B as the consideration, and Party B has confirmed that it had received such consideration and such consideration was sufficient, Party B hereby irrevocably grants Party A an exclusive right to, according to the exercise steps decided by Party A at is own discretion and the price described in Clause 1.3 hereof, at anytime purchase or designate one or several persons ("Designated Person") to purchase any portion of all of equity interests held by Party B in Party C in one or several installments, to the extent allowed by laws of the PRC ("Equity Purchase Right"). Any third party other than Party A and Appointed Person should not enjoy the Equity Purchase Right or any other rights with respect to Party B's equity interests. Party C hereby allows Party B to grant the Equity Purchase Right to Party A. "Person" mentioned in this clause and this Agreement refers to individuals, companies, joint ventures, partnerships, enterprises, trusts and non-corporate organizations.

1.2 Steps of Exercise

The exercise of Equity Purchase Right by Party A is subject to provisions of laws and regulations of PRC. When exercising the Equity Purchase Right, Party A shall serve a written notice ("Purchase Notice") to Party B, to specify the following issues: (a) decisions of Party A regarding the exercise of Equity Purchase Right; (b) the percentage of equity interests to be purchased by Party A from Party B ("Purchased Equity Interests"), and (c) date of purchase/assignment of Purchased Equity Right.

1.3 Purchase Price

Lowest price allowed by laws of the PRC.

1.4 Assignment of Purchased Equity Interests

Every time Party A exercises the Equity Purchase Right,

1.4.1 Party B shall cause Party C to hold the shareholders' meeting, by which the resolutions regarding Party B's assignment of Purchased Equity Interests to Party A and/or Designated Person shall be resolved and approved;

1.4.2 Party B shall obtain Party C's other shareholders' consent regarding the assignment of Purchased Equity Interests to Party A and/or Designated Person, and provide a written statement with respect to waiver of the option right;

1.4.3 Party B shall enter into a respective equity transfer contract for each transfer of equity interests with Party A and/or the Designated Person (if applicable) in accordance with the provisions hereof and the Purchase Notice;

1.4.4 related parties shall enter into all the other contracts, agreements and documents, obtain all governmental approvals and consents, and take all actions necessary for the transfer of all valid ownership of the Purchased Equity Interests to Party A and/or the Designated Person, as well as validation of Party A and/or the Designated Person's status as registered owner of the Purchased Equity Interests, without any security interest. For the purpose of this clause and this Agreement, "security interest" includes guaranty, mortgage, third party's rights or interests, any stock option, right of purchase, option right, setting-off right, ownership retention or other guaranty arrangement, etc., provided that, for purchase of clarification, it will not include any security interest arising from this Agreement and Party B's Equity Pledge Agreement. "Party B's Equity Pledge Agreement" as mentioned in this clause and this Agreement refers to the Equity Pledge Agreement entered into by and among Party A, Party B and Party C on the date hereof, in accordance with which, Party B pledges all the equity interests held by it in Party C to Party A, for purpose of security of Party C's performance of all its obligations under the Exclusive Business Cooperation Agreement between Party C and Party A.

1.5 Payment

The Parties agree that, the equity interests transfer price to be paid by Party A to Party B for exercising the exclusive option right hereunder by Party A, in principle, shall be the lowest amount allowed by then effective laws and regulations of the PRC. If Party B is held liable to Party A or its affiliates then, Party A may also use related creditor's right as the consideration for the transfer of equity interests.

2. **Undertakings**

2.1 Undertakings Relating to Party C

Party B (as Party C's shareholder) and Party C hereby undertake that with respect to Party C, they:

2.1.1 without written consent of Party A, will not, in any way, supplement, change or amend the organizational documents of Party C, increase or decrease its registered capital, or change the structure of its registered capital in any other form;

2.1.2 will maintain its existence, diligently and validly operate its business and deal with its daily corporate matters, according to a well-accepted financial and commercial standard and practice;

2.1.3 without written consent of Party A, will not sell, transfer, mortgage, or dispose of in any other way, any legal or beneficial interest in Party C's assets, business or revenue, or allow any security interest to be created over thereon, anytime upon the execution hereof;

2.1.4 without written consent of Party A, will not incur, succeed, guaranty, or allow the existing of, any liability, provided that, (i) such liability arises from its routine or daily operation, instead of borrowing; and (ii) such liability has been disclosed by Party A and consented by Party A in writing;

2.1.5 will operate all business in the course of normal operation, and will not take any action/non-action imposing any adverse effect on Party C's operation status and value of assets, in order to maintain Party C's assets value;

2.1.6 without written consent of Party A, will not cause Party C to enter into any material contract, except for the contracts made during the ordinary course of business (for purpose of this clause, if the value of contract exceeds RMB 100,000, the contract will be deemed material);

2.1.7 without written consent of Party A, will not cause Party C will not provide any loan or credit facility to any other person;

2.1.8 will provide to Party A all materials in respect of Party C's operation and financial situation, as required by Party A;

2.1.9 if required by Party A, will procure from the insurer accepted by Party A insurance and maintain the insurance with respect to its assets and business, and the insurance premium and policy shall be in compliance with those of other companies operating similar businesses;

2.1.10 without written consent of Party A, will not cause Party C to merge or amalgamate with any other person, or acquire or invest in any other person;

2.1.11 will notify Party A of any occurrence or threat of any lawsuit, arbitration or administrative proceeding with respect to Party C's assets, business and revenue;

2.1.12 for purpose of maintenance of Party C's ownership of all of its assets, will sign all necessary or appropriate documents, take all necessary and appropriate actions, and file any necessary or appropriate claims, or proceed with all necessary and appropriate defenses against all claims;

2.1.13 without written consent of Party A, will not distribute any dividend in any form to shareholders, provided that, if required so by Party A, will immediately distribute all its distributable profits to its shareholders; and

2.1.14 will appoint the persons designated by Party A as Party C's directors, as required by Party A.

2.2 Party B's Undertakings

Party B undertakes that it:

2.2.1 without written consent of Party A, will not sell, transfer, mortgage, or dispose of in any other way, any legal or beneficial interest in the equity interests held by it of Party C, or allow any security interest to be created over thereon, except for the pledge created over such equity interests in accordance with Party B's Equity Pledge Agreement;

2.2.2 will cause Party C's shareholders' meeting and/or directors' meeting not to approve the sale, transfer, mortgage, or disposition in any other way of, any legal or beneficial interest in the equity interests held by it of Party C, or any security interest to be created over thereon, except for the pledge created over such equity interests in accordance with Party B's Equity Pledge Agreement;

2.2.3 without written consent of Party A, will cause Party C's shareholders' meeting and/or directors' meeting not to approve Party C's merger or amalgamation with any other person, or its acquisition of or investment in any other person;

2.2.4 will notify Party A of any occurrence or threat of any lawsuit, arbitration or administrative proceeding with respect to the equity interests held by it;

2.2.5 will cause Party C's shareholders' meeting and/or directors meeting to resolve to agree upon the transfer of Purchased Equity Interests mentioned herein, and take any other actions as required by Party A;

2.2.6 for purpose of maintaining its legitimate ownership of equity interests held by it, will sign all necessary or appropriate documents, take all necessary and appropriate actions, and file any necessary or appropriate claims, or proceed with all necessary and appropriate defenses against all claims;

2.2.7 will appoint the persons designated by Party A as Party C's directors, as required by Party A;

2.2.8 as required by Party A at anytime, will at anytime, unconditionally transfer its equity interests to the representatives designated by Party A in accordance with the Equity Purchase Right mentioned herein, and waive the option right with respect to the transfer of corresponding equity interests to another existing shareholder (if any); and

2.2.9 will strictly abide by all provisions of this Agreement and other contracts among the Parties, and between any two of them, perform all the obligations thereunder, and will not take any action/non-action which may impose any effect on the validity and enforceability of such contracts. If Party B still maintains any right with respect to the equity interests under this Agreement, or Equity Pledge Agreement among the Parties, or the authorization letter of Party A, Party B will not exercise any of such rights unless with the written direction of Party A.

3. **<u>Representations and Warrants</u>**

Party B and Party C hereby respectively and jointly represent and warrant to Party A on the date hereof and each day of transfer, that:

3.1 it has the power and capacity to execute and deliver this Agreement, as well as any other equity interests transfer contract, to which it is a party, and which is made for each transfer of Purchased Equity Interests in accordance with this Agreement (individually referred to as "Transfer Agreement"), and perform its obligations under this Agreement and the Transfer Agreement. Party B and Party C agree to enter into a respective Transfer Agreement containing the provisions same to this Agreement when Party A exercises the Equity Purchase Right. This Agreement and any Transfer Agreement to which it is a party, upon being executed, constitutes or will constitute its valid and binding obligation enforceable against it in accordance with the terms hereof;

3.2 its execution, delivery and performance of this Agreement or any Transfer Agreement will not (i) violate any applicable laws of the PRC; (ii) conflict with the articles of association and other organizational documents of Party C; (iii) breach any contract or document which is binding upon it, or to which it is a party; (iv) violate any permit or approval, or the conditions for maintaining its validity of such permit or approval, granted to any party; or (v) cause the suspension or withdrawal of, or impose any additional conditions on, the permit or approval granted to any party;

3.3 Party B owns good and salable ownership of the equity interests by it in Party C, and Party B has not created any security interest over such equity interests except for Party B's Equity Pledge Agreement;

3.4 Party C owns good and salable ownership of all of its assets, and Party C has not created any security interest over such assets;

3.5 Party C does not have any outstanding liabilities, except for (i) those arising from the ordinary course of business; and (ii) those disclosed to Party A and approved by Party A in writing;

3.6 Party C has been complying with all applicable laws and regulations related to the acquisition of assets; and

3.7 there are no lawsuits, arbitrations or administrative proceedings pending or threatened with respect to the equity interests, Party C's assets or Party C itself.

4. **Effective Date**

This Agreement becomes effective upon the execution by each Party. The term of this Agreement is ten (10) years, and may be extended subject to Party A's decision. All the related Exclusive Stock Option Agreement and the Amendment thereto entered among the Parties will no longer be effective from the date hereof.

5. **Applicable Law and Dispute Resolution**

5.1 Applicable Law

The formation of this Agreement, its validity, interpretation, performance, change, and termination of this Agreement, and the settlement of any dispute between the Parties, shall be governed by and construed in accordance with the laws of the PRC, which are officially promulgated and available to the public. The issues not governed by the laws of the PRC, which are officially promulgated and available to the public, shall apply international legal rules and practices.

5.2 Dispute Resolution

The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Agreement through friendly consultations. If a dispute is not resolved through friendly consultations within 30 days from the date a Party gives the other Party written notice of the dispute, then each Party may submit the dispute to China International Economic and Trade Arbitration Commission ("CIETAC") for arbitration in accordance with then effective arbitration rules. The arbitration shall be conducted in Shanghai in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

6. **Taxes, Fees**

Each Party shall respectively bear any and all the taxes, expenses and fees incurred by, or collected from such Party, for preparation and execution of this Agreement, each Transfer Agreement, and completion of the transactions contemplated by this Agreement and each Transfer Agreement, in accordance with laws of the PRC.

7. **Notices**

7.1 All the notices and other communications required by or sent pursuant to this Agreement shall be delivered to the following address of each Party in person, by registered mail, prepaid post, or commercial courier services, or facsimile. Each notice shall be confirmed with a respective email. Delivery shall be deemed to have occurred:

7.1.1 the same day (local time at the recipient's place of business) on which delivery is made by personal delivery, or by courier services, registered mail, or prepaid post, or delivery is refused.

7.1.2 the day of delivery being successfully made, if by facsimile (certified by the automatically generated transmission confirmation).

7.2 Each Party's address for purpose of notice is as follows:

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited**
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing
Attention: Li Xueling
Telephone:
Facsimile:

Party B: **Jun Lei**
Address: Suite A19E, Huating Jiayuan, 6 North Sihuanzhong Road, Chaoyang District, Beijing
Telephone:
Facsimile:

Party C: **Guangzhou Huaduo Network Technology Co., Ltd.**
Address: 2nd Floor, Jiadu International Plaza, 48-50 Jianzhong Road, Tianhe District, Guangzhou
Attention: Li Xueling
Telephone:
Facsimile:

7.3 Each Party may at anytime change its address for receiving notices by giving a notice to the other Parties in accordance with this clause.

8. **Confidentiality**

Each Party recognizes and confirms this Agreement, the content of this Agreement, and any and all oral and written information exchanged among them for the preparation and performance of this Agreement shall be deemed as confidential information. Each Party shall hold in confidence all such confidential information, and without the written consent from the other Parties, should not disclose any confidential information to any third party, provided that, confidential information shall not include information that (i) is or becomes available to the public other than as a result of a disclosure by the receiving Party in violation of this Agreement, or (ii) any information which must be disclosed pursuant to laws and regulations, stock trading rules, or as required by order or decree of governmental authorities or courts; or (iii) any information disclosed by either Party to its shareholders, invertors, legal or financial advisors in relation to the transactions contemplated herein, who are bound by confidentiality obligation similar to this provision. Any disclosure of confidential information by the professionals or institutions engaged by either Party shall be deemed as the disclosure by such Party, and such Party shall be held liable for breach. This provision shall survive the termination of this Agreement for any reason.

9. **Further Assurance**

The Parties hereto shall each immediately perform such beneficial acts, execute and deliver such beneficial instruments and documents, and do all such other things as may be reasonably necessary to perform the provisions and purpose of this Agreement.

10. **Miscellaneous**

10.1 Amendment, Change and Supplement

Any amendment, change and supplement to this Agreement can only be made with the written agreement signed by each Party hereto.

10.2 Entirety

Except for any written amendment, supplement and change made to this Agreement upon the execution hereof, this Agreement constitutes the entire agreement reached among the Parties relating to the subject matter hereof, and supersedes in their entirety all prior written and oral agreements and understandings among the Parties relating to the subject matter hereof.

10.3 Headings

The headings of this Agreement are created only for reading convenience and should not be interpreted, or explained to affect the meanings of the provisions hereof.

10.4 Languages

This Agreement is written in Chinese in three (3) originals, each Party holding one (1) copy.

10.5 Severability

If any single or multiple provisions hereof are judged invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be affected in any aspect. The Parties shall in good faith endeavor to use valid provisions to the extent allowed by laws and reflecting the intensions of all the Parties to replace those invalid, illegal or unenforceable provisions, provided that, the economic effects achieved by such valid provisions shall be similar to the economic effects achieved by those invalid, illegal or unenforceable provisions.

10.6 Successors

This Agreement shall be binding upon, and inure to the benefit of, the Parties and their successors and permitted assigns.

10.8 Survival

10.8.1 Any obligations arising from, or expiring upon the expiry or earlier termination of this Agreement survive the expiry or earlier termination of this Agreement.

10.8.2 Section 5, Section 7, Section 8 of this Agreement and this Clause 10.8 shall survive the termination of this Agreement.

10.9 Waiver

Each Party can only waive any term or condition of this Agreement in writing and with the signatures of all the Parties. Any waiver made by one Party regarding the other Party's breach should not be deemed as the waiver of such Party regarding the other Party's similar breaches in other situations.

10.10 Indemnification

10.10.1 Each Party hereby agrees and confirms that, if any existing shareholder materially breaches any provision hereof ("Default Party"), or materially fails to perform any obligation hereunder, then it has constituted the breach of this Agreement ("Breach"), and Party A has the right to require the Default Party to cure such Breach or take any correction measures regarding such Breach within a reasonable period. In the event that the Default Party fails to cure such Breach or take any correction measures regarding such Breach within such reasonable period or ten (10) days after Party A sends the written breach notice to the Default Party to require the correction, then Party A is entitled to choose any of the following relieves for the Breach: (i) to terminate this Agreement and require the Default Party to provide full indemnification for such Breach; (2) to require the enforcement of all the obligations of the Default Party under this Agreement, and the Default Party to provide full indemnification for such Breach; or (3) to sell or dispose of the pledged equity interests in accordance with the Equity Pledge Agreement, to be indemnified at the first priority with the price of sale and disposal of such equity interests, and require the Default Party to be liable for all losses so incurred by it.

10.10.2 Each Party agrees and confirms that under no circumstance may the existing shareholders may require the termination of this Agreement for any reason.

10.10.3 The rights and relieves available hereunder are accumulative and do not exclude any other right or relief available in accordance with laws.

10.10.4 Notwithstanding anything contained herein to the contrary, the validity of this provision survives the suspension or termination of this Agreement.

[Signature page]

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited**

Signature: (Seal)
Name:
Title: Legal Representative/Authorized Representative

Party B: **Jun Lei**

Signature: /s/ Jun Lei

Party C: **Guangzhou Huaduo Network Technology Co., Ltd.**

Signature: (Seal)
Name:
Title: Legal Representative/Authorized Representative

Exclusive Option Agreement

This Exclusive Option Agreement (this “Agreement”) dated September 16, 2011, is made in Beijing, the People’s Republic of China (the “PRC”), by and among:

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited**
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing

Party B: **Bin Zhao**
Address:

Party C: **Guangzhou Huaduo Network Technology Co., Ltd.**
Address: 2nd Floor, Jiadu International Plaza, 48-50 Jianzhong Road, Tianhe District, Guangzhou

Party A, Party B and Party C respectively referred to as a “Party”, collectively referred to as “Parties”.

WHEREAS:

1. Party B holds 0.1406% equity interests of Party C;

2. Party A and Party C entered into a series of legal documents, including an Exclusive Business Cooperation Agreement and Exclusive Technology Support and Technology Services Agreement on August 12, 2008, which are made for purpose of formation of Party A’s control over Party C (collectively as “Controlling Documents”).

THEREFORE, the Parties hereby agree as follows:

1. Sale and Purchase of Equity Interests

1.1 Right of Grant

Considering that Party A has paid RMB 10 to Party B as the consideration, and Party B has confirmed that it had received such consideration and such consideration was sufficient, Party B hereby irrevocably grants Party A an exclusive right to, according to the exercise steps decided by Party A at is own discretion and the price described in Clause 1.3 hereof, at anytime purchase or designate one or several persons (“Designated Person”) to purchase any portion of all of equity interests held by Party B in Party C in one or several installments, to the extent allowed by laws of the PRC (“Equity Purchase Right”). Any third party other than Party A and Appointed Person should not enjoy the Equity Purchase Right or any other rights with respect to Party B’s equity interests. Party C hereby allows Party B to grant the Equity Purchase Right to Party A. “Person” mentioned in this clause and this Agreement refers to individuals, companies, joint ventures, partnerships, enterprises, trusts and non-corporate organizations.

1.2 Steps of Exercise

The exercise of Equity Purchase Right by Party A is subject to provisions of laws and regulations of PRC. When exercising the Equity Purchase Right, Party A shall serve a written notice ("Purchase Notice") to Party B, to specify the following issues: (a) decisions of Party A regarding the exercise of Equity Purchase Right; (b) the percentage of equity interests to be purchased by Party A from Party B ("Purchased Equity Interests"), and (c) date of purchase/assignment of Purchased Equity Right.

1.3 Purchase Price

Lowest price allowed by laws of the PRC.

1.4 Assignment of Purchased Equity Interests

Every time Party A exercises the Equity Purchase Right,

1.4.1 Party B shall cause Party C to hold the shareholders' meeting, by which the resolutions regarding Party B's assignment of Purchased Equity Interests to Party A and/or Designated Person shall be resolved and approved;

1.4.2 Party B shall obtain Party C's other shareholders' consent regarding the assignment of Purchased Equity Interests to Party A and/or Designated Person, and provide a written statement with respect to waiver of the option right;

1.4.3 Party B shall enter into a respective equity transfer contract for each transfer of equity interests with Party A and/or the Designated Person (if applicable) in accordance with the provisions hereof and the Purchase Notice;

1.4.4 related parties shall enter into all the other contracts, agreements and documents, obtain all governmental approvals and consents, and take all actions necessary for the transfer of all valid ownership of the Purchased Equity Interests to Party A and/or the Designated Person, as well as validation of Party A and/or the Designated Person's status as registered owner of the Purchased Equity Interests, without any security interest. For the purpose of this clause and this Agreement, "security interest" includes guaranty, mortgage, third party's rights or interests, any stock option, right of purchase, option right, setting-off right, ownership retention or other guaranty arrangement, etc., provided that, for purchase of clarification, it will not include any security interest arising from this Agreement and Party B's Equity Pledge Agreement. "Party B's Equity Pledge Agreement" as mentioned in this clause and this Agreement refers to the Equity Pledge Agreement entered into by and among Party A, Party B and Party C on the date hereof, in accordance with which, Party B pledges all the equity interests held by it in Party C to Party A, for purpose of security of Party C's performance of all its obligations under the Exclusive Business Cooperation Agreement between Party C and Party A.

1.5 Payment

The Parties agree that, the equity interests transfer price to be paid by Party A to Party B for exercising the exclusive option right hereunder by Party A, in principle, shall be the lowest amount allowed by then effective laws and regulations of the PRC. If Party B is held liable to Party A or its affiliates then, Party A may also use related creditor's right as the consideration for the transfer of equity interests.

2. **Undertakings**

2.1 Undertakings Relating to Party C

Party B (as Party C's shareholder) and Party C hereby undertake that with respect to Party C, they:

2.1.1 without written consent of Party A, will not, in any way, supplement, change or amend the organizational documents of Party C, increase or decrease its registered capital, or change the structure of its registered capital in any other form;

2.1.2 will maintain its existence, diligently and validly operate its business and deal with its daily corporate matters, according to a well-accepted financial and commercial standard and practice;

2.1.3 without written consent of Party A, will not sell, transfer, mortgage, or dispose of in any other way, any legal or beneficial interest in Party C's assets, business or revenue, or allow any security interest to be created over thereon, anytime upon the execution hereof;

2.1.4 without written consent of Party A, will not incur, succeed, guaranty, or allow the existing of, any liability, provided that, (i) such liability arises from its routine or daily operation, instead of borrowing; and (ii) such liability has been disclosed by Party A and consented by Party A in writing;

2.1.5 will operate all business in the course of normal operation, and will not take any action/non-action imposing any adverse effect on Party C's operation status and value of assets, in order to maintain Party C's assets value;

2.1.6 without written consent of Party A, will not cause Party C to enter into any material contract, except for the contracts made during the ordinary course of business (for purpose of this clause, if the value of contract exceeds RMB 100,000, the contract will be deemed material);

2.1.7 without written consent of will not cause Party A, Party C will not provide any loan or credit facility to any other person;

2.1.8 will provide to Party A all materials in respect of Party C's operation and financial situation, as required by Party A;

2.1.9 if required by Party A, will procure from the insurer accepted by Party A insurance and maintain the insurance with respect to its assets and business, and the insurance premium and policy shall be in compliance with those of other companies operating similar businesses;

2.1.10 without written consent of Party A, will not cause Party C to merge or amalgamate with any other person, or acquire or invest in any other person;

2.1.11 will notify Party A of any occurrence or threat of any lawsuit, arbitration or administrative proceeding with respect to Party C's assets, business and revenue;

2.1.12 for purpose of maintenance of Party C's ownership of all of its assets, will sign all necessary or appropriate documents, take all necessary and appropriate actions, and file any necessary or appropriate claims, or proceed with all necessary and appropriate defenses against all claims;

2.1.13 without written consent of Party A, will not distribute any dividend in any form to shareholders, provided that, if required so by Party A, will immediately distribute all its distributable profits to its shareholders; and

2.1.14 will appoint the persons designated by Party A as Party C's directors, as required by Party A.

2.2 Party B's Undertakings

Party B undertakes that it:

2.2.1 without written consent of Party A, will not sell, transfer, mortgage, or dispose of in any other way, any legal or beneficial interest in the equity interests held by it of Party C, or allow any security interest to be created over thereon, except for the pledge created over such equity interests in accordance with Party B's Equity Pledge Agreement;

2.2.2 will cause Party C's shareholders' meeting and/or directors' meeting not to approve the sale, transfer, mortgage, or disposition in any other way of, any legal or beneficial interest in the equity interests held by it of Party C, or any security interest to be created over thereon, except for the pledge created over such equity interests in accordance with Party B's Equity Pledge Agreement;

2.2.3 without written consent of Party A, will cause Party C's shareholders' meeting and/or directors' meeting not to approve Party C's merger or amalgamation with any other person, or its acquisition of or investment in any other person;

2.2.4 will notify Party A of any occurrence or threat of any lawsuit, arbitration or administrative proceeding with respect to the equity interests held by it;

2.2.5 will cause Party C's shareholders' meeting and/or directors meeting to resolve to agree upon the transfer of Purchased Equity Interests mentioned herein, and take any other actions as required by Party A;

2.2.6 for purpose of maintaining its legitimate ownership of equity interests held by it, will sign all necessary or appropriate documents, take all necessary and appropriate actions, and file any necessary or appropriate claims, or proceed with all necessary and appropriate defenses against all claims;

2.2.7 will appoint the persons designated by Party A as Party C's directors, as required by Party A;

2.2.8 as required by Party A at anytime, will at anytime, unconditionally transfer its equity interests to the representatives designated by Party A in accordance with the Equity Purchase Right mentioned herein, and waive the option right with respect to the transfer of corresponding equity interests to another existing shareholder (if any); and

2.2.9 will strictly abide by all provisions of this Agreement and other Agreements among the Parties, and between any two of them, perform all the obligations thereunder, and will not take any action/non-action which may impose any effect on the validity and enforceability of such contracts. If Party B still maintains any right with respect to the equity interests under this Agreement, or Equity Pledge Agreement among the Parties, or the authorization letter of Party A, Party B will not exercise any of such rights unless with the written direction of Party A.

3. **Representations and Warrants**

Party B and Party C hereby respectively and jointly represent and warrant to Party A on the date hereof and each day of transfer, that:

3.1 it has the power and capacity to execute and deliver this Agreement, as well as any other equity interests transfer contracts, to which it is a party, and which is made for each transfer of Purchased Equity Interests in accordance with this Agreement (individually referred to as "Transfer Agreement"), and perform its obligations under this Agreement and the Transfer Agreement. Party B and Party C agree to enter into a respective Transfer Agreement containing the provisions same to this Agreement when Party A exercises the Equity Purchase Right. This Agreement and any Transfer Agreement to which it is a party, upon being executed, constitutes or will constitute its valid and binding obligation enforceable against it in accordance with the terms hereof;

3.2 its execution, delivery and performance of this Agreement or any Transfer Agreement will not (i) violate any applicable laws of the PRC; (ii) conflict with the articles of association and other organizational documents of Party C; (iii) breach any contract or document which is binding upon it, or to which it is a party; (iv) violate any permit or approval, or the conditions for maintaining its validity of such permit or approval, granted to any party; or (v) cause the suspension or withdrawal of, or impose any additional conditions on, the permit or approval granted to any party;

3.3 Party B owns good and salable ownership of the equity interests by it in Party C, and Party B has not created any security interest over such equity interests except for Party B's Equity Pledge Agreement;

3.4 Party C owns good and salable ownership of all of its assets, and Party C has not created any security interest over such assets;

3.5 Party C does not have any outstanding liabilities, except for (i) those arising from the ordinary course of business; and (ii) those disclosed to Party A and approved by Party A in writing;

3.6 Party C has been complying with all applicable laws and regulations related to the acquisition of assets; and

3.7 there are no lawsuits, arbitrations or administrative proceedings pending or threatened with respect to the equity interests, Party C's assets or Party C itself.

4. **Effective Date**

This Agreement becomes effective upon the execution by each Party. The term of this Agreement is ten (10) years, and may be extended subject to Party A's decision. All the related Exclusive Stock Option Agreement and the Amendment thereto entered among the Parties will no longer be effective from the date hereof.

5. **Applicable Law and Dispute Resolution**

5.1 Applicable Law

The formation of this Agreement, its validity, interpretation, performance, change, and termination of this Agreement, and the settlement of any dispute between the Parties, shall be governed by and construed in accordance with the laws of the PRC, which are officially promulgated and available to the public. The issues not governed by the laws of the PRC, which are officially promulgated and available to the public, shall apply international legal rules and practices.

5.2 Dispute Resolution

The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Agreement through friendly consultations. If a dispute is not resolved through friendly consultations within 30 days from the date a Party gives the other Party written notice of the dispute, then each Party may submit the dispute to China International Economic and Trade Arbitration Commission ("CIETAC") for arbitration in accordance with then effective arbitration rules. The arbitration shall be conducted in Shanghai in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

6. **Taxes, Fees**

Each Party shall respectively bear any and all the taxes, expenses and fees incurred by, or collected from such Party, for preparation and execution of this Agreement, each Transfer Agreement, and completion of the transactions contemplated by this Agreement and each Transfer Agreement, in accordance with laws of the PRC.

7. **Notices**

7.1 All the notices and other communications required by or sent pursuant to this Agreement shall be delivered to the following address of each Party in person, by registered mail, prepaid post, or commercial courier services, or facsimile. Each notice shall be confirmed with a respective email. Delivery shall be deemed to have occurred:

7.1.1 the same day (local time at the recipient's place of business) on which delivery is made by personal delivery, or by courier services, registered mail, or prepaid post, or delivery is refused.

7.1.2 the day of delivery being successfully made, if by facsimile (certified by the automatically generated transmission confirmation).

7.2 Each Party's address for purpose of notice is as follows:

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited**
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing
Attention: Li Xueling
Telephone:
Facsimile:

Party B: **Bin Zhao**
Address: No.501, Door 2, Suite 6, Jiefang East yard, 55 Dongxi, Luoyang, He'nan Province
Telephone:
Facsimile:

Party C: **Guangzhou Huaduo Network Technology Co., Ltd.**
Address: 2nd Floor, Jiadu International Plaza, 48-50 Jianzhong Road, Tianhe District, Guangzhou
Attention: Li Xueling
Telephone:
Facsimile:

7.3 Each Party may at anytime change its address for receiving notices by giving a notice to the other Parties in accordance with this clause.

8. **Confidentiality**

Each Party recognizes and confirms this Agreement, the content of this Agreement, and any and all oral and written information exchanged among them for the preparation and performance of this Agreement shall be deemed as confidential information. Each Party shall hold in confidence all such confidential information, and without the written consent from the other Parties, should not disclose any confidential information to any third party, provided that, confidential information shall not include information that (i) is or becomes available to the public other than as a result of a disclosure by the receiving Party in violation of this Agreement, or (ii) any information which must be disclosed pursuant to laws and regulations, stock trading rules, or as required by order or decree of governmental authorities or courts; or (iii) any information disclosed by either Party to its shareholders, invertors, legal or financial advisors in relation to the transactions contemplated herein, who are bound by confidentiality obligation similar to this provision. Any disclosure of confidential information by the professionals or institutions engaged by either Party shall be deemed as the disclosure by such Party, and such Party shall be held liable for breach. This provision shall survive the termination of this Agreement for any reason.

9. **Further Assurance**

The Parties hereto shall each immediately perform such beneficial acts, execute and deliver such beneficial instruments and documents, and do all such other things as may be reasonably necessary to perform the provisions and purpose of this Agreement.

10. **Miscellaneous**

10.1 Amendment, Change and Supplement

Any amendment, change and supplement to this Agreement can only be made with the written agreement signed by each Party hereto.

10.2 Entirety

Except for any written amendment, supplement and change made to this Agreement upon the execution hereof, this Agreement constitutes the entire agreement reached among the Parties relating to the subject matter hereof, and supersedes in their entirety all prior written and oral agreements and understandings among the Parties relating to the subject matter hereof.

10.3 Headings

The headings of this Agreement are created only for reading convenience, should not be interpreted, or explained to affect the meanings of the provisions hereof.

10.4 Languages

This Agreement is written in Chinese in three (3) originals, each Party holding one (1) copy.

10.5 Severability

If any single or multiple provisions hereof are judged invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be affected in any aspect. The Parties shall in good faith endeavor to use valid provisions to the extent allowed by laws and reflecting the intensions of all the Parties to replace those invalid, illegal or unenforceable provisions, provided that, the economic effects achieved by such valid provisions shall be similar to the economic effects achieved by those invalid, illegal or unenforceable provisions.

10.6 Successors

This Agreement shall be binding upon, and inure to the benefit of, the Parties and their successors and permitted assigns.

10.8 Survival

10.8.1 Any obligations arising from, or expiring upon the expiry or earlier termination of this Agreement survive the expiry or earlier termination of this Agreement.

10.8.2 Section 5, Section 7, Section 8 of this Agreement and this Clause 10.8 shall survive the termination of this Agreement.

10.9 Waiver

Each Party can only waive any term or condition of this Agreement in writing and with the signatures of all the Parties. Any waiver made by one Party regarding the other Party's breach should not be deemed as the waiver of such Party regarding the other Party's similar breaches in other situations.

10.10 Indemnification

10.10.1 Each Party hereby agrees and confirms that, if any existing shareholder materially breaches any provision hereof ("Default Party"), or materially fails to perform any obligation hereunder, then it has constituted the breach of this Agreement ("Breach"), and Party A has the right to require the Default Party to cure such Breach or take any correction measures regarding such Breach within a reasonable period. In the event that the Default Party fails to cure such Breach or take any correction measures regarding such Breach within such reasonable period or ten (10) days after Party A sends the written breach notice to the Default Party to require the correction, then Party A is entitled to choose any of the following relieves for the Breach: (i) to terminate this Agreement and require the Default Party to provide full indemnification for such Breach; (2) to require the enforcement of all the obligations of the Default Party under this Agreement, and the Default Party to provide full indemnification for such Breach; or (3) to sell or dispose of the pledged equity interests in accordance with the Equity Pledge Agreement, to be indemnified at the first priority with the price of sale and disposal of such equity interests, and require the Default Party to be liable for all losses so incurred by it.

10.10.2 Each Party agrees and confirms that under no circumstance may the existing shareholders may require the termination of this Agreement for any reason.

10.10.3 The rights and relieves available hereunder are accumulative and do not exclude any other right or relief available in accordance with laws.

10.10.4 Notwithstanding anything contained herein to the contrary, the validity of this provision survives the suspension or termination of this Agreement.

[Signature page]

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited**

Signature: (Seal)
Name:
Title: Legal Representative/Authorized Representative

Party B: **Bin Zhao**

Signature: /s/ Bin Zhao

Party C: **Guangzhou Huaduo Network Technology Co., Ltd.**

Signature: (Seal)
Name:
Title: Legal Representative/Authorized Representative

Exclusive Option Agreement

This Exclusive Option Agreement (this "Agreement") dated September 16, 2011, is made in Beijing, the People's Republic of China (the "PRC"), by and among:

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited**
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing

Party B: **Jin Cao**
Address:

Party C: **Guangzhou Huaduo Network Technology Co., Ltd.**
Address: 2nd Floor, Jiadu International Plaza, 48-50 Jianzhong Road, Tianhe District, Guangzhou

Party A, Party B and Party C respectively referred to as a "Party", collectively referred to as "Parties".

WHEREAS:

1. Party B holds 0.0703% equity interests of Party C;
2. Party A and Party C entered into a series of legal documents, including an Exclusive Business Cooperation Agreement and Exclusive Technology Support and Technology Services Agreement on August 12, 2008, which are made for purpose of formation of Party A's control over Party C (collectively as "Controlling Documents").

THEREFORE, the Parties hereby agree as follows:

1. Sale and Purchase of Equity Interests

1.1 Right of Grant

Considering that Party A has paid RMB 10 to Party B as the consideration, and Party B has confirmed that it had received such consideration and such consideration was sufficient, Party B hereby irrevocably grants Party A an exclusive right to, according to the exercise steps decided by Party A at is own discretion and the price described in Clause 1.3 hereof, at anytime purchase or designate one or several persons ("Designated Person") to purchase any portion of all of equity interests held by Party B in Party C in one or several installments, to the extent allowed by laws of the PRC ("Equity Purchase Right"). Any third party other than Party A and Appointed Person should not enjoy the Equity Purchase Right or any other rights with respect to Party B's equity interests. Party C hereby allows Party B to grant the Equity Purchase Right to Party A. "Person" mentioned in this clause and this Agreement refers to individuals, companies, joint ventures, partnerships, enterprises, trusts and non-corporate organizations.

1.2 Steps of Exercise

The exercise of Equity Purchase Right by Party A is subject to provisions of laws and regulations of PRC. When exercising the Equity Purchase Right, Party A shall serve a written notice ("Purchase Notice") to Party B, to specify the following issues: (a) decisions of Party A regarding the exercise of Equity Purchase Right; (b) the percentage of equity interests to be purchased by Party A from Party B ("Purchased Equity Interests"), and (c) date of purchase/assignment of Purchased Equity Right.

1.3 Purchase Price

Lowest price allowed by laws of the PRC.

1.4 Assignment of Purchased Equity Interests

Every time Party A exercises the Equity Purchase Right,

1.4.1 Party B shall cause Party C to hold the shareholders' meeting, by which the resolutions regarding Party B's assignment of Purchased Equity Interests to Party A and/or Designated Person shall be resolved and approved;

1.4.2 Party B shall obtain Party C's other shareholders' consent regarding the assignment of Purchased Equity Interests to Party A and/or Designated Person, and provide a written statement with respect to waiver of the option right;

1.4.3 Party B shall enter into a respective equity transfer contract for each transfer of equity interests with Party A and/or the Designated Person (if applicable) in accordance with the provisions hereof and the Purchase Notice;

1.4.4 related parties shall enter into all the other contracts, agreements and documents, obtain all governmental approvals and consents, and take all actions necessary for the transfer of all valid ownership of the Purchased Equity Interests to Party A and/or the Designated Person, as well as validation of Party A and/or the Designated Person's status as registered owner of the Purchased Equity Interests, without any security interest. For the purpose of this clause and this Agreement, "security interest" includes guaranty, mortgage, third party's rights or interests, any stock option, right of purchase, option right, setting-off right, ownership retention or other guaranty arrangement, etc., provided that, for purchase of clarification, it will not include any security interest arising from this Agreement and Party B's Equity Pledge Agreement. "Party B's Equity Pledge Agreement" as mentioned in this clause and this Agreement refers to the Equity Pledge Agreement entered into by and among Party A, Party B and Party C on the date hereof, in accordance with which, Party B pledges all the equity interests held by it in Party C to Party A, for purpose of security of Party C's performance of all its obligations under the Exclusive Business Cooperation Agreement between Party C and Party A.

1.5 Payment

The Parties agree that, the equity interests transfer price to be paid by Party A to Party B for exercising the exclusive option right hereunder by Party A, in principle, shall be the lowest amount allowed by then effective laws and regulations of the PRC. If Party B is held liable to Party A or its affiliates then, Party A may also use related creditor's right as the consideration for the transfer of equity interests.

2. **Undertakings**

2.1 Undertakings Relating to Party C

Party B (as Party C's shareholder) and Party C hereby undertake that with respect to Party C, they:

2.1.1 without written consent of Party A, will not, in any way, supplement, change or amend the organizational documents of Party C, increase or decrease its registered capital, or change the structure of its registered capital in any other form;

2.1.2 will maintain its existence, diligently and validly operate its business and deal with its daily corporate matters, according to a well-accepted financial and commercial standard and practice;

2.1.3 without written consent of Party A, will not sell, transfer, mortgage, or dispose of in any other way, any legal or beneficial interest in Party C's assets, business or revenue, or allow any security interest to be created over thereon, anytime upon the execution hereof;

2.1.4 without written consent of Party A, will not incur, succeed, guaranty, or allow the existing of, any liability, provided that, (i) such liability arises from its routine or daily operation, instead of borrowing; and (ii) such liability has been disclosed by Party A and consented by Party A in writing;

2.1.5 will operate all business in the course of normal operation, and will not take any action/non-action imposing any adverse effect on Party C's operation status and value of assets, in order to maintain Party C's assets value;

2.1.6 without written consent of Party A, will not cause Party C to enter into any material contract, except for the contracts made during the ordinary course of business (for purpose of this clause, if the value of contract exceeds RMB 100,000, the contract will be deemed material);

2.1.7 without written consent of Party A, will not cause Party C will not provide any loan or credit facility to any other person;

2.1.8 will provide to Party A all materials in respect of Party C's operation and financial situation, as required by Party A;

2.1.9 if required by Party A, will procure from the insurer accepted by Party A insurance and maintain the insurance with respect to its assts and business, and the insurance premium and policy shall be in compliance with those of other companies operating similar businesses;

2.1.10 without written consent of Party A, will not cause Party C to merge or amalgamate with any other person, or acquire or invest in any other person;

2.1.11 will notify Party A of any occurrence or threat of any lawsuit, arbitration or administrative proceeding with respect to Party C's assets, business and revenue;

2.1.12 for purpose of maintenance of Party C's ownership of all of its assets, will sign all necessary or appropriate documents, take all necessary and appropriate actions, and file any necessary or appropriate claims, or proceed with all necessary and appropriate defenses against all claims;

2.1.13 without written consent of Party A, will not distribute any dividend in any form to shareholders, provided that, if required so by Party A, will immediately distribute all its distributable profits to its shareholders; and

2.1.14 will appoint the persons designated by Party A as Party C's directors, as required by Party A.

2.2 Party B's Undertakings

Party B undertakes that it:

2.2.1 without written consent of Party A, will not sell, transfer, mortgage, or dispose of in any other way, any legal or beneficial interest in the equity interests held by it of Party C, or allow any security interest to be created over thereon, except for the pledge created over such equity interests in accordance with Party B's Equity Pledge Agreement;

2.2.2 will cause Party C's shareholders' meeting and/or directors' meeting not to approve the sale, transfer, mortgage, or disposition in any other way of, any legal or beneficial interest in the equity interests held by it of Party C, or any security interest to be created over thereon, except for the pledge created over such equity interests in accordance with Party B's Equity Pledge Agreement;

2.2.3 without written consent of Party A, will cause Party C's shareholders' meeting and/or directors' meeting not to approve Party C's merger or amalgamation with any other person, or its acquisition of or investment in any other person;

2.2.4 will notify Party A of any occurrence or threat of any lawsuit, arbitration or administrative proceeding with respect to the equity interests held by it;

2.2.5 will cause Party C’s shareholders’ meeting and/or directors meeting to resolve to agree upon the transfer of Purchased Equity Interests mentioned herein, and take any other actions as required by Party A;

2.2.6 for purpose of maintaining its legitimate ownership of equity interests held by it, will sign all necessary or appropriate documents, take all necessary and appropriate actions, and file any necessary or appropriate claims, or proceed with all necessary and appropriate defenses against all claims;

2.2.7 will appoint the persons designated by Party A as Party C’s directors, as required by Party A;

2.2.8 as required by Party A at anytime, will at anytime, unconditionally transfer its equity interests to the representatives designated by Party A in accordance with the Equity Purchase Right mentioned herein, and waive the option right with respect to the transfer of corresponding equity interests to another existing shareholder (if any); and

2.2.9 will strictly abide by all provisions of this Agreement and other contracts among the Parties, and between any two of them, perform all the obligations thereunder, and will not take any action/non-action which may impose any effect on the validity and enforceability of such contracts. If Party B still maintains any right with respect to the equity interests under this Agreement, or Equity Pledge Agreement among the Parties, or the authorization letter of Party A, Party B will not exercise any of such rights unless with the written direction of Party A.

3. Representations and Warrants

Party B and Party C hereby respectively and jointly represent and warrant to Party A on the date hereof and each day of transfer, that:

3.1 it has the power and capacity to execute and deliver this Agreement, as well as any other equity interests transfer contract, to which it is a party, and which is made for each transfer of Purchased Equity Interests in accordance with this Agreement (individually referred to as “Transfer Agreement”), and perform its obligations under this Agreement and the Transfer Agreement. Party B and Party C agree to enter into a respective Transfer Agreement containing the provisions same to this Agreement when Party A exercises the Equity Purchase Right. This Agreement and any Transfer Agreement to which it is a party, upon being executed, constitutes or will constitute its valid and binding obligation enforceable against it in accordance with the terms hereof;

3.2 its execution, delivery and performance of this Agreement or any Transfer Agreement will not (i) violate any applicable laws of the PRC; (ii) conflict with the articles of association and other organizational documents of Party C; (iii) breach any contract or document which is binding upon it, or to which it is a party; (iv) violate any permit or approval, or the conditions for maintaining its validity of such permit or approval, granted to any party; or (v) cause the suspension or withdrawal of, or impose any additional conditions on, the permit or approval granted to any party;

3.3 Party B owns good and salable ownership of the equity interests by it in Party C, and Party B has not created any security interest over such equity interests except for Party B's Equity Pledge Agreement;

3.4 Party C owns good and salable ownership of all of its assets, and Party C has not created any security interest over such assets;

3.5 Party C does not have any outstanding liabilities, except for (i) those arising from the ordinary course of business; and (ii) those disclosed to Party A and approved by Party A in writing;

3.6 Party C has been complying with all applicable laws and regulations related to the acquisition of assets; and

3.7 there are no lawsuits, arbitrations or administrative proceedings pending or threatened with respect to the equity interests, Party C's assets or Party C itself.

4. Effective Date

This Agreement becomes effective upon the execution by each Party. The term of this Agreement is ten (10) years, and may be extended subject to Party A's decision. All the related Exclusive Stock Option Agreement and the Amendment thereto entered among the Parties will no longer be effective from the date hereof.

5. Applicable Law and Dispute Resolution

5.1 Applicable Law

The formation of this Agreement, its validity, interpretation, performance, change, and termination of this Agreement, and the settlement of any dispute between the Parties, shall be governed by and construed in accordance with the laws of the PRC, which are officially promulgated and available to the public. The issues not governed by the laws of the PRC, which are officially promulgated and available to the public, shall apply international legal rules and practices.

5.2 Dispute Resolution

The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Agreement through friendly consultations. If a dispute is not resolved through friendly consultations within 30 days from the date a Party gives the other Party written notice of the dispute, then each Party may submit the dispute to China International Economic and Trade Arbitration Commission ("CIETAC") for arbitration in accordance with then effective arbitration rules. The arbitration shall be conducted in Shanghai in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

6. **Taxes, Fees**

Each Party shall respectively bear any and all the taxes, expenses and fees incurred by, or collected from such Party, for preparation and execution of this Agreement, each Transfer Agreement, and completion of the transactions contemplated by this Agreement and each Transfer Agreement, in accordance with laws of the PRC.

7. **Notices**

7.1 All the notices and other communications required by or sent pursuant to this Agreement shall be delivered to the following address of each Party in person, by registered mail, prepaid post, or commercial courier services, or facsimile. Each notice shall be confirmed with a respective email. Delivery shall be deemed to have occurred:

7.1.1 the same day (local time at the recipient's place of business) on which delivery is made by personal delivery, or by courier services, registered mail, or prepaid post, or delivery is refused.

7.1.2 the day of delivery being successfully made, if by facsimile (certified by the automatically generated transmission confirmation).

7.2 Each Party's address for purpose of notice is as follows:

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited**
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing
Attention: Li Xueling
Telephone:
Facsimile:

Party B: **Jin Cao**
Address: 6-1-301, Guanjingli, Hongqi South Road, Nankai District, Tianjin
Telephone:
Facsimile:

Party C: **Guangzhou Huaduo Network Technology Co., Ltd.**
Address: 2nd Floor, Jiadu International Plaza, 48-50 Jianzhong Road, Tianhe District, Guangzhou
Attention: Li Xueling
Telephone:
Facsimile:

7.3 Each Party may at anytime change its address for receiving notices by giving a notice to the other Parties in accordance with this clause.

8. Confidentiality

Each Party recognizes and confirms this Agreement, the content of this Agreement, and any and all oral and written information exchanged among them for the preparation and performance of this Agreement shall be deemed as confidential information. Each Party shall hold in confidence all such confidential information, and without the written consent from the other Parties, should not disclose any confidential information to any third party, provided that, confidential information shall not include information that (i) is or becomes available to the public other than as a result of a disclosure by the receiving Party in violation of this Agreement, or (ii) any information which must be disclosed pursuant to laws and regulations, stock trading rules, or as required by order or decree of governmental authorities or courts; or (iii) any information disclosed by either Party to its shareholders, invertors, legal or financial advisors in relation to the transactions contemplated herein, who are bound by confidentiality obligation similar to this provision. Any disclosure of confidential information by the professionals or institutions engaged by either Party shall be deemed as the disclosure by such Party, and such Party shall be held liable for breach. This provision shall survive the termination of this Agreement for any reason.

9. Further Assurance

The Parties hereto shall each immediately perform such beneficial acts, execute and deliver such beneficial instruments and documents, and do all such other things as may be reasonably necessary to perform the provisions and purpose of this Agreement.

10. Miscellaneous

10.1 Amendment, Change and Supplement

Any amendment, change and supplement to this Agreement can only be made with the written agreement signed by each Party hereto.

10.2 Entirety

Except for any written amendment, supplement and change made to this Agreement upon the execution hereof, this Agreement constitutes the entire agreement reached among the Parties relating to the subject matter hereof, and supersedes in their entirety all prior written and oral agreements and understandings among the Parties relating to the subject matter hereof.

10.3 Headings

The headings of this Agreement are created only for reading convenience and should not be interpreted, or explained to affect the meanings of the provisions hereof.

10.4 Languages

This Agreement is written in Chinese in three (3) originals, each Party holding one (1) copy.

10.5 Severability

If any single or multiple provisions hereof are judged invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be affected in any aspect. The Parties shall in good faith endeavor to use valid provisions to the extent allowed by laws and reflecting the intensions of all the Parties to replace those invalid, illegal or unenforceable provisions, provided that, the economic effects achieved by such valid provisions shall be similar to the economic effects achieved by those invalid, illegal or unenforceable provisions.

10.6 Successors

This Agreement shall be binding upon, and inure to the benefit of, the Parties and their successors and permitted assigns.

10.8 Survival

10.8.1 Any obligations arising from, or expiring upon the expiry or earlier termination of this Agreement survive the expiry or earlier termination of this Agreement.

10.8.2 Section 5, Section 7, Section 8 of this Agreement and this Clause 10.8 shall survive the termination of this Agreement.

10.9 Waiver

Each Party can only waive any term or condition of this Agreement in writing and with the signatures of all the Parties. Any waiver made by one Party regarding the other Party's breach should not be deemed as the waiver of such Party regarding the other Party's similar breaches in other situations.

10.10 Indemnification

10.10.1 Each Party hereby agrees and confirms that, if any existing shareholder materially breaches any provision hereof ("Default Party"), or materially fails to perform any obligation hereunder, then it has constituted the breach of this Agreement ("Breach"), and Party A has the right to require the Default Party to cure such Breach or take any correction measures regarding such Breach within a reasonable period. In the event that the Default Party fails to cure such Breach or take any correction measures regarding such Breach within such reasonable period or ten (10) days after Party A sends the written breach notice to the Default Party to require the correction, then Party A is entitled to choose any of the following relieves for the Breach: (i) to terminate this Agreement, and requires the Default Party to provide full indemnification for such Breach; (2) to require the enforcement of all the obligations of the Default Party under this Agreement, and the Default Party to provide full indemnification for such Breach; or (3) to sell or dispose of the pledged equity interests in accordance with the Equity Pledge Agreement, to be indemnified at the first priority with the price of sale and disposal of such equity interests, and require the Default Party to be liable for all losses so incurred by it.

10.10.2 Each Party agrees and confirms that under no circumstance may the existing shareholders may require the termination of this Agreement for any reason.

10.10.3 The rights and relieves available hereunder are accumulative and do not exclude any other right or relief available in accordance with laws.

10.10.4 Notwithstanding anything contained herein to the contrary, the validity of this provision survives the suspension or termination of this Agreement.

[Signature page]

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited**

Signature: (Seal)
Name:
Title: Legal Representative/Authorized Representative

Party B: **Jin Cao**

Signature: /s/ Jin Cao

Party C: **Guangzhou Huaduo Network Technology Co., Ltd.**

Signature: (Seal)
Name:
Title: Legal Representative/Authorized Representative

Exhibit 10.13

Equity Interest Pledge Agreement

This Equity Interest Pledge Agreement (this "Contract"), dated September 16, 2011, is made in the People's Republic of China (the "PRC"), by and between:

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited ("Pledgee")**
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing

Party B: **Beijing Tuda Science and Technology Company Limited ("Pledgor")**
Address: Suite B1506, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing

(Pledgor and Pledgee individually, a "Party"; collectively, the "Parties").

WHEREAS

1. The Pledgor is a company registered in the PRC, holding 96.6667% equity interests of Guangzhou Huaduo Network Technology Co., Ltd. (the "Company") as of the date hereof. The Company is a limited liability company registered in Guangzhou, the PRC, engaged in the Internet-based value-added telecommunications services. Party B will cause the Company to confirm the rights and obligations of the Pledgor and the Pledgee under this Contract and to provide necessary assistance for the registration of such pledge.

2. The Pledgee is a limited liability company registered in Beijing. The Pledgee, the Pledgor and/or the Company entered into a series of legal documents, including an Exclusive Business Cooperation Agreement, which are made for the purpose of formation of the Pledgee's control over the Company ("Controlling Agreements").

3. The Pledgor agrees to pledge all of its equity interests in the Company to the Pledgee as security for the performance of the obligations hereunder by Party B and/or the Company.

NOW, THEREFORE, the Parties agree as follows through friendly negotiations:

1. Definitions

Unless otherwise required in the context, in this Contract:

1.1 **Pledge** means the secured property rights granted to the Pledgee by the Pledgor in accordance with Section 2 of this Contract, i.e., the right of the Pledgee to be compensated at first priority with respect to the price of sale or disposal of such equity interests pledged to the Pledgee by the Pledgor.

1.2 **Equity Interests** mean any and all equity interests duly owned by the Pledgor in the Company now and in the future.

1.3 **Pledged Equity Interests** mean any and all equity interests duly owned by the Pledgor in the Company, to be pledged by the Pledgor.

1.4 **Pledge Term** means the period as specified in Section 3 of this Contract.

1.5 **Major Contracts** mean the agreements listed in Appendix 1 hereto, including a series of Controlling Agreements by and among the Pledgor and/or the Company and the Pledgee, such as the Exclusive Business Cooperation Agreement.

1.6 An **Breaching Event** means any event listed in Section 7 hereof.

1.7 **Default Notice** means the notice given by the Pledgee regarding the Breaching Event in accordance with this Contract.

2. Pledge

The Pledgor hereby pledges any and all equity interests of the Company owned by it now and in the future as security for its timely and complete performance of the Pledgor's obligations to discharge of liabilities, other monetary payments, as well as all other obligations under the Major Contracts, no matter the monetary payment obligation becomes due and payable as a result of its maturity, demand of earlier collection or any other reasons.

3. Pledge Term

3.1 This Pledge becomes effective immediately after the equity interests pledged hereunder is recorded on the share register of the Company, and remains valid until Party B is no longer authorized as shareholder of the Company. Each Party agrees that the Pledgor shall record the equity interests pledge under this Contract on the share register of the Company within three (3) business days upon the execution hereof.

3.2 During the Pledge Term, if Party B fails to perform the obligations in accordance with the provisions of the Major Contracts, the Pledgee is entitled, however not obligated, to dispose the Pledged Equity Interests pursuant to law and this Contract.

4. Custody of Pledge Certificate

4.1 During the Pledge Term, the Pledgor shall deliver its capital contribution certificate and the share register of the Company in which the pledge is recorded to the custody of the Pledgee. The Pledgor shall deliver the abovementioned capital contribution certificate and the share register of the Company in which the pledge is recorded to the Pledgee within one (1) week upon the execution of this Contract. And the Pledgee shall remain the custodian of such documents throughout the whole Pledge Term as mentioned herein.

4.2 During the Pledge Term, the Pledgee has the right to collect the dividends arising from the Equity Interests.

5. Pledgor's Representations and Warranties

5.1 The Pledgor is the only legal owner of the Equity Interests.

5.2 The Pledgee has the right to dispose or transfer the Equity Interests according to the ways as described in this Contract.

5.3 The Pledgor has not created any other pledge or other security interest over the Equity Interests, except for this Pledge.

6. Pledgor's Undertakings and Confirmation

6.1 During the term of this Contract, the Pledgor undertakes to the Pledgee that:

6.1.1 Without prior written consent of the Pledgee, the Pledgor may not transfer the Equity Interests, or create or allow the creation of any new pledge or any other encumbrances upon the Equity Interests, except for the purpose of performance of the Major Contracts;

6.1.2 The Pledgor will abide by the provisions of all laws and regulations related to the Pledge, and upon receiving any notice, order or direction given or formulated by any competent authority with respect to the Pledge, the Pledgor will notify the Pledgee of such notice, order or direction within five (5) days upon the receipt thereof, and comply with such notice, order or direction, or submit any dissenting opinions and statements at the request of the Pledgee or with the consent of the Pledgee;

6.1.3 The Pledgor will immediately notify the Pledgee of any event or notice received which may possibly affect the Equity Interests of the Pledgee or any part of the Plegee's rights, and any other event or received notice which may possibly change the warrants and obligations of the Pledgor under this Contract, or the performance of obligations hereunder by the Pledgor.

6.2 The Pledgor agrees that, the rights granted to the Pledgee regarding the Pledge in accordance with this Contract shall not be interrupted or impaired by any legal proceedings initiated by the Pledgor, its successors, its authorized persons, or any other person.

6.3 The Pledgor warrants to the Pledgee that, for safeguarding or consummating the guaranty regarding the transfer of earnings under the Major Contracts in accordance with this Contract, the Pledgor will faithfully sign, or cause the other party materially related to the Pledge to sign, all the right certificates or instruments as required by the Pledgee, and/or take, or cause the other party materially related to the Pledge to take, any acts as required by the Pledgee, facilitate the exercise of rights and authorizations granted to the Pledgee hereunder, enter into any documents related to the ownership of the Equity Interests with the Pledges or its designated persons (natural person/legal person), and provide to the Pledgee any and all notices, orders and decisions relating to the Pledge as deemed necessary by the Pledgee within the reasonable period.

6.4 The Pledgor warrants to the Pledgee that, the Pledgor will abide by and perform all the warrants, undertakings, agreements, representations and conditions under this Contract, and the Pledgor will indemnify the Pledgee of all losses incurred that is caused by the failure in or partial failure in the performance of such warrants, undertakings, agreements, representations or conditions by the Pledgor.

7. Breaching Event

7.1 Any of the following is deemed as an Breaching Event:

7.1.1 Party B fails to transfer the earnings under the Major Contracts in full and according to the timeline, or commits any act in violation of the Major Contracts and this Contract;

7.1.2 Any of representations or warrants made by the Pledgor in Section 5 hereof is materially misleading or wrong, and/or, the Pledgor breaches any of the representations or warrants made by the Pledgor in Section 5 hereof;

7.1.3 The Pledgor fails to record the Pledge on the share register of the Company in accordance with Clause 3.1;

7.1.4 The Pledgor breaches any provision of this Contract;

7.1.5 Except for the circumstance agreed to in Clause 6.1.1, the Pledgor waives the Pledged Equity Interests, or transfers or intends to transfer the Pledged Equity Interests without the prior written consent of the Pledgee;

7.1.6 Any external borrowings, guaranties, indemnification, undertakings or any other liabilities of the Pledgor (1) shall be repaid or performed earlier due to its default; or (2) cannot be repaid or performed when due;

7.1.7 Any or all consents, permits, approvals or authorizations from the governmental authorities necessary for the enforceability, legality or validity of this Contract, are revoked, suspended, invalidated, or materially changed;

7.1.8 Promulgation of application laws makes this Contract becomes illegal, or the Pledgor cannot continue the performance of its obligations hereunder;

7.1.9 Any adverse change to assets owned by the Pledgor makes the Pledgee to believe that the ability of the Pledgor to perform its obligations hereunder has been affected;

7.1.10 Any other circumstance which makes the Pledgee unable or possibly unable to dispose the Pledge in accordance with applicable laws.

7.2 The Pledgor shall immediately notify the Pledgee in writing of the occurrence of any event mentioned in Clause 7.1 or any event which may cause the occurrence of any abovementioned event.

7.3 Unless any of the abovementioned Breaching Event has been resolved to the satisfaction of the Pledgee, the Pledgee is entitled to give a written Default Notice to the Pledgor anytime upon or following the occurrence of any Breaching Event of the Pledgor, requiring the Pledgee to dispose the Pledge in accordance with Section 8 of this Contract.

8. Exercise of Pledge

8.1 The Pledgor should not transfer any of the Equity Interests of the Company owned by it before the liabilities are discharged and all other material obligations are performed under the Major Contracts.

8.2 The Pledgee may give a Default Notice to the Pledgor when exercising the Pledge.

8.3 Subject to Clause 7.3, the Pledgee may exercise the right to dispose the Pledge at the same time or at anytime after the Pledgee gives the Default Notice in accordance with Clause 7.2. The Pledgor no longer owns any right or benefit in relation to the Equity Interests once the Pledgee decides to exercise the right to dispose the Pledge.

8.4 As of the occurrence of any Breaching Event, the Pledgee is entitled to dispose the Pledged Equity Interests according to legal procedure, to the extent allowed by laws and in accordance with applicable laws, and does not need to distribute any of the proceedings of such disposal to the Pledgor; the Pledgor hereby waives the contingent right to require for distribution from the Pledgee of any proceedings of such disposal. Similarly, the Pledgor should not be held liable for any losses which the Pledgee may incur by following the disposal of the Pledged Equity Interests.

8.5 As the Pledgee disposes the Pledge in accordance with this Contract, the Pledgor and the Company shall provide assistance necessary for the realization of the Pledge by the Pledgee.

9. Transfer

9.1 Unless with the prior consent of the Pledgee, the Pledgor has no right to grant or transfer any of its rights and obligations hereunder.

9.2 This Contract shall be binding upon the Pledgor and its successors and permitted assigns, and inure to the benefit of the Pledgee and its successors and permitted assigns.

9.3 The Pledgee has the right to, at anytime, transfer any of its rights and obligations under the business cooperation agreement to its designated person (natural person/legal person), and under such circumstance, the assigns shall enjoy and assume the same rights and obligations same to which the Pledgee enjoys and assumes under this Contract, as if the assigns is the original party to the Contract. When the Pledgee transfers any of its rights and obligations under the business cooperation agreement, the Pledgor shall sign any necessary agreement and/or instruments at the request of the Pledgee.

9.4 After the Pledgee changes upon the transfer, the Pledgor shall enter into a new pledge contract containing the content substantially same to this Contract with the new pledgee.

9.5 The Pledgor shall strictly comply with the provisions of this Contract and any other contract entered into with any other party or parties, perform the obligations under this Contract and other contracts, and should not take any action/non-action which may substantially affect the validity and enforceability of the abovementioned contracts. Unless with the written direction of the Pledgee, the Pledgor should not exercise its remaining rights regarding the Pledged Equity Interests.

10. Termination

This Contract terminates once the transfer of the proceedings arising from the Major Contracts is completed, and the Pledgor no longer assumes any obligations under the Major Contracts and is no longer authorized as shareholder of the Company. And the Pledgee shall cancel or revoke this Contract as soon as practical upon the termination of this Contract.

11. Costs and Expenses

Any and all costs and expenses actually incurred in connection with this Contract, including but not limited to legal expenses, costs, stamp duty, as well as any other taxes and fees, will be fully borne by Party A.

12. Confidentiality

Each Party recognizes and confirms this Contract, the content of this Contract, and any and all oral and written information exchanged among them for the preparation and performance of this Contract shall be deemed as confidential information. Each Party shall hold in confidence all such confidential information, and without the written consent from the other Parties, should not disclose any confidential information to any third party, provided that, confidential information shall not include information that (a) is or becomes available to the public other than as a result of disclosure by the receiving Party in violation of this Contract, or (b) any information which must be disclosed pursuant to laws and regulations, stock trading rules, or as required by order or decree of governmental authorities or courts; or (c) any information disclosed by either Party to its shareholders, investors, legal or financial advisors in relation to the transactions contemplated herein, who are bound by confidentiality obligation similar to this provision. Any disclosure of confidential information by the professionals or institutions engaged by either Party shall be deemed as the disclosure by such Party, and such Party shall be held liable for breach. This provision shall survive the termination of this Contract for any reason.

13. Applicable Law and Dispute Resolution

The formation of this Contract, its validity, interpretation, performance, change, and termination of this Contract, and the settlement of any dispute between the Parties, shall be governed by and construed in accordance with the laws of the PRC.

The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Contract through friendly consultations. If a dispute is not resolved through friendly consultations within 30 days from the date a Party gives the other Party written notice of the dispute, then each Party may submit the dispute to China International Economic and Trade Arbitration Commission ("CIETAC") for arbitration in accordance with then effective arbitration rules. The arbitration shall be conducted in Beijing in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

In the event of any dispute arising from the interpretation or performance of this Contract, and in the course of the arbitration of any dispute, each Party shall continue the performance of its rights and obligations hereunder excepted for those disputed ones.

14. Notices

All the notices and other communications required by or sent pursuant to this Contract shall be delivered to the following address of each Party in person, by registered mail, prepaid post, or commercial courier services, or facsimile. Each notice shall be confirmed with a respective email. Delivery shall be deemed to have occurred:

the same day (local time at the recipient's place of business) on which delivery is made by personal delivery, or by courier services, registered mail, or prepaid post, or delivery is refused; or

the day of delivery being successfully made, if by facsimile (certified by the automatically generated transmission confirmation).

Each Party's address for purpose of notice is as follows:

Pledgee: **Duowan Entertainment Information Technology (Beijing) Company Limited**
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing
Attention: Xueling Li
Facsimile:

Pledgor: **Beijing Tuda Science and Technology Company Limited**
Address: Suite B1506, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing
Attention: Jin Cao
Facsimile:

Each Party may at anytime change its address for receiving notices by giving a notice to the other Parties in accordance with this clause.

15. Severability

If any single or multiple provisions hereof are judged invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality and enforceability of the remaining provisions of this Contract shall not be affected in any aspect. The Parties shall in good faith, endeavor to use valid provisions to the extent allowed by laws and reflecting the intensions of all the Parties, to replace those invalid, illegal or unenforceable provisions, provided that, the economic effects achieved by such valid provisions shall be similar to the economic effects achieved by those invalid, illegal or unenforceable provisions.

16. Appendices

The appendix hereto is an integral part of this Contract.

17. Effectiveness

Any amendment, supplement or change to this Contract shall be made in writing, and can only become effective with the signatures or seals of the Parties and registration with governmental authorities in accordance with applicable rules (if applicable).

[Signature page]

IN WITNESS WHEREOF, the Parties hereto have caused this Equity Pledge Contract to be executed by their duly authorized representatives as of the date first above written.

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited**

By Authorized Representative: (Seal)
Date:

Party B: **Beijing Tuda Science and Technology Company Limited**

By Authorized Representative: (Seal)
Date:

Appendix 1

List of Major Contracts

1. Exclusive Business Cooperation Agreement, dated August 12, 2008, by and between Duowan Entertainment Information Technology (Beijing) Company Limited and Guangzhou Huaduo Network Technology Co., Ltd.
2. Exclusive Option Agreement, dated September 16, 2011, by and among Duowan Entertainment Information Technology (Beijing) Company Limited, Beijing Tuda Science and Technology Company Limited and Guangzhou Huaduo Network Technology Co., Ltd.
3. Exclusive Technology Support and Technology Services Agreement, dated August 12, 2008, by and between Duowan Entertainment Information Technology (Beijing) Company Limited and Guangzhou Huaduo Network Technology Co., Ltd.
4. Power of Attorney, dated September 16, 2011, signed by Beijing Tuda Science and Technology Company Limited

Equity Interest Pledge Agreement

This Equity Interest Pledge Agreement (this “Contract”), dated September 16, 2011, is made in the People’s Republic of China (the “PRC”), by and between:

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited (“Pledgee”)**
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing

Party B: **Xueling Li (“Pledgor”)**
Address:

(Pledgor and Pledgee individually, a “Party”; collectively, the “Parties”).

WHEREAS

1. The Pledgor is a company registered in the PRC, holding 1.6654% equity interests of Guangzhou Huaduo Network Technology Co., Ltd. (the “Company”) as of the date hereof. The Company is a limited liability company registered in Guangzhou, the PRC, engaged in the Internet-based value-added telecommunications services. Party B will cause the Company to confirm the rights and obligations of the Pledgor and the Pledgee under this Contract and to provide necessary assistance for the registration of such pledge.

2. The Pledgee is a limited liability company registered in Beijing. The Pledgee, the Pledgor and/or the Company entered into a series of legal documents, including an Exclusive Business Cooperation Agreement, which are made for the purpose of formation of the Pledgee’s control over the Company (“Controlling Agreements”).

3. The Pledgor agrees to pledge all of its equity interests in the Company to the Pledgee as security for the performance of the obligations hereunder by Party B and/or the Company.

NOW, THEREFORE, the Parties agree as follows through friendly negotiations:

1. Definitions

Unless otherwise required in the context, in this Contract:

1.1 **Pledge** means the secured property rights granted to the Pledgee by the Pledgor in accordance with Section 2 of this Contract, i.e., the right of the Pledgee to be compensated at first priority with respect to the price of sale or disposal of such equity interests pledged to the Pledgee by the Pledgor.

1.2 **Equity Interests** mean any and all equity interests duly owned by the Pledgor in the Company now and in the future.

1.3 **Pledged Equity Interests** mean any and all equity interests duly owned by the Pledgor in the Company, to be pledged by the Pledgor.

1.4 **Pledge Term** means the period as specified in Section 3 of this Contract.

1.5 **Major Contracts** mean the agreements listed in Appendix 1 hereto, including a series of Controlling Agreements by and among the Pledgor and/or the Company and the Pledgee, such as the Exclusive Business Cooperation Agreement.

1.6 An **Breaching Event** means any event listed in Section 7 hereof.

1.7 **Default Notice** means the notice given by the Pledgee regarding the Breaching Event in accordance with this Contract.

2. Pledge

The Pledgor hereby pledges any and all equity interests of the Company owned by it now and in the future as security for its timely and complete performance of the Pledgor's obligations to discharge of liabilities, other monetary payments, as well as all other obligations under the Major Contracts, no matter the monetary payment obligation becomes due and payable as a result of its maturity, demand requirement of earlier collection or any other reasons.

3. Pledge Term

3.1 This Pledge becomes effective immediately after the equity interests pledged hereunder is recorded on the share register of the Company, and remains valid until Party B is no longer authorized as shareholder of the Company. Each Party agrees that the Pledgor shall record the equity interests pledge under this Contract on the share register of the Company within three (3) business days upon the execution hereof.

3.2 During the Pledge Term, if Party B fails to perform the obligations in accordance with the provisions of the Major Contracts, the Pledgee is entitled, however not obligated, to dispose the Pledged Equity Interests pursuant to law and this Contract.

4. Custody of Pledge Certificate

4.1 During the Pledge Term, the Pledgor shall deliver its capital contribution certificate and the share register of the Company in which the pledge is recorded to the custody of the Pledgee. The Pledgor shall deliver the abovementioned capital contribution certificate and the share register of the Company in which the pledge is recorded to the Pledgee within one (1) week upon the execution of this Contract. And the Pledgee shall remain the custodian of such documents throughout the whole Pledge Term as mentioned herein.

4.2 During the Pledge Term, the Pledgee has the right to collect the dividends arising from the Equity Interests.

5. Pledgor's Representations and Warranties

5.1 The Pledgor is the only legal owner of the Equity Interests.

5.2 The Pledgee has the right to dispose or transfer the Equity Interests according to the ways as described in this Contract.

5.3 The Pledgor has not created any other pledge or other security interest over the Equity Interests, except for this Pledge.

6. Pledgor's Undertakings and Confirmation

6.1 During the term of this Contract, the Pledgor undertakes to the Pledgee that:

6.1.1 Without prior written consent of the Pledgee, the Pledgor may not transfer the Equity Interests, or create or allow the creation of any new pledge or any other encumbrances upon the Equity Interests, except for the purpose of performance of the Major Contracts;

6.1.2 The Pledgor will abide by the provisions of all laws and regulations related to the Pledge, and upon receiving any notice, order or direction given or formulated by any competent authority with respect to the Pledge, the Pledgor will notify the Pledgee of such notice, order or direction within five (5) days upon the receipt thereof, and comply with such notice, order or direction, or submit any dissenting opinions and statements at the request of the Pledgee or with the consent of the Pledgee;

6.1.3 The Pledgor will immediately notify the Pledgee of any event or notice received which may possibly affect the Equity Interests of the Pledgee or any part of the Plegee's rights, and any other event or received notice which may possibly change the warrants and obligations of the Pledgor under this Contract, or the performance of obligations hereunder by the Pledgor.

6.2 The Pledgor agrees that, the rights granted to the Pledgee regarding the Pledge in accordance with this Contract shall not be interrupted or impaired by any legal proceedings initiated by the Pledgor, its successors, its authorized persons, or any other person.

6.3 The Pledgor warrants to the Pledgee that, for safeguarding or consummating the guaranty regarding the transfer of earnings under the Major Contracts in accordance with this Contract, the Pledgor will faithfully sign, or cause the other party materially related to the Pledge to sign, all the right certificates or instruments as required by the Pledgee, and/or take, or cause the other party materially related to the Pledge to take, any acts as required by the Pledgee, facilitate the exercise of rights and authorizations granted to the Pledgee hereunder, enter into any documents related to the ownership of the Equity Interests with the Pledges or its designated persons (natural person/legal person), and provide to the Pledgee any and all notices, orders and decisions relating to the Pledge as deemed necessary by the Pledgee within the reasonable period.

6.4 The Pledgor warrants to the Pledgee that, the Pledgor will abide by and perform all the warrants, undertakings, agreements, representations and conditions under this Contract, and the Pledgor will indemnify the Pledgee of all losses incurred that is caused by the failure in or partial failure in the performance of such warrants, undertakings, agreements, representations or conditions by the Pledgor.

7. Breaching Event

7.1 Any of the following is deemed as an Breaching Event:

7.1.1 Party B fails to transfer the earnings under the Major Contracts in full and according to the timeline, or commits any act in violation of the Major Contracts and this Contract;

7.1.2 Any of representations or warrants made by the Pledgor in Section 5 hereof is materially misleading or wrong, and/or, the Pledgor breaches any of the representations or warrants made by the Pledgor in Section 5 hereof;

7.1.3 The Pledgor fails to record the Pledge on the share register of the Company in accordance with the Clause 3.1;

7.1.4 The Pledgor breaches any provision of this Contract;

7.1.5 Except for the circumstance agreed to in Clause 6.1.1, the Pledgor waives the Pledged Equity Interests, or transfers or intends to transfer the Pledged Equity Interests without the prior written consent of the Pledgee;

7.1.6 Any external borrowings, guaranties, indemnification, undertakings or any other liabilities of the Pledgor (1) shall be repaid or performed earlier due to its default; or (2) cannot be repaid or performed when due;

7.1.7 Any or all consents, permits, approvals or authorizations from the governmental authorities necessary for the enforceability, legality or validity of this Contract, are revoked, suspended, invalidated, or materially changed;

7.1.8 Promulgation of application laws makes this Contract becomes illegal, or the Pledgor cannot continue the performance of its obligations hereunder;

7.1.9 Any adverse change to assets owned by the Pledgor makes the Pledgee to believe that the ability of the Pledgor to perform its obligations hereunder has been affected;

7.1.10 Any other circumstance which makes the Pledgee unable or possibly unable to dispose the Pledge in accordance with applicable laws.

7.2 The Pledgor shall immediately notify the Pledgee in writing of the occurrence of any event mentioned in Clause 7.1 or any event which may cause the occurrence of any abovementioned event.

7.3 Unless any of the abovementioned Breaching Event has been resolved to the satisfaction of the Pledgee, the Pledgee is entitled to give a written Default Notice to the Pledgor anytime upon or following the occurrence of any Breaching Event of the Pledgor, requiring the Pledgee to dispose the Pledge in accordance with Section 8 of this Contract.

8. Exercise of Pledge

8.1 The Pledgor should not transfer any of the Equity Interests of the Company owned by it before the liabilities are discharged and all other material obligations are performed under the Major Contracts.

8.2 The Pledgee may give a Default Notice to the Pledgor when exercising the Pledge.

8.3 Subject to Clause 7.3, the Pledgee may exercise the right to dispose the Pledge at the same time or at anytime after the Pledgee gives the Default Notice in accordance with Clause 7.2. The Pledgor no longer owns any right or benefit in relation to the Equity Interests once the Pledgee decides to exercise the right to dispose the Pledge.

8.4 As of the occurrence of any Breaching Event, the Pledgee is entitled to dispose the Pledged Equity Interests according to legal procedure, to the extent allowed by laws and in accordance with applicable laws, and does not need to distribute any of the proceedings of such disposal to the Pledgor; the Pledgor hereby waives the contingent right to require for distribution from the Pledgee of any proceedings of such disposal. Similarly, the Pledgor should not be held liable for any losses which the Pledgee may incur by following the disposal of the Pledged Equity Interests.

8.5 As the Pledgee disposes the Pledge in accordance with this Contract, the Pledgor and the Company shall provide assistance necessary for the realization of the Pledge by the Pledgee.

9. Transfer

9.1 Unless with the prior consent of the Pledgee, the Pledgor has no right to grant or transfer any of its rights and obligations hereunder.

9.2 This Contract shall be binding upon the Pledgor and its successors and permitted assigns, and inure to the benefit of the Pledgee and its successors and permitted assigns.

9.3 The Pledgee has the right to, at anytime, transfer any of its rights and obligations under the business cooperation agreement to its designated person (natural person/legal person), and under such circumstance, the assigns shall enjoy and assume the same rights and obligations same to which the Pledgee enjoys and assumes under this Contract, as if the assigns is the original party to the Contract. When the Pledgee transfers any of its rights and obligations under the business cooperation agreement, the Pledgor shall sign any necessary agreement and/or instruments at the request of the Pledgee.

9.4 After the Pledgee changes upon the transfer, the Pledgor shall enter into a new pledge contract containing the content substantially same to this Contract with the new pledgee.

9.5 The Pledgor shall strictly comply with the provisions of this Contract and any other contract entered into with any other party or parties, perform the obligations under this Contract and other contracts, and should not take any action/non-action which may substantially affect the validity and enforceability of the abovementioned contracts. Unless with the written direction of the Pledgee, the Pledgor should not exercise its remaining rights regarding the Pledged Equity Interests.

10. Termination

This Contract terminates once the transfer of the proceedings arising from the Major Contracts is completed, and the Pledgor no longer assumes any obligations under the Major Contracts and is no longer authorized as shareholder of the Company. And the Pledgee shall cancel or revoke this Contract as soon as practical upon the termination of this Contract.

11. Costs and Expenses

Any and all costs and expenses actually incurred in connection with this Contract, including but not limited to legal expenses, costs, stamp duty, as well as any other taxes and fees, will be fully borne by Party A.

12. Confidentiality

Each Party recognizes and confirms this Contract, the content of this Contract, and any and all oral and written information exchanged among them for the preparation and performance of this Contract shall be deemed as confidential information. Each Party shall hold in confidence all such confidential information, and without the written consent from the other Parties, should not disclose any confidential information to any third party, provided that, confidential information shall not include information that (a) is or becomes available to the public other than as a result of disclosure by the receiving Party in violation of this Contract, or (b) any information which must be disclosed pursuant to laws and regulations, stock trading rules, or as required by order or decree of governmental authorities or courts; or (c) any information disclosed by either Party to its shareholders, investors, legal or financial advisors in relation to the transactions contemplated herein, who are bound by confidentiality obligation similar to this provision. Any disclosure of confidential information by the professionals or institutions engaged by either Party shall be deemed as the disclosure by such Party, and such Party shall be held liable for breach. This provision shall survive the termination of this Contract for any reason.

13. Applicable Law and Dispute Resolution

The formation of this Contract, its validity, interpretation, performance, change, and termination of this Contract, and the settlement of any dispute between the Parties, shall be governed by and construed in accordance with the laws of the PRC.

The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Contract through friendly consultations. If a dispute is not resolved through friendly consultations within 30 days from the date a Party gives the other Party written notice of the dispute, then each Party may submit the dispute to China International Economic and Trade Arbitration Commission ("CIETAC") for arbitration in accordance with then effective arbitration rules. The arbitration shall be conducted in Beijing in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

In the event of any dispute arising from the interpretation or performance of this Contract, and in the course of the arbitration of any dispute, each Party shall continue the performance of its rights and obligations hereunder excepted for those disputed ones.

14. Notices

All the notices and other communications required by or sent pursuant to this Contract shall be delivered to the following address of each Party in person, by registered mail, prepaid post, or commercial courier services, or facsimile. Each notice shall be confirmed with a respective email. Delivery shall be deemed to have occurred:

the same day (local time at the recipient's place of business) on which delivery is made by personal delivery, or by courier services, registered mail, or prepaid post, or delivery is refused; or

the day of delivery being successfully made, if by facsimile (certified by the automatically generated transmission confirmation).

Each Party's address for purpose of notice is as follows:

Pledgee: **Duowan Entertainment Information Technology (Beijing) Company Limited**
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing
Attention: Xueling Li
Facsimile:

Pledgor: **Xueling Li**
Address: No.2, Haiyuncang Hutong, Dongcheng District, Beijing
Facsimile:

Each Party may at anytime change its address for receiving notices by giving a notice to the other Parties in accordance with this clause.

15. Severability

If any single or multiple provisions hereof are judged invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality and enforceability of the remaining provisions of this Contract shall not be affected in any aspect. The Parties shall in good faith, endeavor to use valid provisions to the extent allowed by laws and reflecting the intensions of all the Parties, to replace those invalid, illegal or unenforceable provisions, provided that, the economic effects achieved by such valid provisions shall be similar to the economic effects achieved by those invalid, illegal or unenforceable provisions.

16. Appendices

The appendix hereto is an integral part of this Contract.

17. Effectiveness

Any amendment, supplement or change to this Contract shall be made in writing, and can only become effective with the signatures or seals of the Parties and registration with governmental authorities in accordance with applicable rules (if applicable).

[Signature page]

IN WITNESS WHEREOF, the Parties hereto have caused this Equity Pledge Contract to be executed by their duly authorized representatives as of the date first above written.

Party A: Duowan Entertainment Information Technology (Beijing) Company Limited

By Authorized Representative: (Seal)
Date:

Party B: Xueling Li

By: /s/ Xueling Li
Date:

Appendix 1

List of Major Contracts

1. Exclusive Business Cooperation Agreement, dated August 12, 2008, by and between Duowan Entertainment Information Technology (Beijing) Company Limited and Guangzhou Huaduo Network Technology Co., Ltd.
2. Exclusive Option Agreement, dated September 16, 2011, by and among Duowan Entertainment Information Technology (Beijing) Company Limited, Xueling Li and Guangzhou Huaduo Network Technology Co., Ltd.
3. Exclusive Technology Support and Technology Services Agreement, dated August 12, 2008, by and between Duowan Entertainment Information Technology (Beijing) Company Limited and Guangzhou Huaduo Network Technology Co., Ltd.
4. Power of Attorney, dated September 16, 2011, signed by Xueling Li

Equity Interest Pledge Agreement

This Equity Interest Pledge Agreement (this “Contract”), dated September 16, 2011, is made in the People’s Republic of China (the “PRC”), by and between:

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited (“Pledgee”)**
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing

Party B: **Jun Lei (“Pledgor”)**
Address:

(Pledgor and Pledgee individually, a “Party”; collectively, the “Parties”).

WHEREAS

1. The Pledgor is a company registered in the PRC, holding 1.4570% equity interests of Guangzhou Huaduo Network Technology Co., Ltd. (the “Company”) as of the date hereof. The Company is a limited liability company registered in Guangzhou, the PRC, engaged in the Internet-based value-added telecommunications services. Party B will cause the Company to confirm the rights and obligations of the Pledgor and the Pledgee under this Contract and to provide necessary assistance for the registration of such pledge.

2. The Pledgee is a limited liability company registered in Beijing. The Pledgee, the Pledgor and/or the Company entered into a series of legal documents, including an Exclusive Business Cooperation Agreement, which are made for the purpose of formation of the Pledgee’s control over the Company (“Controlling Agreements”).

3. The Pledgor agrees to pledge all of its equity interests in the Company to the Pledgee as security for the performance of the obligations hereunder by Party B and/or the Company.

NOW, THEREFORE, the Parties agree as follows through friendly negotiations:

1. Definitions

Unless otherwise required in the context, in this Contract:

1.1 **Pledge** means the secured property rights granted to the Pledgee by the Pledgor in accordance with Section 2 of this Contract, i.e., the right of the Pledgee to be compensated at first priority with respect to the price of sale or disposal of such equity interests pledged to the Pledgee by the Pledgor.

1.2 **Equity Interests** mean any and all equity interests duly owned by the Pledgor in the Company now and in the future.

1.3 **Pledged Equity Interests** mean any and all equity interests duly owned by the Pledgor in the Company, to be pledged by the Pledgor.

1.4 **Pledge Term** means the period as specified in Section 3 of this Contract.

1.5 **Major Contracts** mean the agreements listed in Appendix 1 hereto, including a series of Controlling Agreements by and among the Pledgor and/or the Company and the Pledgee, such as the Exclusive Business Cooperation Agreement.

1.6 An **Breaching Event** means any event listed in Section 7 hereof.

1.7 **Default Notice** means the notice given by the Pledgee regarding the Breaching Event in accordance with this Contract.

2. Pledge

The Pledgor hereby pledges any and all equity interests of the Company owned by it now and in the future as security for its timely and complete performance of the Pledgor's obligations to discharge of liabilities, other monetary payments, as well as all other obligations under the Major Contracts, no matter the monetary payment obligation becomes due and payable as a result of its maturity, demand of earlier collection or any other reasons.

3. Pledge Term

3.1 This Pledge becomes effective immediately after the equity interests pledged hereunder is recorded on the share register of the Company, and remains valid until Party B is no longer authorized as shareholder of the Company. Each Party agrees that the Pledgor shall record the equity interests pledge under this Contract on the share register of the Company within three (3) business days upon the execution hereof.

3.2 During the Pledge Term, if Party B fails to perform the obligations in accordance with the provisions of the Major Contracts, the Pledgee is entitled, however not obligated, to dispose the Pledged Equity Interests pursuant to law and this Contract.

4. Custody of Pledge Certificate

4.1 During the Pledge Term, the Pledgor shall deliver its capital contribution certificate and the share register of the Company in which the pledge is recorded to the custody of the Pledgee. The Pledgor shall deliver the abovementioned capital contribution certificate and the share register of the Company in which the pledge is recorded to the Pledgee within one (1) week upon the execution of this Contract. And the Pledgee shall remain the custodian of such documents throughout the whole Pledge Term as mentioned herein.

4.2 During the Pledge Term, the Pledgee has the right to collect the dividends arising from the Equity Interests.

5. Pledgor's Representations and Warranties

5.1 The Pledgor is the only legal owner of the Equity Interests.

5.2 The Pledgee has the right to dispose or transfer the Equity Interests according to the ways as described in this Contract.

5.3 The Pledgor has not created any other pledge or other security interest over the Equity Interests, except for this Pledge.

6. Pledgor's Undertakings and Confirmation

6.1 During the term of this Contract, the Pledgor undertakes to the Pledgee that:

6.1.1 Without prior written consent of the Pledgee, the Pledgor may not transfer the Equity Interests, or create or allow the creation of any new pledge or any other encumbrances upon the Equity Interests, except for the purpose of performance of the Major Contracts;

6.1.2 The Pledgor will abide by the provisions of all laws and regulations related to the Pledge, and upon receiving any notice, order or direction given or formulated by any competent authority with respect to the Pledge, the Pledgor will notify the Pledgee of such notice, order or direction within five (5) days upon the receipt thereof, and comply with such notice, order or direction, or submit any dissenting opinions and statements at the request of the Pledgee or with the consent of the Pledgee;

6.1.3 The Pledgor will immediately notify the Pledgee of any event or notice received which may possibly affect the Equity Interests of the Pledgee or any part of the Plegee's rights, and any other event or received notice which may possibly change the warrants and obligations of the Pledgor under this Contract, or the performance of obligations hereunder by the Pledgor.

6.2 The Pledgor agrees that, the rights granted to the Pledgee regarding the Pledge in accordance with this Contract shall not be interrupted or impaired by any legal proceedings initiated by the Pledgor, its successors, its authorized persons, or any other person.

6.3 The Pledgor warrants to the Pledgee that, for safeguarding or consummating the guaranty regarding the transfer of earnings under the Major Contracts in accordance with this Contract, the Pledgor will faithfully sign, or cause the other party materially related to the Pledge to sign, all the right certificates or instruments as required by the Pledgee, and/or take, or cause the other party materially related to the Pledge to take, any acts as required by the Pledgee, facilitate the exercise of rights and authorizations granted to the Pledgee hereunder, enter into any documents related to the ownership of the Equity Interests with the Pledges or its designated persons (natural person/legal person), and provide to the Pledgee any and all notices, orders and decisions relating to the Pledge as deemed necessary by the Pledgee within the reasonable period.

6.4 The Pledgor warrants to the Pledgee that, the Pledgor will abide by and perform all the warrants, undertakings, agreements, representations and conditions under this Contract, and the Pledgor will indemnify the Pledgee of all losses incurred that is caused by the failure in or partial failure in the performance of such warrants, undertakings, agreements, representations or conditions by the Pledgor.

7. Breaching Event

7.1 Any of the following is deemed as an Breaching Event:

7.1.1 Party B fails to transfer the earnings under the Major Contracts in full and according to the timeline, or commits any act in violation of the Major Contracts and this Contract;

7.1.2 Any of representations or warrants made by the Pledgor in Section 5 hereof is materially misleading or wrong, and/or, the Pledgor breaches any of the representations or warrants made by the Pledgor in Section 5 hereof;

7.1.3 The Pledgor fails to record the Pledge on the share register of the Company in accordance with Clause 3.1;

7.1.4 The Pledgor breaches any provision of this Contract;

7.1.5 Except for the circumstance agreed to in Clause 6.1.1, the Pledgor waives the Pledged Equity Interests, or transfers or intends to transfer the Pledged Equity Interests without the prior written consent of the Pledgee;

7.1.6 Any external borrowings, guaranties, indemnification, undertakings or any other liabilities of the Pledgor (1) shall be repaid or performed earlier due to its default; or (2) cannot be repaid or performed when due;

7.1.7 Any or all consents, permits, approvals or authorizations from the governmental authorities necessary for the enforceability, legality or validity of this Contract, are revoked, suspended, invalidated, or materially changed;

7.1.8 Promulgation of application laws makes this Contract becomes illegal, or the Pledgor cannot continue the performance of its obligations hereunder;

7.1.9 Any adverse change to assets owned by the Pledgor makes the Pledgee to believe that the ability of the Pledgor to perform its obligations hereunder has been affected;

7.1.10 Any other circumstance which makes the Pledgee unable or possibly unable to dispose the Pledge in accordance with applicable laws.

7.2 The Pledgor shall immediately notify the Pledgee in writing of the occurrence of any event mentioned in Clause 7.1 or any event which may cause the occurrence of any abovementioned event.

7.3 Unless any of the abovementioned Breaching Event has been resolved to the satisfaction of the Pledgee, the Pledgee is entitled to give a written Default Notice to the Pledgor anytime upon or following the occurrence of any Breaching Event of the Pledgor, requiring the Pledgee to dispose the Pledge in accordance with Section 8 of this Contract.

8. Exercise of Pledge

8.1 The Pledgor should not transfer any of the Equity Interests of the Company owned by it before the liabilities are discharged and all other material obligations are performed under the Major Contracts.

8.2 The Pledgee may give a Default Notice to the Pledgor when exercising the Pledge.

8.3 Subject to Clause 7.3, the Pledgee may exercise the right to dispose the Pledge at the same time or at anytime after the Pledgee gives the Default Notice in accordance with Clause 7.2. The Pledgor no longer owns any right or benefit in relation to the Equity Interests once the Pledgee decides to exercise the right to dispose the Pledge.

8.4 As of the occurrence of any Breaching Event, the Pledgee is entitled to dispose the Pledged Equity Interests according to legal procedure, to the extent allowed by laws and in accordance with applicable laws, and does not need to distribute any of the proceedings of such disposal to the Pledgor; the Pledgor hereby waives the contingent right to require for distribution from the Pledgee of any proceedings of such disposal. Similarly, the Pledgor should not be held liable for any losses which the Pledgee may incur by following the disposal of the Pledged Equity Interests.

8.5 As the Pledgee disposes the Pledge in accordance with this Contract, the Pledgor and the Company shall provide assistance necessary for the realization of the Pledge by the Pledgee.

9. Transfer

9.1 Unless with the prior consent of the Pledgee, the Pledgor has no right to grant or transfer any of its rights and obligations hereunder.

9.2 This Contract shall be binding upon the Pledgor and its successors and permitted assigns, and inure to the benefit of the Pledgee and its successors and permitted assigns.

9.3 The Pledgee has the right to, at anytime, transfer any of its rights and obligations under the business cooperation agreement to its designated person (natural person/legal person), and under such circumstance, the assigns shall enjoy and assume the same rights and obligations same to which the Pledgee enjoys and assumes under this Contract, as if the assigns is the original party to the Contract. When the Pledgee transfers any of its rights and obligations under the business cooperation agreement, the Pledgor shall sign any necessary agreement and/or instruments at the request of the Pledgee.

9.4 After the Pledgee changes upon the transfer, the Pledgor shall enter into a new pledge contract containing the content substantially same to this Contract with the new pledgee.

9.5 The Pledgor shall strictly comply with the provisions of this Contract and any other contract entered into with any other party or parties, perform the obligations under this Contract and other contracts, and should not take any action/non-action which may substantially affect the validity and enforceability of the abovementioned contracts. Unless with the written direction of the Pledgee, the Pledgor should not exercise its remaining rights regarding the Pledged Equity Interests.

10. Termination

This Contract terminates once the transfer of the proceedings arising from the Major Contracts is completed, and the Pledgor no longer assumes any obligations under the Major Contracts and is no longer authorized as shareholder of the Company. And the Pledgee shall cancel or revoke this Contract as soon as practical upon the termination of this Contract.

11. Costs and Expenses

Any and all costs and expenses actually incurred in connection with this Contract, including but not limited to legal expenses, costs, stamp duty, as well as any other taxes and fees, will be fully borne by Party A.

12. Confidentiality

Each Party recognizes and confirms this Contract, the content of this Contract, and any and all oral and written information exchanged among them for the preparation and performance of this Contract shall be deemed as confidential information. Each Party shall hold in confidence all such confidential information, and without the written consent from the other Parties, should not disclose any confidential information to any third party, provided that, confidential information shall not include information that (a) is or becomes available to the public other than as a result of disclosure by the receiving Party in violation of this Contract, or (b) any information which must be disclosed pursuant to laws and regulations, stock trading rules, or as required by order or decree of governmental authorities or courts; or (c) any information disclosed by either Party to its shareholders, investors, legal or financial advisors in relation to the transactions contemplated herein, who are bound by confidentiality obligation similar to this provision. Any disclosure of confidential information by the professionals or institutions engaged by either Party shall be deemed as the disclosure by such Party, and such Party shall be held liable for breach. This provision shall survive the termination of this Contract for any reason.

13. Applicable Law and Dispute Resolution

The formation of this Contract, its validity, interpretation, performance, change, and termination of this Contract, and the settlement of any dispute between the Parties, shall be governed by and construed in accordance with the laws of the PRC.

The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Contract through friendly consultations. If a dispute is not resolved through friendly consultations within 30 days from the date a Party gives the other Party written notice of the dispute, then each Party may submit the dispute to China International Economic and Trade Arbitration Commission ("CIETAC") for arbitration in accordance with then effective arbitration rules. The arbitration shall be conducted in Beijing in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

In the event of any dispute arising from the interpretation or performance of this Contract, and in the course of the arbitration of any dispute, each Party shall continue the performance of its rights and obligations hereunder excepted for those disputed ones.

14. Notices

All the notices and other communications required by or sent pursuant to this Contract shall be delivered to the following address of each Party in person, by registered mail, prepaid post, or commercial courier services, or facsimile. Each notice shall be confirmed with a respective email. Delivery shall be deemed to have occurred:

the same day (local time at the recipient's place of business) on which delivery is made by personal delivery, or by courier services, registered mail, or prepaid post, or delivery is refused; or

the day of delivery being successfully made, if by facsimile (certified by the automatically generated transmission confirmation).

Each Party's address for purpose of notice is as follows:

Pledgee: **Duowan Entertainment Information Technology (Beijing) Company Limited**
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing
Attention: Xueling Li
Facsimile:

Pledgor: **Jun Lei**
Address: Suite A19E, Huating Jiayuan, 6 North Sihuanzhong Road, Chaoyang District, Beijing
Facsimile:

Each Party may at anytime change its address for receiving notices by giving a notice to the other Parties in accordance with this clause.

15. Severability

If any single or multiple provisions hereof are judged invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality and enforceability of the remaining provisions of this Contract shall not be affected in any aspect. The Parties shall in good faith, endeavor to use valid provisions to the extent allowed by laws and reflecting the intensions of all the Parties, to replace those invalid, illegal or unenforceable provisions, provided that, the economic effects achieved by such valid provisions shall be similar to the economic effects achieved by those invalid, illegal or unenforceable provisions.

16. Appendices

The appendix hereto is an integral part of this Contract.

17. Effectiveness

Any amendment, supplement or change to this Contract shall be made in writing, and can only become effective with the signatures or seals of the Parties and registration with governmental authorities in accordance with applicable rules (if applicable).

[Signature page]

IN WITNESS WHEREOF, the Parties hereto have caused this Equity Pledge Contract to be executed by their duly authorized representatives as of the date first above written.

Party A: Duowan Entertainment Information Technology (Beijing) Company Limited

By Authorized Representative: (Seal)
Date:

Party B: Jun Lei

By: /s/ Jun Lei
Date:

Appendix 1

List of Major Contracts

1. Exclusive Business Cooperation Agreement, dated August 12, 2008, by and between Duowan Entertainment Information Technology (Beijing) Company Limited and Guangzhou Huaduo Network Technology Co., Ltd.
2. Exclusive Option Agreement, dated September 16, 2011, by and among Duowan Entertainment Information Technology (Beijing) Company Limited, Jun Lei and Guangzhou Huaduo Network Technology Co., Ltd.
3. Exclusive Technology Support and Technology Services Agreement, dated August 12, 2008, by and between Duowan Entertainment Information Technology (Beijing) Company Limited and Guangzhou Huaduo Network Technology Co., Ltd.
4. Power of Attorney, dated September 16, 2011, signed by Jun Lei

Equity Interest Pledge Agreement

This Equity Interest Pledge Agreement (this "Contract"), dated September 16, 2011, is made in the People's Republic of China (the "PRC"), by and between:

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited ("Pledgee")**
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing

Party B: **Bin Zhao ("Pledgor")**
Address:

(Pledgor and Pledgee individually, a "Party"; collectively, the "Parties").

WHEREAS

1. The Pledgor is a company registered in the PRC, holding 0.1406% equity interests of Guangzhou Huaduo Network Technology Co., Ltd. (the "Company") as of the date hereof. The Company is a limited liability company registered in Guangzhou, the PRC, engaged in the Internet-based value-added telecommunications services. Party B will cause the Company to confirm the rights and obligations of the Pledgor and the Pledgee under this Contract and to provide necessary assistance for the registration of such pledge.

2. The Pledgee is a limited liability company registered in Beijing. The Pledgee, the Pledgor and/or the Company entered into a series of legal documents, including an Exclusive Business Cooperation Agreement, which are made for the purpose of formation of the Pledgee's control over the Company ("Controlling Agreements").

3. The Pledgor agrees to pledge all of its equity interests in the Company to the Pledgee as security for the performance of the obligations hereunder by Party B and/or the Company.

NOW, THEREFORE, the Parties agree as follows through friendly negotiations:

1. Definitions

Unless otherwise required in the context, in this Contract:

1.1 **Pledge** means the secured property rights granted to the Pledgee by the Pledgor in accordance with Section 2 of this Contract, i.e., the right of the Pledgee to be compensated at first priority with respect to the price of sale or disposal of such equity interests pledged to the Pledgee by the Pledgor.

1.2 **Equity Interests** mean any and all equity interests duly owned by the Pledgor in the Company now and in the future.

1.3 **Pledged Equity Interests** mean any and all equity interests duly owned by the Pledgor in the Company, to be pledged by the Pledgor.

1.4 **Pledge Term** means the period as specified in the Section 3 of this Contract.

1.5 **Major Contracts** mean the agreements listed in Appendix 1 hereto, including a series of Controlling Agreements by and among the Pledgor and/or the Company and the Pledgee, such as the Exclusive Business Cooperation Agreement.

1.6 An **Breaching Event** means any event listed in Section 7 hereof.

1.7 **Default Notice** means the notice given by the Pledgee regarding the Breaching Event in accordance with this Contract.

2. Pledge

The Pledgor hereby pledges any and all equity interests of the Company owned by it now and in the future as security for its timely and complete performance of the Pledgor's obligations to discharge of liabilities, other monetary payments, as well as all other obligations under the Major Contracts, no matter the monetary payment obligation becomes due and payable as a result of its maturity, demand of earlier collection or any other reasons.

3. Pledge Term

3.1 This Pledge becomes effective immediately after the equity interests pledged hereunder is recorded on the share register of the Company, and remains valid until Party B is no longer authorized as shareholder of the Company. Each Party agrees that the Pledgor shall record the equity interests pledge under this Contract on the share register of the Company within three (3) business days upon the execution hereof.

3.2 During the Pledge Term, if Party B fails to perform the obligations in accordance with the provisions of the Major Contracts, the Pledgee is entitled, however not obligated, to dispose the Pledged Equity Interests pursuant to law and this Contract.

4. Custody of Pledge Certificate

4.1 During the Pledge Term, the Pledgor shall deliver its capital contribution certificate and the share register of the Company in which the pledge is recorded to the custody of the Pledgee. The Pledgor shall deliver the abovementioned capital contribution certificate and the share register of the Company in which the pledge is recorded to the Pledgee within one (1) week upon the execution of this Contract. And the Pledgee shall remain the custodian of such documents throughout the whole Pledge Term as mentioned herein.

4.2 During the Pledge Term, the Pledgee has the right to collect the dividends arising from the Equity Interests.

5. Pledgor's Representations and Warranties

5.1 The Pledgor is the only legal owner of the Equity Interests.

5.2 The Pledgee has the right to dispose or transfer the Equity Interests according to the ways as described in this Contract.

5.3 The Pledgor has not created any other pledge or other security interest over the Equity Interests, except for this Pledge.

6. Pledgor's Undertakings and Confirmation

6.1 During the term of this Contract, the Pledgor undertakes to the Pledgee that:

6.1.1 Without prior written consent of the Pledgee, the Pledgor may not transfer the Equity Interests, or create or allow the creation of any new pledge or any other encumbrances upon the Equity Interests, except for the purpose of performance of the Major Contracts;

6.1.2 The Pledgor will abide by the provisions of all laws and regulations related to the Pledge, and upon receiving any notice, order or direction given or formulated by any competent authority with respect to the Pledge, the Pledgor will notify the Pledgee of such notice, order or direction within five (5) days upon the receipt thereof, and comply with such notice, order or direction, or submit any dissenting opinions and statements at the request of the Pledgee or with the consent of the Pledgee;

6.1.3 The Pledgor will immediately notify the Pledgee of any event or notice received which may possibly affect the Equity Interests of the Pledgee or any part of the Plegee's rights, and any other event or received notice which may possibly change the warrants and obligations of the Pledgor under this Contract, or the performance of obligations hereunder by the Pledgor.

6.2 The Pledgor agrees that, the rights granted to the Pledgee regarding the Pledge in accordance with this Contract shall not be interrupted or impaired by any legal proceedings initiated by the Pledgor, its successors, its authorized persons, or any other person.

6.3 The Pledgor warrants to the Pledgee that, for safeguarding or consummating the guaranty regarding the transfer of earnings under the Major Contracts in accordance with this Contract, the Pledgor will faithfully sign, or cause the other party materially related to the Pledge to sign, all the right certificates or instruments as required by the Pledgee, and/or take, or cause the other party materially related to the Pledge to take, any acts as required by the Pledgee, facilitate the exercise of rights and authorizations granted to the Pledgee hereunder, enter into any documents related to the ownership of the Equity Interests with the Pledges or its designated persons (natural person/legal person), and provide to the Pledgee any and all notices, orders and decisions relating to the Pledge as deemed necessary by the Pledgee within the reasonable period.

6.4 The Pledgor warrants to the Pledgee that, the Pledgor will abide by and perform all the warrants, undertakings, agreements, representations and conditions under this Contract, and the Pledgor will indemnify the Pledgee of all losses incurred that is caused by the failure in or partial failure in the performance of such warrants, undertakings, agreements, representations or conditions by the Pledgor.

7. Breaching Event

7.1 Any of the following is deemed as an Breaching Event:

7.1.1 Party B fails to transfer the earnings under the Major Contracts in full and according to the timeline, or commits any act in violation of the Major Contracts and this Contract;

7.1.2 Any of representations or warrants made by the Pledgor in Section 5 hereof is materially misleading or wrong, and/or, the Pledgor breaches any of the representations or warrants made by the Pledgor in Section 5 hereof;

7.1.3 The Pledgor fails to record the Pledge on the share register of the Company in accordance with Clause 3.1;

7.1.4 The Pledgor breaches any provision of this Contract;

7.1.5 Except for the circumstance agreed to in Clause 6.1.1, the Pledgor waives the Pledged Equity Interests, or transfers or intends to transfer the Pledged Equity Interests without the prior written consent of the Pledgee;

7.1.6 Any external borrowings, guaranties, indemnification, undertakings or any other liabilities of the Pledgor (1) shall be repaid or performed earlier due to its default; or (2) cannot be repaid or performed when due;

7.1.7 Any or all consents, permits, approvals or authorizations from the governmental authorities necessary for the enforceability, legality or validity of this Contract, are revoked, suspended, invalidated, or materially changed;

7.1.8 Promulgation of application laws makes this Contract becomes illegal, or the Pledgor cannot continue the performance of its obligations hereunder;

7.1.9 Any adverse change to assets owned by the Pledgor makes the Pledgee to believe that the ability of the Pledgor to perform its obligations hereunder has been affected;

7.1.10 Any other circumstance which makes the Pledgee unable or possibly unable to dispose the Pledge in accordance with applicable laws.

7.2 The Pledgor shall immediately notify the Pledgee in writing of the occurrence of any event mentioned in Clause 7.1 or any event which may cause the occurrence of any abovementioned event.

7.3 Unless any of the abovementioned Breaching Event has been resolved to the satisfaction of the Pledgee, the Pledgee is entitled to give a written Default Notice to the Pledgor anytime upon or following the occurrence of any Breaching Event of the Pledgor, requiring the Pledgee to dispose the Pledge in accordance with Section 8 of this Contract.

8. Exercise of Pledge

8.1 The Pledgor should not transfer any of the Equity Interests of the Company owned by it before the liabilities are discharged and all other material obligations are performed under the Major Contracts.

8.2 The Pledgee may give a Default Notice to the Pledgor when exercising the Pledge.

8.3 Subject to Clause 7.3, the Pledgee may exercise the right to dispose the Pledge at the same time or at anytime after the Pledgee gives the Default Notice in accordance with Clause 7.2. The Pledgor no longer owns any right or benefit in relation to the Equity Interests once the Pledgee decides to exercise the right to dispose the Pledge.

8.4 As of the occurrence of any Breaching Event, the Pledgee is entitled to dispose the Pledged Equity Interests according to legal procedure, to the extent allowed by laws and in accordance with applicable laws, and does not need to distribute any of the proceedings of such disposal to the Pledgor; the Pledgor hereby waives the contingent right to require for distribution from the Pledgee of any proceedings of such disposal. Similarly, the Pledgor should not be held liable for any losses which the Pledgee may incur by following the disposal of the Pledged Equity Interests.

8.5 As the Pledgee disposes the Pledge in accordance with this Contract, the Pledgor and the Company shall provide assistance necessary for the realization of the Pledge by the Pledgee.

9. Transfer

9.1 Unless with the prior consent of the Pledgee, the Pledgor has no right to grant or transfer any of its rights and obligations hereunder.

9.2 This Contract shall be binding upon the Pledgor and its successors and permitted assigns, and inure to the benefit of the Pledgee and its successors and permitted assigns.

9.3 The Pledgee has the right to, at anytime, transfer any of its rights and obligations under the business cooperation agreement to its designated person (natural person/legal person), and under such circumstance, the assigns shall enjoy and assume the same rights and obligations same to which the Pledgee enjoys and assumes under this Contract, as if the assigns is the original party to the Contract. When the Pledgee transfers any of its rights and obligations under the business cooperation agreement, the Pledgor shall sign any necessary agreement and/or instruments at the request of the Pledgee.

9.4 After the Pledgee changes upon the transfer, the Pledgor shall enter into a new pledge contract containing the content substantially same to this Contract with the new pledgee.

9.5 The Pledgor shall strictly comply with the provisions of this Contract and any other contract entered into with any other party or parties, perform the obligations under this Contract and other contracts, and should not take any action/non-action which may substantially affect the validity and enforceability of the abovementioned contracts. Unless with the written direction of the Pledgee, the Pledgor should not exercise its remaining rights regarding the Pledged Equity Interests.

10. Termination

This Contract terminates once the transfer of the proceedings arising from the Major Contracts is completed, and the Pledgor no longer assumes any obligations under the Major Contracts and is no longer authorized as shareholder of the Company. And the Pledgee shall cancel or revoke this Contract as soon as practical upon the termination of this Contract.

11. Costs and Expenses

Any and all costs and expenses actually incurred in connection with this Contract, including but not limited to legal expenses, costs, stamp duty, as well as any other taxes and fees, will be fully borne by Party A.

12. Confidentiality

Each Party recognizes and confirms this Contract, the content of this Contract, and any and all oral and written information exchanged among them for the preparation and performance of this Contract shall be deemed as confidential information. Each Party shall hold in confidence all such confidential information, and without the written consent from the other Parties, should not disclose any confidential information to any third party, provided that, confidential information shall not include information that (a) is or becomes available to the public other than as a result of disclosure by the receiving Party in violation of this Contract, or (b) any information which must be disclosed pursuant to laws and regulations, stock trading rules, or as required by order or decree of governmental authorities or courts; or (c) any information disclosed by either Party to its shareholders, investors, legal or financial advisors in relation to the transactions contemplated herein, who are bound by confidentiality obligation similar to this provision. Any disclosure of confidential information by the professionals or institutions engaged by either Party shall be deemed as the disclosure by such Party, and such Party shall be held liable for breach. This provision shall survive the termination of this Contract for any reason.

13. Applicable Law and Dispute Resolution

The formation of this Contract, its validity, interpretation, performance, change, and termination of this Contract, and the settlement of any dispute between the Parties, shall be governed by and construed in accordance with the laws of the PRC.

The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Contract through friendly consultations. If a dispute is not resolved through friendly consultations within 30 days from the date a Party gives the other Party written notice of the dispute, then each Party may submit the dispute to China International Economic and Trade Arbitration Commission ("CIETAC") for arbitration in accordance with then effective arbitration rules. The arbitration shall be conducted in Beijing in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

In the event of any dispute arising from the interpretation or performance of this Contract, and in the course of the arbitration of any dispute, each Party shall continue the performance of its rights and obligations hereunder excepted for those disputed ones.

14. Notices

All the notices and other communications required by or sent pursuant to this Contract shall be delivered to the following address of each Party in person, by registered mail, prepaid post, or commercial courier services, or facsimile. Each notice shall be confirmed with a respective email. Delivery shall be deemed to have occurred:

the same day (local time at the recipient's place of business) on which delivery is made by personal delivery, or by courier services, registered mail, or prepaid post, or delivery is refused; or

the day of delivery being successfully made, if by facsimile (certified by the automatically generated transmission confirmation).

Each Party's address for purpose of notice is as follows:

Pledgee: **Duowan Entertainment Information Technology (Beijing) Company Limited**
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing
Attention: Xueling Li
Facsimile:

Pledgor: **Bin Zhao**
Address: No.501, Door 2, Suite 6, Jiefang East yard, 55 Dongxi, Luoyang, He'nan Province
Facsimile:

Each Party may at anytime change its address for receiving notices by giving a notice to the other Parties in accordance with this clause.

15. Severability

If any single or multiple provisions hereof are judged invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality and enforceability of the remaining provisions of this Contract shall not be affected in any aspect. The Parties shall in good faith, endeavor to use valid provisions to the extent allowed by laws and reflecting the intensions of all the Parties, to replace those invalid, illegal or unenforceable provisions, provided that, the economic effects achieved by such valid provisions shall be similar to the economic effects achieved by those invalid, illegal or unenforceable provisions.

16. Appendices

The appendix hereto is an integral part of this Contract.

17. Effectiveness

Any amendment, supplement or change to this Contract shall be made in writing, and can only become effective with the signatures or seals of the Parties and registration with governmental authorities in accordance with applicable rules (if applicable).

[Signature page]

IN WITNESS WHEREOF, the Parties hereto have caused this Equity Pledge Contract to be executed by their duly authorized representatives as of the date first above written.

Party A: Duowan Entertainment Information Technology (Beijing) Company Limited

By Authorized Representative: (Seal)
Date:

Party B: Bin Zhao

By: /s/ Bin Zhao
Date:

Appendix 1

List of Major Contracts

1. Exclusive Business Cooperation Agreement, dated August 12, 2008, by and between Duowan Entertainment Information Technology (Beijing) Company Limited and Guangzhou Huaduo Network Technology Co., Ltd.
2. Exclusive Option Agreement, dated September 16, 2011, by and among Duowan Entertainment Information Technology (Beijing) Company Limited, Bin Zhao and Guangzhou Huaduo Network Technology Co., Ltd.
3. Exclusive Technology Support and Technology Services Agreement, dated August 12, 2008, by and between Duowan Entertainment Information Technology (Beijing) Company Limited and Guangzhou Huaduo Network Technology Co., Ltd.
4. Power of Attorney, dated September 16, 2011, signed by Bin Zhao

Equity Interest Pledge Agreement

This Equity Interest Pledge Agreement (this "Contract"), dated September 16, 2011, is made in the People's Republic of China (the "PRC"), by and between:

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited ("Pledgee")**
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing

Party B: **Jin Cao ("Pledgor")**
Address:

(Pledgor and Pledgee individually, a "Party"; collectively, the "Parties").

WHEREAS

1. The Pledgor is a company registered in the PRC, holding 0.0703% equity interests of Guangzhou Huaduo Network Technology Co., Ltd. (the "Company") as of the date hereof. The Company is a limited liability company registered in Guangzhou, the PRC, engaged in the Internet-based value-added telecommunications services. Party B will cause the Company to confirm the rights and obligations of the Pledgor and the Pledgee under this Contract and to provide necessary assistance for the registration of such pledge.

2. The Pledgee is a limited liability company registered in Beijing. The Pledgee, the Pledgor and/or the Company entered into a series of legal documents, including an Exclusive Business Cooperation Agreement, which are made for the purpose of formation of the Pledgee's control over the Company ("Controlling Agreements").

3. The Pledgor agrees to pledge all of its equity interests in the Company to the Pledgee as security for the performance of the obligations hereunder by Party B and/or the Company.

NOW, THEREFORE, the Parties agree as follows through friendly negotiations:

1. Definitions

Unless otherwise required in the context, in this Contract:

1.1 **Pledge** means the secured property rights granted to the Pledgee by the Pledgor in accordance with Section 2 of this Contract, i.e., the right of the Pledgee to be compensated at first priority with respect to the price of sale or disposal of such equity interests pledged to the Pledgee by the Pledgor.

1.2 **Equity Interests** mean any and all equity interests duly owned by the Pledgor in the Company now and in the future.

1.3 **Pledged Equity Interests** mean any and all equity interests duly owned by the Pledgor in the Company, to be pledged by the Pledgor.

1.4 **Pledge Term** means the period as specified in Section 3 of this Contract.

1.5 **Major Contracts** mean the agreements listed in Appendix 1 hereto, including a series of Controlling Agreements by and among the Pledgor and/or the Company and the Pledgee, such as the Exclusive Business Cooperation Agreement.

1.6 An **Breaching Event** means any event listed in Section 7 hereof.

1.7 **Default Notice** means the notice given by the Pledgee regarding the Breaching Event in accordance with this Contract.

2. Pledge

The Pledgor hereby pledges any and all equity interests of the Company owned by it now and in the future as security for its timely and complete performance of the Pledgor's obligations to discharge of liabilities, other monetary payments, as well as all other obligations under the Major Contracts, no matter the monetary payment obligation becomes due and payable as a result of its maturity, demand of earlier collection or any other reasons.

3. Pledge Term

3.1 This Pledge becomes effective immediately after the equity interests pledged hereunder is recorded on the share register of the Company, and remains valid until Party B is no longer authorized as shareholder of the Company. Each Party agrees that the Pledgor shall record the equity interests pledge under this Contract on the share register of the Company within three (3) business days upon the execution hereof.

3.2 During the Pledge Term, if Party B fails to perform the obligations in accordance with the provisions of the Major Contracts, the Pledgee is entitled, however not obligated, to dispose the Pledged Equity Interests pursuant to law and this Contract.

4. Custody of Pledge Certificate

4.1 During the Pledge Term, the Pledgor shall deliver its capital contribution certificate and the share register of the Company in which the pledge is recorded to the custody of the Pledgee. The Pledgor shall deliver the abovementioned capital contribution certificate and the share register of the Company in which the pledge is recorded to the Pledgee within one (1) week upon the execution of this Contract. And the Pledgee shall remain the custodian of such documents throughout the whole Pledge Term as mentioned herein.

4.2 During the Pledge Term, the Pledgee has the right to collect the dividends arising from the Equity Interests.

5. Pledgor's Representations and Warranties

5.1 The Pledgor is the only legal owner of the Equity Interests.

5.2 The Pledgee has the right to dispose or transfer the Equity Interests according to the ways as described in this Contract.

5.3 The Pledgor has not created any other pledge or other security interest over the Equity Interests, except for this Pledge.

6. Pledgor's Undertakings and Confirmation

6.1 During the term of this Contract, the Pledgor undertakes to the Pledgee that:

6.1.1 Without prior written consent of the Pledgee, the Pledgor may not transfer the Equity Interests, or create or allow the creation of any new pledge or any other encumbrances upon the Equity Interests, except for the purpose of performance of the Major Contracts;

6.1.2 The Pledgor will abide by the provisions of all laws and regulations related to the Pledge, and upon receiving any notice, order or direction given or formulated by any competent authority with respect to the Pledge, the Pledgor will notify the Pledgee of such notice, order or direction within five (5) days upon the receipt thereof, and at same comply with such notice, order or direction, or submit any dissenting opinions and statements at the request of the Pledgee or with the consent of the Pledgee;

6.1.3 The Pledgor will immediately notify the Pledgee of any event or notice received which may possibly affect the Equity Interests of the Pledgee or any part of the Plegee's rights, and any other event or received notice which may possibly change the warrants and obligations of the Pledgor under this Contract, or the performance of obligations hereunder by the Pledgor.

6.2 The Pledgor agrees that, the rights granted to the Pledgee regarding the Pledge in accordance with this Contract shall not be interrupted or impaired by any legal proceedings initiated by the Pledgor, its successors, its authorized persons, or any other person.

6.3 The Pledgor warrants to the Pledgee that, for safeguarding or consummating the guaranty regarding the transfer of earnings under the Major Contracts in accordance with this Contract, the Pledgor will faithfully sign, or cause the other party materially related to the Pledge to sign, all the right certificates or instruments as required by the Pledgee, and/or take, or cause the other party materially related to the Pledge to take, any acts as required by the Pledgee, facilitate the exercise of rights and authorizations granted to the Pledgee hereunder, enter into any documents related to the ownership of the Equity Interests with the Pledges or its designated persons (natural person/legal person), and provide to the Pledgee any and all notices, orders and decisions relating to the Pledge as deemed necessary by the Pledgee within the reasonable period.

6.4 The Pledgor warrants to the Pledgee that, the Pledgor will abide by and perform all the warrants, undertakings, agreements, representations and conditions under this Contract, and the Pledgor will indemnify the Pledgee of all losses incurred that is caused by the failure in or partial failure in the performance of such warrants, undertakings, agreements, representations or conditions by the Pledgor.

7. Breaching Event

7.1 Any of the following is deemed as an Breaching Event:

7.1.1 Party B fails to transfer the earnings under the Major Contracts in full and according to the timeline, or commits any act in violation of the Major Contracts and this Contract;

7.1.2 Any of representations or warrants made by the Pledgor in Section 5 hereof is materially misleading or wrong, and/or, the Pledgor breaches any of the representations or warrants made by the Pledgor in Section 5 hereof;

7.1.3 The Pledgor fails to record the Pledge on the share register of the Company in accordance with Clause 3.1;

7.1.4 The Pledgor breaches any provision of this Contract;

7.1.5 Except for the circumstance agreed to in Clause 6.1.1, the Pledgor waives the Pledged Equity Interests, or transfers or intends to transfer the Pledged Equity Interests without the prior written consent of the Pledgee;

7.1.6 Any external borrowings, guaranties, indemnification, undertakings or any other liabilities of the Pledgor (1) shall be repaid or performed earlier due to its default; or (2) cannot be repaid or performed when due;

7.1.7 Any all consents, permits, approvals or authorizations from the governmental authorities necessary for the enforceability, legality or validity of this Contract, are revoked, suspended, invalidated, or materially changed;

7.1.8 Promulgation of application laws makes this Contract becomes illegal, or the Pledgor cannot continue the performance of its obligations hereunder;

7.1.9 Any adverse change to assets owned by the Pledgor makes the Pledgee to believe that the ability of the Pledgor to perform its obligations hereunder has been affected;

7.1.10 Any other circumstance which makes the Pledgee unable or possibly unable to dispose the Pledge in accordance with applicable laws.

7.2 The Pledgor shall immediately notify the Pledgee in writing of the occurrence of any event mentioned in Clause 7.1 or any event which may cause the occurrence of any abovementioned event.

7.3 Unless any of the abovementioned Breaching Event has been resolved to the satisfaction of the Pledgee, the Pledgee is entitled to give a written Default Notice to the Pledgor anytime upon or following the occurrence of any Breaching Event of the Pledgor, requiring the Pledgee to dispose the Pledge in accordance with Section 8 of this Contract.

8. Exercise of Pledge

8.1 The Pledgor should not transfer any of the Equity Interests of the Company owned by it before the liabilities are discharged and all other material obligations are performed under the Major Contracts.

8.2 The Pledgee may give a Default Notice to the Pledgor when exercising the Pledge.

8.3 Subject to Clause 7.3, the Pledgee may exercise the right to dispose the Pledge at the same time or at anytime after the Pledgee gives the Default Notice in accordance with Clause 7.2. The Pledgor no longer owns any right or benefit in relation to the Equity Interests once the Pledgee decides to exercise the right to dispose the Pledge.

8.4 As of the occurrence of any Breaching Event, the Pledgee is entitled to dispose the Pledged Equity Interests according to legal procedure, to the extent allowed by laws and in accordance with applicable laws, and does not need to distribute any of the proceedings of such disposal to the Pledgor; the Pledgor hereby waives the contingent right to require for distribution from the Pledgee of any proceedings of such disposal. Similarly, the Pledgor should not be held liable for any losses which the Pledgee may incur by following the disposal of the Pledged Equity Interests.

8.5 As the Pledgee disposes the Pledge in accordance with this Contract, the Pledgor and the Company shall provide assistance necessary for the realization of the Pledge by the Pledgee.

9. Transfer

9.1 Unless with the prior consent of the Pledgee, the Pledgor has no right to grant or transfer any of its rights and obligations hereunder.

9.2 This Contract shall be binding upon the Pledgor and its successors and permitted assigns, and inure to the benefit of the Pledgee and its successors and permitted assigns.

9.3 The Pledgee has the right to, at anytime, transfer any of its rights and obligations under the business cooperation agreement to its designated person (natural person/legal person), and under such circumstance, the assigns shall enjoy and assume the same rights and obligations same to which the Pledgee enjoys and assumes under this Contract, as if the assigns is the original party to the contract. When the Pledgee transfers any of its rights and obligations under the business cooperation agreement, The Pledgor shall sign any necessary agreement and/or instruments at the request of the Pledgee.

9.4 After the Pledgee changes upon the transfer, the Pledgor shall enter into a new pledge contract containing the content substantially same to this Contract with the new pledgee.

9.5 The Pledgor shall strictly comply with the provisions of this Contract and any other contract entered into with any other party or parties, perform the obligations under this Contract and other contracts, and should not take any action/non-action which may substantially affect the validity and enforceability of the abovementioned contracts. Unless with the written direction of the Pledgee, the Pledgor should not exercise its remaining rights regarding the Pledged Equity Interests.

10. Termination

This Contract terminates once the transfer of the proceedings arising from the Major Contracts is completed, and the Pledgor no longer assumes any obligations under the Major Contracts and is no longer authorized as shareholder of the Company. And the Pledgee shall cancel or revoke this Contract as soon as practical upon the termination of this Contract.

11. Costs and Expenses

Any and all costs and expenses actually incurred in connection with this Contract, including but not limited to legal expenses, costs, stamp duty, as well as any other taxes and fees, will be fully borne by Party A.

12. Confidentiality

Each Party recognizes and confirms this Contract, the content of this Contract, and any and all oral and written information exchanged among them for the preparation and performance of this Contract shall be deemed as confidential information. Each Party shall hold in confidence all such confidential information, and without the written consent from the other Parties, should not disclose any confidential information to any third party, provided that, confidential information shall not include information that (a) is or becomes available to the public other than as a result of disclosure by the receiving Party in violation of this Contract, or (b) any information which must be disclosed pursuant to laws and regulations, stock trading rules, or as required by order or decree of governmental authorities or courts; or (c) any information disclosed by either Party to its shareholders, investors, legal or financial advisors in relation to the transactions contemplated herein, who are bound by confidentiality obligation similar to this provision. Any disclosure of confidential information by the professionals or institutions engaged by either Party shall be deemed as the disclosure by such Party, and such Party shall be held liable for breach. This provision shall survive the termination of this Contract for any reason.

13. Applicable Law and Dispute Resolution

The formation of this Contract, its validity, interpretation, performance, change, and termination of this Contract, and the settlement of any dispute between the Parties, shall be governed by and construed in accordance with the laws of the PRC.

The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Contract through friendly consultations. If a dispute is not resolved through friendly consultations within 30 days from the date a Party gives the other Party written notice of the dispute, then each Party may submit the dispute to China International Economic and Trade Arbitration Commission ("CIETAC") for arbitration in accordance with then effective arbitration rules. The arbitration shall be conducted in Beijing in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

In the event of any dispute arising from the interpretation or performance of this Contract, and in the course of the arbitration of any dispute, each Party shall continue the performance of its rights and obligations hereunder excepted for those disputed ones.

14. Notices

All the notices and other communications required by or sent pursuant to this Contract shall be delivered to the following address of each Party in person, by registered mail, prepaid post, or commercial courier services, or facsimile. Each notice shall be confirmed with a respective email. Delivery shall be deemed to have occurred:

the same day (local time at the recipient's place of business) on which delivery is made by personal delivery, or by courier services, registered mail, or prepaid post, or delivery is refused; or

the day of delivery being successfully made, if by facsimile (certified by the automatically generated transmission confirmation).

Each Party's address for purpose of notice is as follows:

Pledgee: **Duowan Entertainment Information Technology (Beijing) Company Limited**
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing
Attention: Xueling Li
Facsimile:

Pledgor: **Jin Cao**
Address: 6-1-301, Guanjingli, Hongqi South Road, Nankai District, Tianjin
Facsimile:

Each Party may at anytime change its address for receiving notices by giving a notice to the other Parties in accordance with this clause.

15. Severability

If any single or multiple provisions hereof are judged invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality and enforceability of the remaining provisions of this Contract shall not be affected in any aspect. The Parties shall in good faith, endeavor to use valid provisions to the extent allowed by laws and reflecting the intensions of all the Parties, to replace those invalid, illegal or unenforceable provisions, provided that, the economic effects achieved by such valid provisions shall be similar to the economic effects achieved by those invalid, illegal or unenforceable provisions.

16. Appendices

The appendix hereto is an integral part of this Contract.

17. Effectiveness

Any amendment, supplement or change to this Contract shall be made in writing, and can only become effective with the signatures or seals of the Parties and registration with governmental authorities in accordance with applicable rules (if applicable).

[Signature page]

IN WITNESS WHEREOF, the Parties hereto have caused this Equity Pledge Contract to be executed by their duly authorized representatives as of the date first above written.

Party A: Duowan Entertainment Information Technology (Beijing) Company Limited

By Authorized Representative: (Seal)
Date:

Party B: Jin Cao

By: /s/ Jin Cao
Date:

Appendix 1

List of Major Contracts

1. Exclusive Business Cooperation Agreement, dated August 12, 2008, by and between Duowan Entertainment Information Technology (Beijing) Company Limited and Guangzhou Huaduo Network Technology Co., Ltd.
2. Exclusive Option Agreement, dated September 16, 2011, by and among Duowan Entertainment Information Technology (Beijing) Company Limited, Jin Cao and Guangzhou Huaduo Network Technology Co., Ltd.
3. Exclusive Technology Support and Technology Services Agreement, dated August 12, 2008, by and between Duowan Entertainment Information Technology (Beijing) Company Limited and Guangzhou Huaduo Network Technology Co., Ltd.
4. Power of Attorney, dated September 16, 2011, signed by Jin Cao

Exhibit 10.14

Consent Letter

Beijing Tuda Science and Technology Company Limited, Xueling Li, Jun Lei, Bin Zhao, Jin Cao (the "Pledgor") have entered into an Equity Interest Pledge Agreement (the "Agreement"), respectively, with Duowan Entertainment Information Technology (Beijing) Company Limited (the "Beijing Duowan") on September 16, 2011, to pledge their respective equity interests in Guangzhou Huaduo Network Technology Co., Ltd. (the "Guangzhou Huaduo") to Beijing Duowan. Pledgors have reached irrevocable agreement:

1. Beijing Duowan and Guangzhou Huaduo entered into a confirmation letter to the Exclusive Business Cooperation Agreement on November 10, 2011.

2. Beijing Duowan and Guangzhou Huaduo entered into a Supplementary Agreement to the Exclusive Business Cooperation Agreement on November 10, 2011.

3. Beijing Duowan and Guangzhou Huaduo entered into a confirmation letter to the Exclusive Technology Support and Technology Services Agreement on November 10, 2011.

4. Beijing Duowan and Guangzhou Huaduo entered into a Supplementary Agreement to the Exclusive Technology Support and Technology Services Agreement on November 10, 2011.

5. The confirmation letters and supplementary agreements above shall not affect the effect of the Agreement. Pledgors shall continue to comply with and perform the obligations in their respective Agreements.

Xueling Li

Signature: /s/ Xueling Li

Jun Lei

Signature: /s/ Jun Lei

Bin Zhao

Signature: /s/ Bin Zhao

Jin Cao

Signature: /s/ Jin Cao

Beijing Tuda Technology Co., Ltd. (Seal)

Signature and Seal of Legal Representative: /s/Jin Cao

Date: November 10, 2011

Exhibit 10.15

Exclusive Business Cooperation Agreement

This Exclusive Business Cooperation Agreement (this "Agreement") is made and entered into by and between the following parties on December 3, 2009 in Beijing, the People's Republic of China ("China" or the "PRC").

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited**
Address: Suite 1707C3, Qingyun Dangdai Plaza, No. 9 Mantingfangyuan Community, Qingyunli, Haidian District, Beijing

Party B: **Beijing Tuda Science and Technology Company Limited**
Address: Suite D1815, Shangdi Huihuang International Center, No. 5 Shangdi Information Industry Base North Region, Haidian District, Beijing

Each of Party A and Party B shall be hereinafter referred to as a "Party" respectively, and as the "Parties" collectively.

Whereas,

(1) Party A is a wholly-foreign-owned enterprise established in China, and has the necessary resources to provide technology and consulting services;

(2) Party B is a company with exclusively domestic capital registered in China; and

(3) Party A is willing to provide Party B with comprehensive business support services ranging from commercial consulting, employee training, market consulting to technology support services on exclusive basis during the term of this Agreement, utilizing its advantages in technology, human resources, and information, and Party B is willing to accept such services provided by Party A or Party A's designee(s), each on the terms set forth herein.

Now, therefore, through mutual discussion, the Parties have reached the following agreements:

1. SERVICES PROVIDED BY PARTY A

1.1 Party B hereby appoints Party A as Party B's exclusive services provider to provide Party B with complete technology support, business support and related consulting services during the term of this Agreement, in accordance with the terms and conditions of this Agreement, which may include all services within the scope of business of Party B as may be determined from time to time by Party A, such as, but not limited to, technology services, business consultations, equipment or property leasing, marketing consultancy, employee training, business management consulting and services, system maintenance and financial support.

1.2 Party B agrees to accept all the consultations and services provided by Party A. Party B further agrees that unless with Party A's prior written consent, during the term of this Agreement, Party B shall not accept the same or any similar consultations and/or services provided by any third party and shall not establish similar cooperation relationships with any third party regarding the matters contemplated by this Agreement. Party A may appoint other parties, who may enter into certain agreements described in Section 1.3 with Party B, to provide Party B with the consultations and/or services under this Agreement.

1.3 Service Providing Methodology

1.3.1 Party A and Party B agree that during the term of this Agreement Party B may enter into further technology service agreements or consulting service agreements with Party A or any other party designated by Party A, which agreement shall provide the specific contents, manner, personnel, and fees for the specific technology services and consulting services.

1.3.2 To fulfill this Agreement, Party A and Party B agree that during the term of this Agreement, where necessary, Party B may enter into equipment or property leases with Party A or any other party designated by Party A, which lease shall permit Party B to use Party A's relevant equipment or property based on the needs of the business of Party B.

1.3.3 To fulfill this Agreement, Party A and Party B agree to directly or through their respective affiliates enter into any other relevant agreements during the term of this Agreement as necessary to provide supporting services to Party B from Party A based on the needs of the business of Party B.

2. THE CALCULATION AND PAYMENT OF THE SERVICE FEES

Both Parties agree that, in consideration of the services provided by Party A, Party B shall pay Party A service fees equal to certain portion of its audited annual operating income ("Service Fee Rate"). The Service Fee Rate will be separately agreed in writing by the Parties following execution of this Agreement. Party B will pay annual service fees to Party A within 15 days upon completion of its annual financial audit. With prior written consent by Party A, the Service Fee Rate may be adjusted pursuant to the operational needs of Party B subject to agreement of the Parties in writing.

3. INTELLECTUAL PROPERTY RIGHTS AND CONFIDENTIALITY CLAUSES

3.1 Party A shall have exclusive and proprietary rights and interests in all rights, ownership, interests and intellectual properties arising out of or created during the performance of this Agreement, including but not limited to copyrights, patents, patent applications, software, technology secrets, trade secrets and others.

3.2 The Parties acknowledge that the existence and the terms of this Agreement and any oral or written information exchanged between the Parties in connection with the preparation and performance of this Agreement are regarded as confidential information. Each Party shall maintain confidentiality of all such confidential information, and without obtaining the written consent of the other Party, it shall not disclose any relevant confidential information to any third parties, except for the information that: (a) is or will be in the public domain (other than through the receiving Party's unauthorized disclosure); (b) is under the obligation to be disclosed pursuant to the applicable laws or regulations, rules of any stock exchanges, or orders of the court or other government authorities; or (c) is required to be disclosed by any Party to its shareholders, investors, legal counsels or financial advisors regarding the transaction contemplated hereunder, provided that such shareholders, investors, legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this Section. Disclosure of any confidential information by the staff members or agencies hired by any Party shall be deemed disclosure of such confidential information by such Party, which Party shall be held liable for breach of this Agreement. This Section shall survive the termination of this Agreement for any reason.

3.3 The Parties agree that this Section shall survive changes to, and rescission or termination of, this Agreement.

4. REPRESENTATIONS AND WARRANTIES

4.1 Party A hereby represents and warrants as follows:

4.1.1 Party A is a wholly owned foreign enterprise legally registered and validly existing in accordance with the laws of China.

4.1.2 Party A has taken all necessary corporate actions, obtained all necessary authorization and the consent and approval from third parties and government agencies (if any) for the execution, delivery and performance of this Agreement. Party A's execution, delivery and performance of this Agreement do not violate any explicit requirements under any law or regulation binding on Party A.

4.1.3 This Agreement constitutes Party A's legal, valid and binding obligations, enforceable in accordance with its terms.

4.2 Party B hereby represents and warrants as follows:

4.2.1 Party B is a company legally registered and validly existing in accordance with the laws of China and has obtained the relevant permit and license for engaging in the network research and development, sports and cultural promotion services from the government;

4.2.2 Party B has taken all necessary corporate actions, obtained all necessary authorization and the consent and approval from third parties and government agencies (if any) for the execution, delivery and performance of this Agreement. Party B's execution, delivery and performance of this Agreement do not violate any explicit requirements under any law or regulation binding on Party B.

4.2.3 This Agreement constitutes Party B's legal, valid and binding obligations, and shall be enforceable against it.

5. EFFECTIVENESS AND TERM

5.1 This Agreement is executed on the date first above written and shall take effect as of such date. Unless earlier terminated in accordance with the provisions of this Agreement or relevant agreements separately executed between the Parties, the term of this Agreement shall be 30 years. After the execution of this Agreement, both Parties shall review this Agreement every 3 months to determine whether to amend or supplement the provisions in this Agreement based on the actual circumstances at that time.

5.2 The term of this Agreement may be extended if confirmed in writing by Party A prior to the expiration thereof. The extended term shall be determined by Party A, and Party B shall accept such extended term unconditionally.

6. TERMINATION

6.1 Unless renewed in accordance with the relevant terms of this Agreement, this Agreement shall be terminated upon the date of expiration hereof.

6.2 During the term of this Agreement, unless Party A commits gross negligence, or a fraudulent act, against Party B, Party B shall not terminate this Agreement prior to its expiration date. Nevertheless, Party A shall have the right to terminate this Agreement upon giving 30 days' prior written notice to Party B at any time.

6.3 The rights and obligations of the Parties under Articles 3, 7 and 8 shall survive the termination of this Agreement.

7. GOVERNING LAW AND RESOLUTION OF DISPUTES

7.1 The execution, effectiveness, construction, performance, amendment and termination of this Agreement and the resolution of disputes hereunder shall be governed by the laws of China.

7.2 In the event of any dispute with respect to the construction and performance of this Agreement, the Parties shall first resolve the dispute through friendly negotiations. In the event the Parties fail to reach an agreement on the dispute within 30 days after either Party has sent a written request to the other Party for resolution of the dispute through negotiations, either Party may submit the relevant dispute to the China International Economic and Trade Arbitration Commission for arbitration, in accordance with its Arbitration Rules. The arbitration shall be conducted in Beijing, and the language used in arbitration shall be Chinese. The arbitration award shall be final and binding on both Parties.

7.3 Upon the occurrence of any disputes arising from the construction and performance of this Agreement or during the pending arbitration of any dispute, except for the matters under dispute, the Parties to this Agreement shall continue to exercise their respective rights under this Agreement and perform their respective obligations under this Agreement.

8. INDEMNIFICATION

Party B shall indemnify and hold harmless Party A from any losses, injuries, obligations or expenses caused by any lawsuit, claims or other demands against Party A arising from or caused by the consultations and services provided by Party A to Party B pursuant to this Agreement, except where such losses, injuries, obligations or expenses arise from the gross negligence or willful misconduct of Party A.

9. NOTICES

9.1 All notices and other communications required or permitted to be given pursuant to this Agreement shall be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by facsimile transmission to the address of such Party set forth below. A confirmation copy of each notice shall also be sent by electronic mail. The date on which notices shall be deemed to have been effectively given shall be determined as follows:

9.1.1 Notices given in person, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of receipt or refusal at the address specified for notices.

9.1.2 Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).

9.2 For the purpose of notices, the addresses of the Parties are as follows:

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited**
Address: Suite 1707C3, Qingyun Dangdai Plaza, No. 9 Mantingfangyuan Community, Qingyunli, Haidian District, Beijing
Attn: Xueling Li
Phone:
Facsimile:

Party B: **Beijing Tuda Technology Co., Ltd.**
Address: Suite D1815, Shangdi Huihuang International Center, No. 5 Shangdi Information Industry Base North Region, Haidian District, Beijing
Attn: Jin Cao
Phone:
Facsimile:

9.3 Any Party may at any time change its address for notices by a notice delivered to the other Party in accordance with the terms hereof.

10. ASSIGNMENT

10.1 Without Party A's prior written consent, Party B shall not assign its rights or obligations under this Agreement to any third party.

10.2 Party B agrees that Party A may assign its obligations and rights under this Agreement to any third party upon a prior written notice to Party B but without the consent of Party B.

11. SEVERABILITY

In the event that one or several of the provisions of this Agreement are held invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any aspect. The Parties shall seek in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by law and the intentions of the Parties, and the economic effect of such effective provisions shall be as close as possible to the economic effect of those invalid, illegal or unenforceable provisions.

12. AMENDMENTS AND SUPPLEMENTS

Any amendment and supplement to this Agreement shall be in writing. Any amendment and supplement to this Agreement that have been signed by both Parties shall be an integral part of this Agreement and shall have the same legal validity as this Agreement.

13. COUNTERPARTS

This Agreement is in two counterparts with each Party having one copy. Both copies have the same legal effect.

[Signature page]

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Business Cooperation Agreement as of the date first above written.

Party A: Duowan Entertainment Information Technology (Beijing) Company Limited (Seal)

By: /s/ Xueling Li
Name: Xueling Li
Title: Authorized Representative

Party B: Beijing Tuda Science and Technology Company Limited (Seal)

By: /s/ Jin Cao
Name: Jin Cao
Title: Authorized Representative

Supplementary Agreement to Exclusive Business Cooperation Agreement

This Supplementary Agreement to Exclusive Business Cooperation Agreement (the "Supplementary Agreement") is entered into by and among the following parties on November 10, 2011:

Party A:	Duowan Entertainment Information Technology (Beijing) Company
Address:	Room B1507, Huizhi Building, No. 9 Xueqing Road, Haidian District, Beijing
Party B:	Beijing Tuda Science and Technology Company Limited
Address:	Suite B1506, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing

WHEREAS:

(A) Party A and Party B entered into the Exclusive Business Cooperation Agreement on December 3, 2009 (the "Original Agreement");

(B) Both parties propose to revise Section 6.2 of the Original Agreement.

Through friendly negotiation, the parties hereto agree to supplement the Original Agreement as follows:

1. Section 6.2 of Original Agreement shall be deleted and be replaced by the following:

"6.2 Within the term of the Agreement, Party B shall not terminate the Agreement under any circumstance. Party A is entitled to terminate the Agreement by written notice to Party B 30 days in advance."

2. The Original Agreement shall be applied to the matters not provided in this Supplementary Agreement.

3. This Supplementary Agreement shall prevail should there be any inconsistency between the Original Agreement and this Supplementary Agreement.

4. This Supplementary Agreement shall be executed in two originals, each party holding one original. All the originals shall have the same legal effect.

Both parties authorize their authorized representatives to sign this Supplementary Agreement on the date indicated above and to make effective upon signing.

Party A: Duowan Entertainment Information Technology (Beijing) Company (Seal)

Signature: /s/ Xueling Li
Name: Xueling Li
Position: Legal Representative/Authorized Representative

Party B: Beijing Tuda Science and Technology Company Limited (Seal)

Signature: /s/ Jin Cao
Name: Jin Cao
Position: Legal Representative/Authorized Representative

Confirmation Letter

Duowan Entertainment Information Technology (Beijing) Company (“Beijing Duowan”) and Beijing Tuda Science and Technology Company Limited (“Beijing Tuda”) have entered into an Exclusive Business Cooperation Agreement (the “Original Agreement”) on December 3, 2009. According to Section 2 of the Original Agreement, both parties confirm the fee rate and payment of services as follows:

1. Fee rate of services: Beijing Tuda shall, according to the Original Agreement, pay services fees to Beijing Duowan at the rate of not more than 100% of Beijing Tuda’s annual audited net income of each year.

2. Payment time: The time of paying services fees above shall be determined by Beijing Duowan according to actual situation. Beijing Tuda shall arrange payment after receiving written notice from Beijing Duowan.

3. This confirmation letter shall prevail should there be any inconsistency between the Original Agreement and this confirmation letter.

Party A: Duowan Entertainment Information Technology (Beijing) Company (Seal)

Signature: /s/ Xueling Li
Name: Xueling Li
Position: Legal Representative/Authorized Representative

Party B: Beijing Tuda Science and Technology Company Limited (Seal)

Signature: /s/ Jin Cao
Name: Jin Cao
Position: Legal Representative/Authorized Representative

Date: November 10, 2011

Exhibit 10.18

Exclusive Technology Support and Technology Service Agreement

This Exclusive Technology Support and Technology Services Agreement (the "Agreement") is executed by the following parties on December 3, 2009 in Beijing:

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited**
Address: Suite 1707C3, Qingyun Dangdai Plaza, No.9 Mantingfangyuan Community, Qingyunli, Haidian District, Beijing

Party B: **Beijing Tuda Science and Technology Company Limited**
Address: Suite D1815, Shangdi Huihuang International Center, No. 5 Shangdi Information Industry Base North Region, Haidian District, Beijing

Whereas:

1. Party A is a duly registered and established wholly foreign owned enterprise, has strong Internet technology development and supporting strength, and rich experience in providing technology support and services; and
2. Party B needs professional technology company to provide technology support and services during its operation.

Based on the above, through friendly negotiation and based on the principles of equality and reciprocity, both parties agree to the following provisions and intend to be bound by such provisions:

Article I Technology Support and Technology Services

1.1 Party A agrees to provide to Party B, and Party B agrees to accept from Party A, the technology support and services in accordance with the terms and conditions of this Agreement, the detailed contents of which are as follows:

(1) To make research and development of relevant software and technologies according to Party B's business needs;

(2) To be responsible for daily maintenance, supervision, testing and debugging for Party B's computer network equipment;

(3) To provide technology consultation and answers to Party B's technology question regarding network equipment, technology products and software; and

(4) To provide other relevant technology support and services to Party B in accordance with this Agreement.

1.2 Party B shall actively cooperate with Party A to complete the above support and services, including, but not limited to, providing relevant data, technology specifications and instructions.

1.3 The service term under this Agreement is 20 years commencing on the effective date of the Agreement. The parties agree to grant Party A an option to extend the term of this Agreement. Before expiration of this Agreement, Party A is entitled to extend the term of this Agreement for 10 years by written notification. Party A may use its option to extend the term of this Agreement for unlimited times.

1.4 Party A shall be the exclusive provider of the technology support and services under this Agreement to Party B; without Party A's prior written consent, Party B shall not accept any technology support or services from any third parties.

1.5 Party A has sole and exclusive rights to and interests in any rights, ownership, interests and all intellectual property including but not limited to copyrights, patents, technology secrets, commercial secrets and others, arising from the performance of this Agreement, whether developed by Party B or Party A. The parties agree that this article survives the modification, termination or expiration of this Agreement.

Article II Service Fees

2.1 The parties agree that Party B shall pay services fees to Party A in accordance with the Appendix to this Agreement as consideration for the technology support and services provided by Party A under Section 1.1 of this Agreement, the amount and payment method of which are set forth in such Appendix. The Appendix may be amended by both parties according to their negotiation and the implementation of the Agreement.

Article III Confidentiality

3.1 For the purpose of this Agreement, Confidential Information include, but is not limited to, all or any part of the following contents or information: technology information, materials, plans, drawing, data, indicators, standards, software, computer applications, network design materials provided by one party to the other party with respect to technology development, design, research, production, manufacture and repair; any contracts, agreements, memorandum, appendix, draft or minutes executed for the purpose of this Agreement (including this Agreement); and any notice given by one party to the other party for the purpose of this Agreement without indicating such information as public information when provided. Upon the termination of this Agreement, Party A shall return or destroy, in accordance with Party B's requirements, any documents, materials or software that contain Confidential Information, and delete any Confidential Information from any memory device, and refrain from using such Confidential Information any longer.

3.2 Without prior written consent of the other party, neither party shall disclose Confidential Information by any means to any third parties.

3.3 Both parties shall adopt necessary measures to restrict the Confidential Information known or understood by it within the scope of relevant employees, agents or consultants, and require such person to comply with this provision strictly and not disclose the Confidential Information to any third parties. Both parties undertake not to disclose or reveal Confidential Information obtained from the other party to its irrelevant employees.

3.4 Under the following circumstances, neither party will be deemed to have disclosed or revealed Confidential Information:

3.4.1 The disclosed information has been known to public before disclosure (not by any means in violation of this provision);

3.4.2 The disclosure is made with the other party's prior written consent;

3.4.3 The disclosure is made under mandatory requirements by governmental departments, laws or orders, provided that requirements by governmental departments must be issued by formal documents, otherwise the party shall refuse to comply and shall not disclose or reveal any Confidential Information.

3.5 If any party violates this provision, such breaching party shall compensate all losses incurred by the non-breaching party.

Article IV Breach Liabilities

4.1 If any party violates the provisions of this Agreement, such breaching party shall compensate all losses incurred by the non-breaching party.

4.2 Any waiver of the breaching party's breach may only be made in writing to be effective. The non-exercise or delay in exercise by any party of any rights or remedies under this Agreement does not constitute waiver of such party; any partial exercise of rights or remedies by any party shall not prejudice such party's exercise of other rights or remedies.

4.3 The effectiveness of this Article IV shall not be affected by the expiration or termination of this Agreement.

Article V Force Majeure

5.1 Under this Agreement, force majeure means wars, fires, earthquakes, floods, rainstorms, snowstorms and other natural disasters; or other events that cannot be foreseen, overcome or avoided by the parties when entering into this Agreement.

5.2 If a party cannot perform or delay to perform all or part of its obligations under this Agreement due to effect of force majeure, such party shall be released from relevant liabilities, but shall continue to perform after the effect of such force majeure is eliminated. If the force majeure has caused the performance of this Agreement to be impossible or unnecessary, the parties shall friendly negotiate about other resolutions.

Article VI Modification, Termination and Expiration of the Agreement

6.1 This Agreement may be modified through both parties' negotiation, or due to force majeure or other events provided by laws and regulations and this Agreement.

6.2 Any modification to this Agreement shall be executed by both parties in writing, otherwise it shall not bind the parties.

6.3 If any party fails to perform this Agreement within specified term, and the non-performance continues for a grace period of up to thirty days granted by the non-breaching party, the non-breaching party may terminate this Agreement by notice to the other party. The terminating notice is effective on the date when it is sent. Within the term of this Agreement, Party B may terminate this Agreement by 30-day's written notice to Party B.

6.4 During the term of this Agreement, if any party has made bankruptcy application in any form, has entered into bankruptcy liquidation proceedings, has been prohibited from continuing operation by competent governmental authority, or has lost legal person status or other legal subject status due to other reasons, the other party is entitled to terminate this Agreement. The terminating notice is effective on the date when it is sent.

6.5 The termination of this Agreement does not prejudice the other party's right to seek for compensations. If the modification or termination of this Agreement causes losses to any party, the responsible parties shall compensate such losses, except for those exempted by relevant laws. If this Agreement is terminated due to reasons attributable to Party A, Party B is entitled to compensations for all losses caused by such termination, as well as service fees for all services that have been rendered.

Article VII Governing Law and Dispute Resolution

7.1 The execution, effectiveness, interpretation, performance, amendment, termination and dispute resolution of this Agreement shall be governed by the laws of the People's Republic of China.

7.2 If there are any disputes or controversies in the performance of this Agreement, the parties shall first resolve them through friendly negotiation and, if negotiation fails, such disputes shall be submit to the China International Economic and Trade Arbitration Commission for arbitration in accordance with the then current arbitration rules of such commission. The arbitration shall be held in Beijing.

Article VIII Miscellaneous

8.1 This Agreement becomes effective upon signature of both parties. After this Agreement becomes effective and has been performed, the parties may execute supplementary agreements with respect to matters not addressed in this Agreement, or new situations occurring during the performance of this Agreement. Such supplementary agreement constitutes an integral part to this Agreement and has the same legal effect with the Agreement.

8.2 Provisions regarding confidentiality, dispute resolution and breach liabilities in this Agreement survive the termination or suspension of this Agreement.

8.3 Without prior written consent of the other party, neither party may assign all or any of its rights and duties under this Agreement to any third party.

8.4 The invalidity of any provisions of this Agreement shall not affect the validity of other provisions of this Agreement.

8.5 This Agreement is executed in two copies, each party holding one copy, and both copies have the same legal effect.

[Signature page]

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited** (Seal)

By: /s/ Xueling Li
Name: Xueling Li
Title: Authorized Representative

Party B: **Beijing Tuda Science and Technology Company Limited** (Seal)

By: /s/ Jin Cao
Name: Jin Cao
Title: Authorized Representative

Appendix

Standards and Payments of Technology Service Fee

1. Both parties agree that Party B shall pay services fees to Party A as consideration for the technology support and technology services provided by Party A in accordance with Section 1.1 of this Agreement according to the following provisions:

   (1) **Basic Annual Fees**

   Party B shall pay to Party A RMB[ ] annually as the basic annual fees for the technology support and technology services provided by Party A in the year under this Agreement, which shall be made by four equal installments and be paid by quarter. Party B shall, within fifteen (15) business days after the beginning of each quarter, pay RMB[ ] to a bank account designated by Party A.

   (2) **Floating Fees**

   In addition to the basic annual fees provided in the above paragraph (1), Party B shall pay to Party A floating fees based on the specific situation of the provision of technology support and services in each year. The floating fees shall be paid by quarter, and the amount of such floating fees payable in each quarter shall be determined by both parties considering the following factors:

   (i) The number and qualifications of professional personnel of Party A used to provide supporting services to Party B in the quarter;

   (ii) Time spent by Party A's professional personnel to provide supporting services in the quarter;

   (iii) Party A's various investments in providing supporting services in the quarter;

   (iv) Detailed contents and values of the consulting and training services provided by Party A in the quarter; and

   (v) Party B's business revenue.

2. Within 15 days after the end of each quarter, Party B shall provide Party A with all necessary financial materials for calculation of such quarter's floating fees, and to pay Party A such floating fees within 30 days after the end of such quarter. If Party A questions the financial materials provided by Party B, it may delegate a reputable independent accountant to conduct an audit of relevant materials. Such audit shall be conducted during normal business hours and shall not affect Party B's normal business. Under such conditions, Party B shall provide cooperation.

3. If Party A deems that the agreed amount of service fees provided in the first paragraph of this Appendix cannot accommodate to changes of objective situations and needs adjustment, Party B shall, within seven business days after Party A gives a written request for adjustment of fees, negotiate with Party A actively and in good faith to determine the new fees schedule or system.

Exhibit 10.19

Supplementary Agreement to Exclusive Technology Support and Technology Services Agreement

This Supplementary Agreement to Exclusive Technology Support and Technology Services Agreement (the "Supplementary Agreement") is entered into by and among the following parties on November 10, 2011:

Party A: Duowan Entertainment Information Technology (Beijing) Company

Address: Room B1507, Huizhi Building, No. 9 Xueqing Road, Haidian District, Beijing

Party B: Beijing Tuda Science and Technology Company Limited

Address: Suite B1506, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing

WHEREAS:

(A) Party A and Party B entered into the Exclusive Technology Support and Technology Services Agreement on December 3, 2009 (the "Original Agreement");

(B) Both parties propose to revise Section 6.3 of the Original Agreement.

Through friendly negotiation, the parties hereto agree to supplement the Original Agreement as follows:

1. Section 6.3 of Original Agreement shall be deleted and be replaced by the following:

"6.3 Within the term of the Agreement, Party B shall not terminate the Agreement under any circumstance. Party A is entitled to terminate the Agreement by written notice to Party B 30 days in advance."

2. The Original Agreement shall be applied to the matters not provided in this Supplementary Agreement.

3. This Supplementary Agreement shall prevail should there be any inconsistency between the Original Agreement and this Supplementary Agreement.

4. This Supplementary Agreement shall be executed in two originals, each party holding one original. All the originals shall have the same legal effect.

Both parties authorize their authorized representatives to sign this Supplementary Agreement on the date indicated above and to make effective upon signing.

Party A: Duowan Entertainment Information Technology (Beijing) Company (Seal)

Signature: /s/ Xueling Li
Name: Xueling Li
Position: Legal Representative/Authorized Representative

Party B: Beijing Tuda Science and Technology Company Limited (Seal)

Signature: /s/ Jin Cao
Name: Jin Cao
Position: Legal Representative/Authorized Representative

Exhibit 10.20

Confirmation Letter

Duowan Entertainment Information Technology (Beijing) Company ("Beijing Duowan") and Beijing Tuda Science and Technology Company Limited ("Beijing Tuda") have entered into an Exclusive Technology Support and Technology Services Agreement (the "Original Agreement") on December 3, 2009. According to Section 2 of the Original Agreement, both parties confirm the fee rate and payment of services as follows:

1. Fee rate of services: Beijing Tuda shall, according to the Original Agreement, pay services fees to Beijing Duowan at the rate of 10% of Beijing Tuda's annual revenue of each year.

2. Payment time: The time of paying services fees above shall be determined by Beijing Duowan according to actual situation. Beijing Tuda shall arrange payment after receiving written notice from Beijing Duowan.

3. This confirmation letter shall prevail should there be any inconsistency between the Original Agreement and this confirmation letter.

Party A: Duowan Entertainment Information Technology (Beijing) Company (Seal)

Signature: /s/ Xueling Li
Name: Xueling Li
Position: Legal Representative/Authorized Representative

Party B: Beijing Tuda Science and Technology Company Limited (Seal)

Signature: /s/ Jin Cao
Name: Jin Cao
Position: Legal Representative/Authorized Representative

Date: November 10, 2011

Exhibit 10.21

Power of Attorney

The undersigned, Xueling Li, a Chinese citizen, and a holder of 97.7% of the entire registered capital in Beijing Tuda Science and Technology Company Limited ("Beijing Tuda") (the "Shareholding"), hereby irrevocably authorize Duowan Entertainment Information Technology (Beijing) Company Limited ("Duowan Beijing") to exercise the following rights relating to the Shareholding during the term of this Power of Attorney:

Duowan Beijing is hereby authorized to act on behalf of the undersigned as the sole and exclusive agent with respect to all matters concerning the Shareholding, including, but not limited to: 1) attend shareholders' meetings of Beijing Tuda; 2) exercise all the shareholder's rights and shareholder's voting rights of the undersigned under laws and the articles of association of Beijing Tuda, including, but not limited to, the sale or transfer or pledge or disposition of all or any part of the Shareholding; and 3) designate and appoint on behalf of the undersigned the legal representative (chairperson), directors, supervisors, the chief executive officer and other senior management members of Beijing Tuda.

Without limiting the generality of the powers granted hereunder, Duowan Beijing shall have the power and authority under this Power of Attorney to execute the Transfer Contracts stipulated in Exclusive Option Agreement, to which the undersigned is required to be a party, on behalf of the undersigned, and to effect the terms of the Share Pledge Agreement and Exclusive Option Agreement, both dated the date hereof, to which the undersigned is a party.

All the actions associated with the Shareholding conducted by Duowan Beijing shall be deemed as the actions of the undersigned, and all the documents related to the Shareholding executed by Duowan Beijing shall be deemed to be executed by the undersigned. The undersigned hereby acknowledge and ratify those actions and/or documents by Duowan Beijing.

Duowan Beijing is entitled to re-authorize or assign its rights related to the aforesaid matters to any other person or entity at its own discretion and without giving prior notice to or obtaining consent from the undersigned.

This Power of Attorney shall be irrevocable and continuously valid from the date of execution of this Power of Attorney, so long as the undersigned is a shareholder of Beijing Tuda.

During the term of this Power of Attorney, the undersigned hereby waives all the rights associated with the Shareholding, which have been authorized to Beijing Duowan through this Power of Attorney, and shall not exercise such rights by itself.

By: /s/ Xueling Li

Dated: May 27, 2011

Power of Attorney

The undersigned, Bin Zhao, a Chinese citizen, and a holder of 1.5334% of the entire registered capital in Beijing Tuda Science and Technology Company Limited ("Beijing Tuda") (the "Shareholding"), hereby irrevocably authorize Duowan Entertainment Information Technology (Beijing) Company Limited ("Duowan Beijing") to exercise the following rights relating to the Shareholding during the term of this Power of Attorney:

Duowan Beijing is hereby authorized to act on behalf of the undersigned as the sole and exclusive agent with respect to all matters concerning the Shareholding, including, but not limited to: 1) attend shareholders' meetings of Beijing Tuda; 2) exercise all the shareholder's rights and shareholder's voting rights of the undersigned under laws and the articles of association of Beijing Tuda, including, but not limited to, the sale or transfer or pledge or disposition of all or any part of the Shareholding; and 3) designate and appoint on behalf of the undersigned the legal representative (chairperson), directors, supervisors, the chief executive officer and other senior management members of Beijing Tuda.

Without limiting the generality of the powers granted hereunder, Duowan Beijing shall have the power and authority under this Power of Attorney to execute the Transfer Contracts stipulated in Exclusive Option Agreement, to which the undersigned is required to be a party, on behalf of the undersigned, and to effect the terms of the Share Pledge Agreement and Exclusive Option Agreement, both dated the date hereof, to which the undersigned is a party.

All the actions associated with the Shareholding conducted by Duowan Beijing shall be deemed as the actions of the undersigned, and all the documents related to the Shareholding executed by Duowan Beijing shall be deemed to be executed by the undersigned. The undersigned hereby acknowledge and ratify those actions and/or documents by Duowan Beijing.

Duowan Beijing is entitled to re-authorize or assign its rights related to the aforesaid matters to any other person or entity at its own discretion and without giving prior notice to or obtaining consent from the undersigned.

This Power of Attorney shall be irrevocable and continuously valid from the date of execution of this Power of Attorney, so long as the undersigned is a shareholder of Beijing Tuda.

During the term of this Power of Attorney, the undersigned hereby waives all the rights associated with the Shareholding, which have been authorized to Beijing Duowan through this Power of Attorney, and shall not exercise such rights by itself.

By: /s/ Bin Zhao

Dated: May 27, 2011

Power of Attorney

The undersigned, Jin Cao, a Chinese citizen, and a holder of 0.7666% of the entire registered capital in Beijing Tuda Science and Technology Company Limited ("Beijing Tuda") (the "Shareholding"), hereby irrevocably authorize Duowan Entertainment Information Technology (Beijing) Company Limited ("Duowan Beijing") to exercise the following rights relating to the Shareholding during the term of this Power of Attorney:

Duowan Beijing is hereby authorized to act on behalf of the undersigned as the sole and exclusive agent with respect to all matters concerning the Shareholding, including, but not limited to: 1) attend shareholders' meetings of Beijing Tuda; 2) exercise all the shareholder's rights and shareholder's voting rights of the undersigned under laws and the articles of association of Beijing Tuda, including, but not limited to, the sale or transfer or pledge or disposition of all or any part of the Shareholding; and 3) designate and appoint on behalf of the undersigned the legal representative (chairperson), directors, supervisors, the chief executive officer and other senior management members of Beijing Tuda.

Without limiting the generality of the powers granted hereunder, Duowan Beijing shall have the power and authority under this Power of Attorney to execute the Transfer Contracts stipulated in Exclusive Option Agreement, to which the undersigned is required to be a party, on behalf of the undersigned, and to effect the terms of the Share Pledge Agreement and Exclusive Option Agreement, both dated the date hereof, to which the undersigned is a party.

All the actions associated with the Shareholding conducted by Duowan Beijing shall be deemed as the actions of the undersigned, and all the documents related to the Shareholding executed by Duowan Beijing shall be deemed to be executed by the undersigned. The undersigned hereby acknowledge and ratify those actions and/or documents by Duowan Beijing.

Duowan Beijing is entitled to re-authorize or assign its rights related to the aforesaid matters to any other person or entity at its own discretion and without giving prior notice to or obtaining consent from the undersigned.

This Power of Attorney shall be irrevocable and continuously valid from the date of execution of this Power of Attorney, so long as the undersigned is a shareholder of Beijing Tuda.

During the term of this Power of Attorney, the undersigned hereby waives all the rights associated with the Shareholding, which have been authorized to Beijing Duowan through this Power of Attorney, and shall not exercise such rights by itself.

By: /s/ Jin Cao

Dated: May 27, 2011

Exhibit 10.22

Exclusive Option Agreement

This Exclusive Option Agreement (this "Agreement") dated May 27, 2011, is made in Beijing, the People's Republic of China (the "PRC"), by and among:

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited**
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing

Party B: **Xueling Li**
Address:

Party C: **Beijing Tuda Science and Technology Company Limited**
Address: Suite B1506, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing

Party A, Party B and Party C respectively referred to as a "Party", collectively referred to as "Parties".

WHEREAS:

1. Party B holds 97.7% equity interests of Party C;
2. Party A and Party C entered into a series of legal documents, including an Exclusive Business Cooperation Agreement and Exclusive Technology Support and Technology Services Agreement on December 3, 2009, which are made for purpose of formation of Party A's control over Party C (collectively as "Controlling Documents").

THEREFORE, the Parties hereby agree as follows:

1. Sale and Purchase of Equity Interests

1.1 Right of Grant

Considering that Party A has paid RMB 10 to Party B as the consideration, and Party B has confirmed that it had received such consideration and such consideration was sufficient, Party B hereby irrevocably grants Party A an exclusive right to, according to the exercise steps decided by Party A at is own discretion and the price described in Clause 1.3 hereof, at anytime purchase or designate one or several persons ("Designated Person") to purchase any portion of all of equity interests held by Party B in Party C in one or several installments, to the extent allowed by laws of the PRC ("Equity Purchase Right"). Any third party other than Party A and Appointed Person should not enjoy the Equity Purchase Right or any other rights with respect to Party B's equity interests. Party C hereby allows Party B to grant the Equity Purchase Right to Party A. "Person" mentioned in this clause and this Agreement refers to individuals, companies, joint ventures, partnerships, enterprises, trusts and non-corporate organizations.

1.2 Steps of Exercise

The exercise of Equity Purchase Right by Party A is subject to provisions of laws and regulations of PRC. When exercising the Equity Purchase Right, Party A shall serve a written notice ("Purchase Notice") to Party B, to specify the following issues: (a) decisions of Party A regarding the exercise of Equity Purchase Right; (b) the percentage of equity interests to be purchased by Party A from Party B ("Purchased Equity Interests"), and (c) date of purchase/assignment of Purchased Equity Right.

1.3 Purchase Price

Lowest price allowed by laws of the PRC.

1.4 Assignment of Purchased Equity Interests

Every time Party A exercises the Equity Purchase Right,

1.4.1 Party B shall cause Party C to hold the shareholders' meeting, by which the resolutions regarding Party B's assignment of Purchased Equity Interests to Party A and/or Designated Person shall be resolved and approved;

1.4.2 Party B shall obtain Party C's other shareholders' consent regarding the assignment of Purchased Equity Interests to Party A and/or Designated Person, and provide a written statement with respect to waiver of the option right;

1.4.3 Party B shall enter into a respective equity transfer contract for each transfer of equity interests with Party A and/or the Designated Person (if applicable) in accordance with the provisions hereof and the Purchase Notice;

1.4.4 related parties shall enter into all the other contracts, agreements and documents, obtain all governmental approvals and consents, and take all actions necessary for the transfer of all valid ownership of the Purchased Equity Interests to Party A and/or the Designated Person, as well as validation of Party A and/or the Designated Person's status as registered owner of the Purchased Equity Interests, without any security interest. For the purpose of this clause and this Agreement, "security interest" includes guaranty, mortgage, third party's rights or interests, any stock option, right of purchase, option right, setting-off right, ownership retention or other guaranty arrangement, etc., provided that, for purchase of clarification, it will not include any security interest arising from this Agreement and Party B's Equity Pledge Agreement. "Party B's Equity Pledge Agreement" as mentioned in this clause and this Agreement refers to the Equity Pledge Agreement entered into by and among Party A, Party B and Party C on the date hereof, in accordance with which, Party B pledges all the equity interests held by it in Party C to Party A, for purpose of security of Party C's performance of all its obligations under the Exclusive Business Cooperation Agreement between Party C and Party A.

1.5 Payment

The Parties agree that, the equity interests transfer price to be paid by Party A to Party B for exercising the exclusive option right hereunder by Party A, in principle, shall be the lowest amount allowed by then effective laws and regulations of the PRC. If Party B is held liable to Party A or its affiliates then, Party A may also use related creditor's right as the consideration for the transfer of equity interests.

2. Undertakings

2.1 Undertakings Relating to Party C

Party B (as Party C's shareholder) and Party C hereby undertake that with respect to Party C, they:

2.1.1 without written consent of Party A, will not, in any way, supplement, change or amend the organizational documents of Party C, increase or decrease its registered capital, or change the structure of its registered capital in any other form;

2.1.2 maintain its existence, diligently and validly operate its business and deal with its daily corporate matters, according to a well-accepted financial and commercial standard and practice;

2.1.3 without written consent of Party A, will not sell, transfer, mortgage, or dispose of in any other way, any legal or beneficial interest in Party C's assets, business or revenue, or allow any security interest to be created over thereon, anytime upon the execution hereof;

2.1.4 without written consent of Party A, will not incur, succeed, guaranty, or allow the existing of, any liability, provided that, (i) such liability arises from its routine or daily operation, instead of borrowing; and (ii) such liability has been disclosed by Party A and consented by Party A in writing;

2.1.5 operate all business in the course of normal operation, and will not take any action/non-action imposing any adverse effect on Party C's operation status and value of assets, in order to maintain Party C's assets value;

2.1.6 without written consent of Party A, will not cause Party C to enter into any material contract, except for contracts made during the ordinary course of business (for purpose of this clause, if the value of contract exceeds RMB 100,000, the contract will be deemed material);

2.1.7 without written consent of Party A, Party C will not provide any loan or credit facility to any other person;

2.1.8 will provide to Party A all materials in respect of Party C's operation and financial situation, as required by Party A;

2.1.9 if required by Party A, will procure from the insurer accepted by Party A insurance and maintain the insurance with respect to its assts and business, and the insurance premium and policy shall be in compliance with those of other companies operating similar businesses;

2.1.10 without written consent of Party A, will not cause Party C to merge or amalgamate with any other person, or acquire or invest in any other person;

2.1.11 will notify Party A of any occurrence or threat of any lawsuit, arbitration or administrative proceeding with respect to Party C's assets, business and revenue;

2.1.12 for purpose of maintenance of Party C's ownership of all of its assets, will sign all necessary or appropriate documents, take all necessary and appropriate actions, and file any necessary or appropriate claims, or proceed with all necessary and appropriate defenses against all claims;

2.1.13 without written consent of Party A, will not distribute any dividend in any form to shareholders, provided that, if required so by Party A, will immediately distribute all its distributable profits to its shareholders; and

2.1.14 will appoint the persons designated by Party A as Party C's directors, as required by Party A.

2.2 Party B's Undertakings

Party B undertakes that:

2.2.1 without written consent of Party A, will not sell, transfer, mortgage, or dispose of in any other way, any legal or beneficial interest in the equity interests held by it of Party C, or allow any security interest to be created over thereon, except for the pledge created over such equity interests in accordance with Party B's Equity Pledge Agreement;

2.2.2 will cause Party C's shareholders' meeting and/or directors' meeting not to approve the sale, transfer, mortgage, or disposition in any other way of, any legal or beneficial interest in the equity interests held by it of Party C, or any security interest to be created over thereon, except for the pledge created over such equity interests in accordance with Party B's Equity Pledge Agreement;

2.2.3 without written consent of Party A, Party B will cause Party C's shareholders' meeting and/or directors' meeting not to approve Party C's merger or amalgamation with any other person, or its acquisition of or investment in any other person;

2.2.4 will notify Party A of any occurrence or threat of any lawsuit, arbitration or administrative proceeding with respect to the equity interests held by it;

2.2.5 will cause Party C's shareholders' meeting and/or directors meeting to resolve to agree upon the transfer of Purchased Equity Interests mentioned herein, and take any other actions as required by Party A;

2.2.6 for purpose of maintaining its legitimate ownership of equity interests held by it, will sign all necessary or appropriate documents, take all necessary and appropriate actions, and file any necessary or appropriate claims, or proceed with all necessary and appropriate defenses against all claims;

2.2.7 will appoint the persons designated by Party A as Party C's directors, as required by Party A;

2.2.8 as required by Party A at anytime, will at anytime, unconditionally transfer its equity interests to the representatives designated by Party A in accordance with the Equity Purchase Right mentioned herein, and waive the option right with respect to the transfer of corresponding equity interests to another existing shareholder (if any); and

2.2.9 will strictly abide by all provisions of this Agreement and other contracts among the Parties, and between any two of them, perform all the obligations thereunder, and will not take any action/non-action which may impose any effect on the validity and enforceability of such contracts. If Party B still maintains any right with respect to the equity interests under this Agreement, or Equity Pledge Agreement among the Parties, or the authorization letter of Party A, Party B will not exercise any of such rights unless with the written direction of Party A.

3. **Representations and Warrants**

Party B and Party C hereby respectively and jointly represent and warrant to Party A on the date hereof and each day of transfer, that:

3.1 it has the power and capacity to execute and deliver this Agreement, as well as any other equity interests transfer contract, to which it is a party, and which is made for each transfer of Purchased Equity Interests in accordance with this Agreement (individually referred to as "Transfer Agreement"), and perform its obligations under this Agreement and the Transfer Agreement. Party B and Party C agree to enter into a respective Transfer Agreement containing the provisions same to this Agreement when Party A exercises the Equity Purchase Right. This Agreement and any Transfer Agreement to which it is a party, upon being executed, constitutes or will constitute its valid and binding obligation enforceable against it in accordance with the terms hereof;

3.2 its execution, delivery and performance of this Agreement or any Transfer Agreement will not (i) violate any applicable laws of the PRC; (ii) conflict with the articles of association and other organizational documents of Party C; (iii) breach any contract or document which is binding upon it, or to which it is a party; (iv) violate any permit or approval, or the conditions for maintaining its validity of such permit or approval, granted to any party; or (v) cause the suspension or withdrawal of, or impose any additional conditions on, the permit or approval granted to any party;

3.3 Party B owns good and salable ownership of the equity interests by it in Party C, and Party B has not created any security interest over such equity interests except for Party B's Equity Pledge Agreement;

3.4 Party C owns good and salable ownership of all of its assets, and Party C has not created any security interest over such assets;

3.5 Party C does not have any outstanding liabilities, except for (i) those arising from the ordinary course of business; and (ii) those disclosed to Party A and approved by Party A in writing;

3.6 Party C has been complying with all applicable laws and regulations related to the acquisition of assets; and

3.7 there are no lawsuits, arbitrations or administrative proceedings pending or threatened with respect to the equity interests, Party C's assets or Party C itself.

4. **Effective Date**

This Agreement becomes effective upon the execution by each Party. The term of this Agreement is ten (10) years, and may be extended subject to Party A's decision. All the related Exclusive Stock Option Agreement and the Amendment thereto entered among the Parties will no longer be effective from the date hereof.

5. **Applicable Law and Dispute Resolution**

5.1 Applicable Law

The formation of this Agreement, its validity, interpretation, performance, change, and termination of this Agreement, and the settlement of any dispute between the Parties, shall be governed by and construed in accordance with the laws of the PRC, which are officially promulgated and available to the public. The issues not governed by the laws of the PRC, which are officially promulgated and available to the public, shall apply international legal rules and practices.

5.2 Dispute Resolution

The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Agreement through friendly consultations. If a dispute is not resolved through friendly consultations within 30 days from the date a Party gives the other Party written notice of the dispute, then each Party may submit the dispute to China International Economic and Trade Arbitration Commission ("CIETAC") for arbitration in accordance with then effective arbitration rules. The arbitration shall be conducted in Shanghai in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

6. **Taxes, Fees**

Each Party shall respectively bear any and all the taxes, expenses and fees incurred by, or collected from such Party, for preparation and execution of this Agreement, each Transfer Agreement, and completion of the transactions contemplated by this Agreement and each Transfer Agreement, in accordance with laws of the PRC.

7. **Notices**

7.1 All the notices and other communications required by or sent pursuant to this Agreement shall be delivered to the following address of each Party in person, by registered mail, prepaid post, or commercial courier services, or facsimile. Each notice shall be confirmed with a respective email. Delivery shall be deemed to have occurred:

7.1.1 the same day (local time at the recipient's place of business) on which delivery is made by personal delivery, or by courier services, registered mail, or prepaid post, or delivery is refused.

7.1.2 the day of delivery being successfully made, if by facsimile (certified by the automatically generated transmission confirmation).

7.2 Each Party's address for purpose of notice is as follows:

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited**
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing
Attention: Li Xueling
Telephone:
Facsimile:

Party B: **Xueling Li**
Address: No.2, Haiyuncang Hutong, Dongcheng District, Beijing
Telephone:
Facsimile:

Party C: **Beijing Tuda Science and Technology Company Limited**
Address: Suite B1506, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing
Attention: Jin Cao
Telephone:
Facsimile:

7.3 Each Party may at anytime change its address for receiving notices by giving a notice to the other Parties in accordance with this clause.

8. **<u>Confidentiality</u>**

Each Party recognizes and confirms this Agreement, the content of this Agreement, and any and all oral and written information exchanged among them for the preparation and performance of this Agreement shall be deemed as confidential information. Each Party shall hold in confidence all such confidential information, and without the written consent from the other Parties, should not disclose any confidential information to any third party, provided that, confidential information shall not include information that (i) is or becomes available to the public other than as a result of a disclosure by the receiving Party in violation of this Agreement, or (ii) any information which must be disclosed pursuant to laws and regulations, stock trading rules, or as required by order or decree of governmental authorities or courts; or (iii) any information disclosed by either Party to its shareholders, invertors, legal or financial advisors in relation to the transactions contemplated herein, who are bound by confidentiality obligation similar to this provision. Any disclosure of confidential information by the professionals or institutions engaged by either Party shall be deemed as the disclosure by such Party, and such Party shall be held liable for breach. This provision shall survive the termination of this Agreement for any reason.

9. **<u>Further Assurance</u>**

The Parties hereto shall each immediately perform such beneficial acts, execute and deliver such beneficial instruments and documents, and do all such other things as may be reasonably necessary to perform the provisions and purpose of this Agreement.

10. **<u>Miscellaneous</u>**

10.1 <u>Amendment, Change and Supplement</u>

Any amendment, change and supplement to this Agreement can only be made with the written agreement signed by each Party hereto.

10.2 <u>Entirety</u>

Except for any written amendment, supplement and change made to this Agreement upon the execution hereof, this Agreement constitutes the entire agreement reached among the Parties relating to the subject matter hereof, and supersedes in their entirety all prior written and oral agreements and understandings among the Parties relating to the subject matter hereof.

10.3 <u>Headings</u>

The headings of this Agreement are created only for reading convenience, and should not be interpreted, or explained to affect the meanings of the provisions hereof.

10.4 <u>Languages</u>

This Agreement is written in Chinese in three (3) originals, each Party holding one (1) copy.

10.5 <u>Severability</u>

If any single or multiple provisions hereof are judged invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be affected in any aspect. The Parties shall in good faith endeavor to use valid provisions to the extent allowed by laws and reflecting the intensions of all the Parties to replace those invalid, illegal or unenforceable provisions, provided that, the economic effects achieved by such valid provisions shall be similar to the economic effects achieved by those invalid, illegal or unenforceable provisions.

10.6 Successors

This Agreement shall be binding upon, and inure to the benefit of, the Parties and their successors and permitted assigns.

10.8 Survival

10.8.1 Any obligations arising from, or expiring upon the expiry or earlier termination of this Agreement survive the expiry or earlier termination of this Agreement.

10.8.2 Section 5, Section 7, Section 8 of this Agreement and this Clause 10.8 shall survive the termination of this Agreement.

10.9 Waiver

Each Party can only waive any term or condition of this Agreement in writing and with the signatures of all the Parties. Any waiver made by one Party regarding the other Party's breach should not be deemed as the waiver of such Party regarding the other Party's similar breaches in other situations.

10.10 Indemnification

10.10.1 Each Party hereby agrees and confirms that, if any existing shareholder materially breaches any provision hereof ("Default Party"), or materially fails to perform any obligation hereunder, then it has constituted the breach of this Agreement ("Breach"), and Party A has the right to require the Default Party to cure such Breach or take any correction measures regarding such Breach within a reasonable period. In the event that the Default Party fails to cure such Breach or take any correction measures regarding such Breach within such reasonable period or ten (10) days after Party A sends the written breach notice to the Default Party to require the correction, then Party A is entitled to choose any of the following relieves for the Breach: (i) to terminate this Agreement and require the Default Party to provide full indemnification for such Breach; (2) to require the enforcement of all the obligations of the Default Party under this Agreement, and the Default Party to provide full indemnification for such Breach; or (3) to sell or dispose of the pledged equity interests in accordance with the Equity Pledge Agreement, to be indemnified at the first priority with the price of sale and disposal of such equity interests, and require the Default Party to be liable for all losses so incurred by it.

10.10.2 Each Party agrees and confirms that under no circumstance may the existing shareholders may require the termination of this Agreement for any reason.

10.10.3 The rights and relieves available hereunder are accumulative and do not exclude any other right or relief available in accordance with laws.

10.10.4 Notwithstanding anything contained herein to the contrary, the validity of this provision survives the suspension or termination of this Agreement.

[Signature page]

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited** (Seal)

Signature: /s/ Xueling Li
Name:
Title: Authorized Representative

Party B: **Xueling Li**

Signature: /s/ Xueling Li

Party C: **Beijing Tuda Science and Technology Company Limited** (Seal)

Signature: /s/ Jin Cao
Name:
Title: Authorized Representative

Exclusive Option Agreement

This Exclusive Option Agreement (this “Agreement”) dated May 27, 2011, is made in Beijing, the People’s Republic of China (the “PRC”), by and among:

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited**
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing

Party B: **Bin Zhao**
Address:

Party C: **Beijing Tuda Science and Technology Company Limited**
Address: Suite B1506, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing

Party A, Party B and Party C respectively referred to as a “Party”, collectively referred to as “Parties”.

WHEREAS:

1. Party B holds1.5334% equity interests of Party C;
2. Party A and Party C entered into a series of legal documents, including an Exclusive Business Cooperation Agreement and Exclusive Technology Support and Technology Services Agreement on December 3, 2009, which are made for purpose of formation of Party A’s control over Party C (collectively as “Controlling Documents”).

THEREFORE, the Parties hereby agree as follows:

1. <u>Sale and Purchase of Equity Interests</u>

1.1 <u>Right of Grant</u>

Considering that Party A has paid RMB 10 to Party B as the consideration, and Party B has confirmed that it had received such consideration and such consideration was sufficient, Party B hereby irrevocably grants Party A an exclusive right to, according to the exercise steps decided by Party A at is own discretion and the price described in Clause 1.3 hereof, at anytime purchase or designate one or several persons (“Designated Person”) to purchase any portion of all of equity interests held by Party B in Party C in one or several installments, to the extent allowed by laws of the PRC (“Equity Purchase Right”). Any third party other than Party A and Appointed Person should not enjoy the Equity Purchase Right or any other rights with respect to Party B’s equity interests. Party C hereby allows Party B to grant the Equity Purchase Right to Party A. “Person” mentioned in this clause and this Agreement refers to individuals, companies, joint ventures, partnerships, enterprises, trusts and non-corporate organizations.

1.2 Steps of Exercise

The exercise of Equity Purchase Right by Party A is subject to provisions of laws and regulations of PRC. When exercising the Equity Purchase Right, Party A shall serve a written notice ("Purchase Notice") to Party B, to specify the following issues: (a) decisions of Party A regarding the exercise of Equity Purchase Right; (b) the percentage of equity interests to be purchased by Party A from Party B ("Purchased Equity Interests"), and (c) date of purchase/assignment of Purchased Equity Right.

1.3 Purchase Price

Lowest price allowed by laws of the PRC.

1.4 Assignment of Purchased Equity Interests

Every time Party A exercises the Equity Purchase Right,

1.4.1 Party B shall cause Party C to hold the shareholders' meeting, by which the resolutions regarding Party B's assignment of Purchased Equity Interests to Party A and/or Designated Person shall be resolved and approved;

1.4.2 Party B shall obtain Party C's other shareholders' consent regarding the assignment of Purchased Equity Interests to Party A and/or Designated Person, and provide a written statement with respect to waiver of the option right;

1.4.3 Party B shall enter into a respective equity transfer contract for each transfer of equity interests with Party A and/or the Designated Person (if applicable) in accordance with the provisions hereof and the Purchase Notice;

1.4.4 related parties shall enter into all the other contracts, agreements and documents, obtain all governmental approvals and consents, and take all actions necessary for the transfer of all valid ownership of the Purchased Equity Interests to Party A and/or the Designated Person, as well as validation of Party A and/or the Designated Person's status as registered owner of the Purchased Equity Interests, without any security interest. For the purpose of this clause and this Agreement, "security interest" includes guaranty, mortgage, third party's rights or interests, any stock option, right of purchase, option right, setting-off right, ownership retention or other guaranty arrangement, etc., provided that, for purchase of clarification, it will not include any security interest arising from this Agreement and Party B's Equity Pledge Agreement. "Party B's Equity Pledge Agreement" as mentioned in this clause and this Agreement refers to the Equity Pledge Agreement entered into by and among Party A, Party B and Party C on the date hereof, in accordance with which, Party B pledges all the equity interests held by it in Party C to Party A, for purpose of security of Party C's performance of all its obligations under the Exclusive Business Cooperation Agreement between Party C and Party A.

1.5 Payment

The Parties agree that, the equity interests transfer price to be paid by Party A to Party B for exercising the exclusive option right hereunder by Party A, in principle, shall be the lowest amount allowed by then effective laws and regulations of the PRC. If Party B is held liable to Party A or its affiliates then, Party A may also use related creditor's right as the consideration for the transfer of equity interests.

2. **Undertakings**

2.1 Undertakings Relating to Party C

Party B (as Party C's shareholder) and Party C hereby undertake that with respect to Party C, they:

2.1.1 without written consent of Party A, will not, in any way, supplement, change or amend the organizational documents of Party C, increase or decrease its registered capital, or change the structure of its registered capital in any other form;

2.1.2 will maintain its existence, diligently and validly operate its business and deal with its daily corporate matters, according to a well-accepted financial and commercial standard and practice;

2.1.3 without written consent of Party A, will not sell, transfer, mortgage, or dispose of in any other way, any legal or beneficial interest in Party C's assets, business or revenue, or allow any security interest to be created over thereon, anytime upon the execution hereof;

2.1.4 without written consent of Party A, will not incur, succeed, guaranty, or allow the existing of, any liability, provided that, (i) such liability arises from its routine or daily operation, instead of borrowing; and (ii) such liability has been disclosed by Party A and consented by Party A in writing;

2.1.5 will operate all business in the course of normal operation, and will not take any action/non-action imposing any adverse effect on Party C's operation status and value of assets, in order to maintain Party C's assets value;

2.1.6 without written consent of Party A, will not cause Party C to enter into any material contract, except for contracts which is made during the ordinary course of business (for purpose of this clause, if the value of contract exceeds RMB 100,000, the contract will be deemed material);

2.1.7 without written consent of Party A, will not cause Party C to provide any loan or credit facility to any other person;

2.1.8 will provide to Party A all materials in respect of Party C's operation and financial situation, as required by Party A;

2.1.9 if required by Party A, will procure from the insurer accepted by Party A insurance and maintain the insurance with respect to its assets and business, and the insurance premium and policy shall be in compliance with those of other companies operating similar businesses;

2.1.10 without written consent of Party A, will not cause Party C to merge or amalgamate with any other person, or acquire or invest in any other person;

2.1.11 will notify Party A of any occurrence or threat of any lawsuit, arbitration or administrative proceeding with respect to Party C's assets, business and revenue;

2.1.12 for purpose of maintenance of Party C's ownership of all of its assets, will sign all necessary or appropriate documents, take all necessary and appropriate actions, and file any necessary or appropriate claims, or proceed with all necessary and appropriate defenses against all claims;

2.1.13 without written consent of Party A, will not distribute any dividend in any form to shareholders, provided that, if required so by Party A, will immediately distribute all its distributable profits to its shareholders; and

2.1.14 will appoint the persons designated by Party A as Party C's directors, as required by Party A.

2.2 Party B's Undertakings

Party B undertakes that it:

2.2.1 without written consent of Party A, will not sell, transfer, mortgage, or dispose of in any other way, any legal or beneficial interest in the equity interests held by it of Party C, or allow any security interest to be created over thereon, except for the pledge created over such equity interests in accordance with Party B's Equity Pledge Agreement;

2.2.2 will cause Party C's shareholders' meeting and/or directors' meeting not to approve the sale, transfer, mortgage, or disposition in other way of, any legal or beneficial interest in the equity interests held by it of Party C, or any security interest to be created over thereon, except for the pledge created over such equity interests in accordance with Party B's Equity Pledge Agreement;

2.2.3 without written consent of Party A, will cause Party C's shareholders' meeting and/or directors' meeting not to approve Party C's merger or amalgamation with any other person, or its acquisition of or investment in any other person;

2.2.4 will notify Party A of any occurrence or threat of any lawsuit, arbitration or administrative proceeding with respect to the equity interests held by it;

2.2.5 will cause Party C's shareholders' meeting and/or directors meeting to resolve to agree upon the transfer of Purchased Equity Interests mentioned herein, and take any other actions as required by Party A;

2.2.6 for purpose of maintaining its legitimate ownership of equity interests held by it, will sign all necessary or appropriate documents, take all necessary and appropriate actions, and file any necessary or appropriate claims, or proceed with all necessary and appropriate defenses against all claims;

2.2.7 will appoint the persons designated by Party A as Party C's directors, as required by Party A;

2.2.8 as required by Party A at anytime, will at anytime, unconditionally transfer its equity interests to the representatives designated by Party A in accordance with the Equity Purchase Right mentioned herein, and waive the option right with respect to the transfer of corresponding equity interests to another existing shareholder (if any); and

2.2.9 will strictly abide by all provisions of this Agreement and other contracts among the Parties, and between any two of them, perform all the obligations thereunder, and will not take any action/non-action which may impose any effect on the validity and enforceability of such contracts. If Party B still maintains any right with respect to the equity interests under this Agreement, or Equity Pledge Agreement among the Parties, or the authorization letter of Party A, Party B will not exercise any of such rights unless with the written direction of Party A.

3. **Representations and Warrants**

Party B and Party C hereby respectively and jointly represent and warrant to Party A on the date hereof and each day of transfer, that:

3.1 it has the power and capacity to execute and deliver this Agreement, as well as any other equity interests transfer contract, to which it is a party, and which is made for each transfer of Purchased Equity Interests in accordance with this Agreement (individually referred to as "Transfer Agreement"), and perform its obligations under this Agreement and the Transfer Agreement. Party B and Party C agree to enter into a respective Transfer Agreement containing the provisions same to this Agreement when Party A exercises the Equity Purchase Right. This Agreement and any Transfer Agreement to which it is a party, upon being executed, constitutes or will constitute its valid and binding obligation enforceable against it in accordance with the terms hereof;

3.2 its execution, delivery and performance of this Agreement or any Transfer Agreement will not (i) violate any applicable laws of the PRC; (ii) conflict with the articles of association and other organizational documents of Party C; (iii) breach any contract or document which is binding upon it, or to which it is a party; (iv) violate any permit or approval, or the conditions for maintaining its validity of such permit or approval, granted to any party; or (v) cause the suspension or withdrawal of, or impose any additional conditions on, the permit or approval granted to any party;

3.3 Party B owns good and salable ownership of the equity interests by it in Party C, and Party B has not created any security interest over such equity interests except for Party B's Equity Pledge Agreement;

3.4 Party C owns good and salable ownership of all of its assets, and Party C has not created any security interest over such assets;

3.5 Party C does not have any outstanding liabilities, except for (i) those arising from the ordinary course of business; and (ii) those disclosed to Party A and approved by Party A in writing;

3.6 Party C has been complying with all applicable laws and regulations related to the acquisition of assets; and

3.7 there are no lawsuits, arbitrations or administrative proceedings pending or threatened with respect to the equity interests, Party C's assets or Party C itself.

4. **Effective Date**

This Agreement becomes effective upon the execution by each Party. The term of this Agreement is ten (10) years, and may be extended subject to Party A's decision. All the related Exclusive Stock Option Agreement and the Amendment thereto entered among the Parties will no longer be effective from the date hereof.

5. **Applicable Law and Dispute Resolution**

5.1 Applicable Law

The formation of this Agreement, its validity, interpretation, performance, change, and termination of this Agreement, and the settlement of any dispute between the Parties, shall be governed by and construed in accordance with the laws of the PRC, which are officially promulgated and available to the public. The issues not governed by the laws of the PRC, which are officially promulgated and available to the public, shall apply international legal rules and practices.

5.2 Dispute Resolution

The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Agreement through friendly consultations. If a dispute is not resolved through friendly consultations within 30 days from the date a Party gives the other Party written notice of the dispute, then each Party may submit the dispute to China International Economic and Trade Arbitration Commission ("CIETAC") for arbitration in accordance with then effective arbitration rules. The arbitration shall be conducted in Shanghai in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

6. **Taxes, Fees**

Each Party shall respectively bear any and all the taxes, expenses and fees incurred by, or collected from such Party, for preparation and execution of this Agreement, each Transfer Agreement, and completion of the transactions contemplated by this Agreement and each Transfer Agreement, in accordance with laws of the PRC.

7. **Notices**

7.1 All the notices and other communications required by or sent pursuant to this Agreement shall be delivered to the following address of each Party in person, by registered mail, prepaid post, or commercial courier services, or facsimile. Each notice shall be confirmed with a respective email. Delivery shall be deemed to have occurred:

7.1.1 the same day (local time at the recipient's place of business) on which delivery is made by personal delivery, or by courier services, registered mail, or prepaid post, or delivery is refused.

7.1.2 the day of delivery being successfully made, if by facsimile (certified by the automatically generated transmission confirmation).

7.2 Each Party's address for purpose of notice is as follows:

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited**
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing
Attention: Li Xueling
Telephone:
Facsimile:

Party B: **Bin Zhao**
Address: No.501, Door 2, Suite 6, Jiefang East yard, 55 Dongxi, Luoyang, He'nan Province
Telephone:
Facsimile:

Party C: **Beijing Tuda Science and Technology Company Limited**
Address: Suite B1506, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing
Attention: Jin Cao
Telephone:
Facsimile:

7.3 Each Party may at anytime change its address for receiving notices by giving a notice to the other Parties in accordance with this clause.

8. **Confidentiality**

Each Party recognizes and confirms this Agreement, the content of this Agreement, and any and all oral and written information exchanged among them for the preparation and performance of this Agreement shall be deemed as confidential information. Each Party shall hold in confidence all such confidential information, and without the written consent from the other Parties, should not disclose any confidential information to any third party, provided that, confidential information shall not include information that (i) is or becomes available to the public other than as a result of a disclosure by the receiving Party in violation of this Agreement, or (ii) any information which must be disclosed pursuant to laws and regulations, stock trading rules, or as required by order or decree of governmental authorities or courts; or (iii) any information disclosed by either Party to its shareholders, invertors, legal or financial advisors in relation to the transactions contemplated herein, who are bound by confidentiality obligation similar to this provision. Any disclosure of confidential information by the professionals or institutions engaged by either Party shall be deemed as the disclosure by such Party, and such Party shall be held liable for breach. This provision shall survive the termination of this Agreement for any reason.

9. **Further Assurance**

The Parties hereto shall each immediately perform such beneficial acts, execute and deliver such beneficial instruments and documents, and do all such other things as may be reasonably necessary to perform the provisions and purpose of this Agreement.

10. **Miscellaneous**

10.1 Amendment, Change and Supplement

Any amendment, change and supplement to this Agreement can only be made with the written agreement signed by each Party hereto.

10.2 Entirety

Except for any written amendment, supplement and change made to this Agreement upon the execution hereof, this Agreement constitutes the entire agreement reached among the Parties relating to the subject matter hereof, and supersedes in their entirety all prior written and oral agreements and understandings among the Parties relating to the subject matter hereof.

10.3 Headings

The headings of this Agreement are created only for reading convenience and should not be interpreted, or explained to affect the meanings of the provisions hereof.

10.4 Languages

This Agreement is written in Chinese in three (3) originals, each Party holding one (1) copy.

10.5 Severability

If any single or multiple provisions hereof are judged invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be affected in any aspect. The Parties shall in good faith endeavor to use valid provisions to the extent allowed by laws and reflecting the intensions of all the Parties to replace those invalid, illegal or unenforceable provisions, provided that, the economic effects achieved by such valid provisions shall be similar to the economic effects achieved by those invalid, illegal or unenforceable provisions.

10.6 Successors

This Agreement shall be binding upon, and inure to the benefit of, the Parties and their successors and permitted assigns.

10.8 Survival

10.8.1 Any obligations arising from, or expiring upon the expiry or earlier termination of this Agreement survive the expiry or earlier termination of this Agreement.

10.8.2 Section 5, Section 7, Section 8 of this Agreement and this Clause 10.8 shall survive the termination of this Agreement.

10.9 Waiver

Each Party can only waive any term or condition of this Agreement in writing and with the signatures of all the Parties. Any waiver made by one Party regarding the other Party's breach should not be deemed as the waiver of such Party regarding the other Party's similar breaches in other situations.

10.10 Indemnification

10.10.1 Each Party hereby agrees and confirms that, if any existing shareholder materially breaches any provision hereof ("Default Party"), or materially fails to perform any obligation hereunder, then it has constituted the breach of this Agreement ("Breach"), and Party A has the right to require the Default Party to cure such Breach or take any correction measures regarding such Breach within a reasonable period. In the event that the Default Party fails to cure such Breach or take any correction measures regarding such Breach within such reasonable period or ten (10) days after Party A sends the written breach notice to the Default Party to require the correction, then Party A is entitled to choose any of the following relieves for the Breach: (i) to terminate this Agreement and require the Default Party to provide full indemnification for such Breach; (2) to require the enforcement of all the obligations of the Default Party under this Agreement, and the Default Party to provide full indemnification for such Breach; or (3) to sell or dispose of the pledged equity interests in accordance with the Equity Pledge Agreement, to be indemnified at the first priority with the price of sale and disposal of such equity interests, and require the Default Party to be liable for all losses so incurred by it.

10.10.2 Each Party agrees and confirms that under no circumstance may the existing shareholders may require the termination of this Agreement for any reason.

10.10.3 The rights and relieves available hereunder are accumulative and do not exclude any other right or relief available in accordance with laws.

10.10.4 Notwithstanding anything contained herein to the contrary, the validity of this provision survives the suspension or termination of this Agreement.

[Signature page]

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

Party A:	**Duowan Entertainment Information Technology (Beijing) Company Limited** (Seal)
Signature:	/s/ Xueling Li
Name:	
Title:	Authorized Representative
Party B:	**Bin Zhao**
Signature:	/s/ Bin Zhao
Party C:	**Beijing Tuda Science and Technology Company Limited** (Seal)
Signature:	/s/ Jin Cao
Name:	
Title:	Authorized Representative

Exclusive Option Agreement

This Exclusive Option Agreement (this "Agreement") dated May 27, 2011, is made in Beijing, the People's Republic of China (the "PRC"), by and among:

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited**
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing

Party B: **Jin Cao**
Address:

Party C: **Beijing Tuda Science and Technology Company Limited**
Address: Suite B1506, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing

Party A, Party B and Party C respectively referred to as a "Party", collectively referred to as "Parties".

WHEREAS:

1. Party B holds 0.7666% equity interests of Party C;
2. Party A and Party C entered into a series of legal documents, including an Exclusive Business Cooperation Agreement and Exclusive Technology Support and Technology Services Agreement on December 3, 2009, which are made for purpose of formation of Party A's control over Party C (collectively as "Controlling Documents").

THEREFORE, the Parties hereby agree as follows:

1. <u>Sale and Purchase of Equity Interests</u>

1.1 <u>Right of Grant</u>

Considering that Party A has paid RMB 10 to Party B as the consideration, and Party B has confirmed that it had received such consideration and such consideration was sufficient, Party B hereby irrevocably grants Party A an exclusive right to, according to the exercise steps decided by Party A at is own discretion and the price described in Clause 1.3 hereof, at anytime purchase or designate one or several persons ("Designated Person") to purchase any portion of all of equity interests held by Party B in Party C in one or several installments, to the extent allowed by laws of the PRC ("Equity Purchase Right"). Any third party other than Party A and Appointed Person should not enjoy the Equity Purchase Right or any other rights with respect to Party B's equity interests. Party C hereby allows Party B to grant the Equity Purchase Right to Party A. "Person" mentioned in this clause and this Agreement refers to individuals, companies, joint ventures, partnerships, enterprises, trusts and non-corporate organizations.

1.2 Steps of Exercise

The exercise of Equity Purchase Right by Party A is subject to provisions of laws and regulations of PRC. When exercising the Equity Purchase Right, Party A shall serve a written notice ("Purchase Notice") to Party B, to specify the following issues: (a) decisions of Party A regarding the exercise of Equity Purchase Right; (b) the percentage of equity interests to be purchased by Party A from Party B ("Purchased Equity Interests"), and (c) date of purchase/assignment of Purchased Equity Right.

1.3 Purchase Price

Lowest price allowed by laws of the PRC.

1.4 Assignment of Purchased Equity Interests

Every time Party A exercises the Equity Purchase Right,

1.4.1 Party B shall cause Party C to hold the shareholders' meeting, by which the resolutions regarding Party B's assignment of Purchased Equity Interests to Party A and/or Designated Person shall be resolved and approved;

1.4.2 Party B shall obtain Party C's other shareholders' consent regarding the assignment of Purchased Equity Interests to Party A and/or Designated Person, and provide a written statement with respect to waiver of the option right;

1.4.3 Party B shall enter into a respective equity transfer contract for each transfer of equity interests with Party A and/or the Designated Person (if applicable) in accordance with the provisions hereof and the Purchase Notice;

1.4.4 related parties shall enter into all the other contracts, agreements and documents, obtain all governmental approvals and consents, and take all actions necessary for the transfer of all valid ownership of the Purchased Equity Interests to Party A and/or the Designated Person, as well as validation of Party A and/or the Designated Person's status as registered owner of the Purchased Equity Interests, without any security interest. For the purpose of this clause and this Agreement, "security interest" includes guaranty, mortgage, third party's rights or interests, any stock option, right of purchase, option right, setting-off right, ownership retention or other guaranty arrangement, etc., provided that, for purchase of clarification, it will not include any security interest arising from this Agreement and Party B's Equity Pledge Agreement. "Party B's Equity Pledge Agreement" as mentioned in this clause and this Agreement refers to the Equity Pledge Agreement entered into by and among Party A, Party B and Party C on the date hereof, in accordance with which, Party B pledges all the equity interests held by it in Party C to Party A, for purpose of security of Party C's performance of all its obligations under the Exclusive Business Cooperation Agreement between Party C and Party A.

1.5 Payment

The Parties agree that, the equity interests transfer price to be paid by Party A to Party B for exercising the exclusive option right hereunder by Party A, in principle, shall be the lowest amount allowed by then effective laws and regulations of the PRC. If Party B is held liable to Party A or its affiliates then, Party A may also use related creditor's right as the consideration for the transfer of equity interests.

2. **Undertakings**

2.1 Undertakings Relating to Party C

Party B (as Party C's shareholder) and Party C hereby undertake that with respect to Party C, they:

2.1.1 without written consent of Party A, will not, in any way, supplement, change or amend the organizational documents of Party C, increase or decrease its registered capital, or change the structure of its registered capital in any other form;

2.1.2 will maintain its existence, diligently and validly operate its business and deal with its daily corporate matters, according to a well-accepted financial and commercial standard and practice;

2.1.3 without written consent of Party A, will not sell, transfer, mortgage, or dispose of in any other way, any legal or beneficial interest in Party C's assets, business or revenue, or allow any security interest to be created over thereon, anytime upon the execution hereof;

2.1.4 without written consent of Party A, will not incur, succeed, guaranty, or allow the existing of, any liability, provided that, (i) such liability arises from its routine or daily operation, instead of borrowing; and (ii) such liability has been disclosed by Party A and consented by Party A in writing;

2.1.5 will operate all business in the course of normal operation, and will not take any action/non-action imposing any adverse effect on Party C's operation status and value of assets, in order to maintain Party C's assets value;

2.1.6 without written consent of Party A, will not cause Party C to enter into any material contract, except for the contracts made during the ordinary course of business (for purpose of this clause, if the value of contract exceeds RMB 100,000, the contract will be deemed material);

2.1.7 without written consent of Party A, will not cause to Party C to provide any loan or credit facility to any other person;

2.1.8 will provide to Party A all materials in respect of Party C's operation and financial situation, as required by Party A;

2.1.9 if required by Party A, will procure from the insurer accepted by Party A insurance and maintain the insurance with respect to its assets and business, and the insurance premium and policy shall be in compliance with those of other companies operating similar businesses;

2.1.10 without written consent of Party A, will not cause Party C to merge or amalgamate with any other person, or acquire or invest in any other person;

2.1.11 will notify Party A of any occurrence or threaten of any lawsuit, arbitration or administrative proceeding with respect to Party C's assets, business and revenue;

2.1.12 for purpose of maintenance of Party C's ownership of all of its assets, will sign all necessary or appropriate documents, take all necessary and appropriate actions, and file any necessary or appropriate claims, or proceed with all necessary and appropriate defenses against all claims;

2.1.13 without written consent of Party A, will not distribute any dividend in any form to shareholders, provided that, if required so by Party A, will immediately distribute all its distributable profits to its shareholders; and

2.1.14 will appoint the persons designated by Party A as Party C's directors, as required by Party A.

2.2 Party B's Undertakings

Party B undertakes that it:

2.2.1 without written consent of Party A, will not sell, transfer, mortgage, or dispose of in any other way, any legal or beneficial interest in the equity interests held by it of Party C, or allow any security interest to be created over thereon, except for the pledge created over such equity interests in accordance with Party B's Equity Pledge Agreement;

2.2.2 will cause Party C's shareholders' meeting and/or directors' meeting not to approve the sale, transfer, mortgage, or disposition in any other way of, any legal or beneficial interest in the equity interests held by it of Party C, or any security interest to be created over thereon, except for the pledge created over such equity interests in accordance with Party B's Equity Pledge Agreement;

2.2.3 without written consent of Party A, will cause Party C's shareholders' meeting and/or directors' meeting not to approve Party C's merger or amalgamation with any other person, or its acquisition of or investment in any other person;

2.2.4 will notify Party A of any occurrence or threat of any lawsuit, arbitration or administrative proceeding with respect to the equity interests held by it;

2.2.5 will cause Party C's shareholders' meeting and/or directors meeting to resolve to agree upon the transfer of Purchased Equity Interests mentioned herein, and take any other actions as required by Party A;

2.2.6 for purpose of maintaining its legitimate ownership of equity interests held by it, will sign all necessary or appropriate documents, take all necessary and appropriate actions, and file any necessary or appropriate claims, or proceed with all necessary and appropriate defenses against all claims;

2.2.7 will appoint the persons designated by Party A as Party C's directors, as required by Party A;

2.2.8 as required by Party A at anytime, will at anytime, unconditionally transfer its equity interests to the representatives designated by Party A in accordance with the Equity Purchase Right mentioned herein, and waive the option right with respect to the transfer of corresponding equity interests to another existing shareholder (if any); and

2.2.9 will strictly abide by all provisions of this Agreement and other contracts among the Parties, and between any two of them, perform all the obligations thereunder, and will not take any action/non-action which may impose any effect on the validity and enforceability of such contracts. If Party B still maintains any right with respect to the equity interests under this Agreement, or Equity Pledge Agreement among the Parties, or the authorization letter of Party A, Party B will not exercise any of such rights unless with the written direction of Party A.

3. **<u>Representations and Warrants</u>**

Party B and Party C hereby respectively and jointly represent and warrant to Party A on the date hereof and each day of transfer, that:

3.1 it has the power and capacity to execute and deliver this Agreement, as well as any other equity interests transfer contract, to which it is a party, and which is made for each transfer of Purchased Equity Interests in accordance with this Agreement (individually referred to as "Transfer Agreement"), and perform its obligations under this Agreement and the Transfer Agreement. Party B and Party C agree to enter into a respective Transfer Agreement containing the provisions same to this Agreement when Party A exercises the Equity Purchase Right. This Agreement and any Transfer Agreement to which it is a party, upon being executed, constitutes or will constitute its valid and binding obligation enforceable against it in accordance with the terms hereof;

3.2 its execution, delivery and performance of this Agreement or any Transfer Agreement will not (i) violate any applicable laws of the PRC; (ii) conflict with the articles of association and other organizational documents of Party C; (iii) breach any contract or document which is binding upon it, or to which it is a party; (iv) violate any permit or approval, or the conditions for maintaining its validity of such permit or approval, granted to any party; or (v) cause the suspension or withdrawal of, or impose any additional conditions on, the permit or approval granted to any party;

3.3 Party B owns good and salable ownership of the equity interests by it in Party C, and Party B has not created any security interest over such equity interests except for Party B's Equity Pledge Agreement;

3.4 Party C owns good and salable ownership of all of its assets, and Party C has not created any security interest over such assets;

3.5 Party C does not have any outstanding liabilities, except for (i) those arising from the ordinary course of business; and (ii) those disclosed to Party A and approved by Party A in writing;

3.6 Party C has been complying with all applicable laws and regulations related to the acquisition of assets; and

3.7 there are no lawsuits, arbitrations or administrative proceedings pending or threatened with respect to the equity interests, Party C's assets or Party C itself.

4. **Effective Date**

This Agreement becomes effective upon the execution by each Party. The term of this Agreement is ten (10) years, and may be extended subject to Party A's decision. All the related Exclusive Stock Option Agreement and the Amendment thereto entered among the Parties will no longer be effective from the date hereof.

5. **Applicable Law and Dispute Resolution**

5.1 Applicable Law

The formation of this Agreement, its validity, interpretation, performance, change, and termination of this Agreement, and the settlement of any dispute between the Parties, shall be governed by and construed in accordance with the laws of the PRC, which are officially promulgated and available to the public. The issues not governed by the laws of the PRC, which are officially promulgated and available to the public, shall apply international legal rules and practices.

5.2 Dispute Resolution

The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Agreement through friendly consultations. If a dispute is not resolved through friendly consultations within 30 days from the date a Party gives the other Party written notice of the dispute, then each Party may submit the dispute to China International Economic and Trade Arbitration Commission ("CIETAC") for arbitration in accordance with then effective arbitration rules. The arbitration shall be conducted in Shanghai in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

6. **<u>Taxes, Fees</u>**

Each Party shall respectively bear any and all the taxes, expenses and fees incurred by, or collected from such Party, for preparation and execution of this Agreement, each Transfer Agreement, and completion of the transactions contemplated by this Agreement and each Transfer Agreement, in accordance with laws of the PRC.

7. **<u>Notices</u>**

7.1 All the notices and other communications required by or sent pursuant to this Agreement shall be delivered to the following address of each Party in person, by registered mail, prepaid post, or commercial courier services, or facsimile. Each notice shall be confirmed with a respective email. Delivery shall be deemed to have occurred:

7.1.1 the same day (local time at the recipient's place of business) on which delivery is made by personal delivery, or by courier services, registered mail, or prepaid post, or delivery is refused.

7.1.2 the day of delivery being successfully made, if by facsimile (certified by the automatically generated transmission confirmation).

7.2 Each Party's address for purpose of notice is as follows:

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited**
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing
Attention: Li Xueling
Telephone:
Facsimile:

Party B: **Jin Cao**
Address: 6-1-301, Guanjingli, Hongqi South Road, Nankai District, Tianjin
Telephone:
Facsimile:

Party C: **Beijing Tuda Science and Technology Company Limited**
Address: Suite B1506, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing
Attention: Jin Cao
Telephone:
Facsimile:

7.3 Each Party may at anytime change its address for receiving notices by giving a notice to the other Parties in accordance with this clause.

8. **Confidentiality**

Each Party recognizes and confirms this Agreement, the content of this Agreement, and any and all oral and written information exchanged among them for the preparation and performance of this Agreement shall be deemed as confidential information. Each Party shall hold in confidence all such confidential information, and without the written consent from the other Parties, should not disclose any confidential information to any third party, provided that, confidential information shall not include information that (i) is or becomes available to the public other than as a result of a disclosure by the receiving Party in violation of this Agreement, or (ii) any information which must be disclosed pursuant to laws and regulations, stock trading rules, or as required by order or decree of governmental authorities or courts; or (iii) any information disclosed by either Party to its shareholders, invertors, legal or financial advisors in relation to the transactions contemplated herein, who are bound by confidentiality obligation similar to this provision. Any disclosure of confidential information by the professionals or institutions engaged by either Party shall be deemed as the disclosure by such Party, and such Party shall be held liable for breach. This provision shall survive the termination of this Agreement for any reason.

9. **Further Assurance**

The Parties hereto shall each immediately perform such beneficial acts, execute and deliver such beneficial instruments and documents, and do all such other things as may be reasonably necessary to perform the provisions and purpose of this Agreement.

10. **Miscellaneous**

10.1 Amendment, Change and Supplement

Any amendment, change and supplement to this Agreement can only be made with the written agreement signed by each Party hereto.

10.2 Entirety

Except for any written amendment, supplement and change made to this Agreement upon the execution hereof, this Agreement constitutes the entire agreement reached among the Parties relating to the subject matter hereof, and supersedes in their entirety all prior written and oral agreements and understandings among the Parties relating to the subject matter hereof.

10.3 Headings

The headings of this Agreement are created only for reading convenience and should not be interpreted, or explained to affect the meanings of the provisions hereof.

10.4 Languages

This Agreement is written in Chinese in three (3) originals, each Party holding one (1) copy.

10.5 Severability

If any single or multiple provisions hereof are judged invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be affected in any aspect. The Parties shall in good faith endeavor to use valid provisions to the extent allowed by laws and reflecting the intensions of all the Parties to replace those invalid, illegal or unenforceable provisions, provided that, the economic effects achieved by such valid provisions shall be similar to the economic effects achieved by those invalid, illegal or unenforceable provisions.

10.6 Successors

This Agreement shall be binding upon, and inure to the benefit of, the Parties and their successors and permitted assigns.

10.8 Survival

10.8.1 Any obligations arising from, or expiring upon the expiry or earlier termination of this Agreement survive the expiry or earlier termination of this Agreement.

10.8.2 Section 5, Section 7, Section 8 of this Agreement and this Clause 10.8 shall survive the termination of this Agreement.

10.9 Waiver

Each Party can only waive any term or condition of this Agreement in writing and with the signatures of all the Parties. Any waiver made by one Party regarding the other Party’s breach should not be deemed as the waiver of such Party regarding the other Party’s similar breaches in other situations.

10.10 Indemnification

10.10.1 Each Party hereby agrees and confirms that, if any existing shareholder materially breaches any provision hereof (“Default Party”), or materially fails to perform any obligation hereunder, then it has constituted the breach of this Agreement (“Breach”), and Party A has the right to require the Default Party to cure such Breach or take any correction measures regarding such Breach within a reasonable period. In the event that the Default Party fails to cure such Breach or take any correction measures regarding such Breach within such reasonable period or ten (10) days after Party A sends the written breach notice to the Default Party to require the correction, then Party A is entitled to choose any of the following relieves for the Breach: (i) to terminate this Agreement and require the Default Party to provide full indemnification for such Breach; (2) to require the enforcement of all the obligations of the Default Party under this Agreement, and the Default Party to provide full indemnification for such Breach; or (3) to sell or dispose of the pledged equity interests in accordance with the Equity Pledge Agreement, to be indemnified at the first priority with the price of sale and disposal of such equity interests, and require the Default Party to be liable for all losses so incurred by it.

10.10.2 Each Party agrees and confirms that under no circumstance may the existing shareholders require the termination of this Agreement for any reason.

10.10.3 The rights and relieves available hereunder are accumulative and do not exclude any other right or relief available in accordance with laws.

10.10.4 Notwithstanding anything contained herein to the contrary, the validity of this provision survives the suspension or termination of this Agreement.

[Signature page]

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited** (Seal)

Signature: /s/ Xueling Li
Name:
Title: Authorized Representative

Party B: **Jin Cao**

Signature: /s/ Jin Cao

Party C: **Beijing Tuda Science and Technology Company Limited** (Seal)

Signature: /s/ Jin Cao
Name:
Title: Authorized Representative

Exhibit 10.23

Equity Interest Pledge Agreement

This Equity Interest Pledge Agreement (this "Contract"), dated July 1, 2011, is made in the People's Republic of China (the "PRC"), by and between:

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited ("Pledgee")**
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing

Party B: **Xueling Li ("Pledgor")**
Address:

The Pledged equity interest is about the company called Beijing Tuda Science and Technology Company Limited. The registration number is 110108008398900.

(Pledgor and Pledgee individually, a "Party"; collectively, the "Parties").

WHEREAS

1. The Pledgor is a Chinese citizen in the PRC, holding 97.7% equity interests of Beijing Tuda Science and Technology Company Limited (the "Company") as of the date hereof, formerly pledged RMB0.167 million per ten thousand shares, now applying to pledge RMB0.81 million per ten thousand shares. The Company is a limited liability company registered in Beijing, the PRC, engaged in the Internet-based value-added telecommunications services. Party B will cause the Company to confirm the rights and obligations of the Pledgor and the Pledgee under this Contract and to provide necessary assistance for the registration of such pledge.

2. The Pledgee is a limited liability company registered in Beijing. The Pledgee, the Pledgor and/or the Company entered into a series of legal documents, including an Exclusive Business Cooperation Agreement, which are made for the purpose of formation of the Pledgee's control over the Company ("Controlling Agreements").

3. The Pledgor agrees to pledge all of its equity interests in the Company to the Pledgee as security for the performance of the obligations hereunder by Party B and/or the Company.

NOW, THEREFORE, the Parties agree as follows through friendly negotiations:

1. Definitions

Unless otherwise required in the context, in this Contract:

1.1 **Pledge** means the secured property rights granted to the Pledgee by the Pledgor in accordance with Section 2 of this Contract, i.e., the right of the Pledgee to be compensated at first priority with respect to the price of sale or disposal of such equity interests pledged to the Pledgee by the Pledgor.

1.2 **Equity Interests** mean any and all equity interests duly owned by the Pledgor in the Company now and in the future.

1.3 **Pledged Equity Interests** mean any and all equity interests duly owned by the Pledgor in the Company, to be pledged by the Pledgor.

1.4 **Pledge Term** means the period as specified in Section 3 of this Contract.

1.5 **Major Contracts** mean the agreements listed in Appendix 1 hereto, including a series of Controlling Agreements by and among the Pledgor and/or the Company and the Pledgee, such as the Exclusive Business Cooperation Agreement.

1.6 An **Breaching Event** means any event listed in Section 7 hereof.

1.7 **Default Notice** means the notice given by the Pledgee regarding the Breaching Event in accordance with this Contract.

2. Pledge

The Pledgor hereby pledges any and all equity interests of the Company owned by it now and in the future as security for its timely and complete performance of the Pledgor's obligations to discharge of liabilities, other monetary payments, as well as all other obligations under the Major Contracts, no matter the monetary payment obligation becomes due and payable as a result of its maturity, demand of earlier collection or any other reasons.

3. Pledge Term

3.1 This Pledge becomes effective immediately after the equity interests pledged hereunder is recorded on the share register of the Company, and remains valid until Party B is no longer authorized as shareholder of the Company. Each Party agrees that the Pledgor shall record the equity interests pledge under this Contract on the share register of the Company within three (3) business days upon the execution hereof.

3.2 During the Pledge Term, if Party B fails to perform the obligations in accordance with the provisions of the Major Contracts, the Pledgee is entitled, however not obligated, to dispose the Pledged Equity Interests pursuant to law and this Contract.

4. Custody of Pledge Certificate

4.1 During the Pledge Term, the Pledgor shall deliver its capital contribution certificate and the share register of the Company in which the pledge is recorded to the custody of the Pledgee. The Pledgor shall deliver the abovementioned capital contribution certificate and the share register of the Company in which the pledge is recorded to the Pledgee within one (1) week upon the execution of this Contract. And the Pledgee shall remain the custodian of such documents throughout the whole Pledge Term as mentioned herein.

4.2 During the Pledge Term, the Pledgee has the right to collect the dividends arising from the Equity Interests.

5. Pledgor's Representations and Warranties

5.1 The Pledgor is the only legal owner of the Equity Interests.

5.2 The Pledgee has the right to dispose or transfer the Equity Interests according to the ways as described in this Contract.

5.3 The Pledgor has not created any other pledge or other security interest over the Equity Interests, except for this Pledge.

6. Pledgor's Undertakings and Confirmation

6.1 During the term of this Contract, the Pledgor undertakes to the Pledgee that:

6.1.1 Without prior written consent of the Pledgee, the Pledgor may not transfer the Equity Interests, or create or allow the creation of any new pledge or any other encumbrances upon the Equity Interests, except for the purpose of performance of the Major Contracts;

6.1.2 The Pledgor will abide by the provisions of all laws and regulations related to the Pledge, and upon receiving any notice, order or direction given or formulated by any competent authority with respect to the Pledge, the Pledgor will notify the Pledgee of such notice, order or direction within five (5) days upon the receipt thereof, and comply with such notice, order or direction, or submit any dissenting opinions and statements at the request of the Pledgee or with the consent of the Pledgee;

6.1.3 The Pledgor will immediately notify the Pledgee of any event or notice received which may possibly affect the Equity Interests of the Pledgee or any part of the Plegee's rights, and any other event or received notice which may possibly change the warrants and obligations of the Pledgor under this Contract, or the performance of obligations hereunder by the Pledgor.

6.2 The Pledgor agrees that, the rights granted to the Pledgee regarding the Pledge in accordance with this Contract shall not be interrupted or impaired by any legal proceedings initiated by the Pledgor, its successors, its authorized persons, or any other person.

6.3 The Pledgor warrants to the Pledgee that, for safeguarding or consummating the guaranty regarding the transfer of earnings under the Major Contracts in accordance with this Contract, the Pledgor will faithfully sign, or cause the other party materially related to the Pledge to sign, all the right certificates or instruments as required by the Pledgee, and/or take, or cause the other party materially related to the Pledge to take, any acts as required by the Pledgee, facilitate the exercise of rights and authorizations granted to the Pledgee hereunder, enter into any documents related to the ownership of the Equity Interests with the Pledges or its designated persons (natural person/legal person), and provide to the Pledgee any and all notices, orders and decisions relating to the Pledge as deemed necessary by the Pledgee within the reasonable period.

6.4 The Pledgor warrants to the Pledgee that, the Pledgor will abide by and perform all the warrants, undertakings, agreements, representations and conditions under this Contract, and the Pledgor will indemnify the Pledgee of all losses incurred that is caused by the failure in or partial failure in the performance of such warrants, undertakings, agreements, representations on conditions by the Pledgor.

7. Breaching Event

7.1 Any of the following is deemed as an Breaching Event:

7.1.1 Party B fails to transfer the earnings under the Major Contracts in full and according to the timeline, or commits any act in violation of the Major Contracts and this Contract;

7.1.2 Any of representations or warrants made by the Pledgor in Section 5 hereof is materially misleading or wrong, and/or, the Pledgor breaches any of the representations or warrants made by the Pledgor in Section 5 hereof;

7.1.3 The Pledgor fails to record the Pledge on the share register of the Company in accordance with Clause 3.1;

7.1.4 The Pledgor breaches any provision of this Contract;

7.1.5 Except for the circumstance agreed to in Clause 6.1.1, the Pledgor waives the Pledged Equity Interests, or transfers or intends to transfer the Pledged Equity Interests without the prior written consent of the Pledgee;

7.1.6 Any external borrowings, guaranties, indemnification, undertakings or any other liabilities of the Pledgor (1) shall be repaid or performed earlier due to its default; or (2) cannot be repaid or performed when due;

7.1.7 Any or all consents, permits, approvals or authorizations from the governmental authorities necessary for the enforceability, legality or validity of this Contract, are revoked, suspended, invalidated, or materially changed;

7.1.8 Promulgation of application laws makes this Contract becomes illegal, or the Pledgor cannot continue the performance of its obligations hereunder;

7.1.9 Any adverse change to assets owned by the Pledgor makes the Pledgee to believe that the ability of the Pledgor to perform its obligations hereunder has been affected;

7.1.10 Any other circumstance which makes the Pledgee unable or possibly unable to dispose the Pledge in accordance with applicable laws.

7.2 The Pledgor shall immediately notify the Pledgee in writing of the occurrence of any event mentioned in Clause 7.1 or any event which may cause the occurrence of any abovementioned event.

7.3 Unless any of the abovementioned Breaching Event has been resolved to the satisfaction of the Pledgee, the Pledgee is entitled to give a written Default Notice to the Pledgor anytime upon or following the occurrence of any Breaching Event of the Pledgor, requiring the Pledgee to dispose the Pledge in accordance with Section 8 of this Contract.

8. Exercise of Pledge

8.1 The Pledgor should not transfer any of the Equity Interests of the Company owned by it before the liabilities are discharged and all other material obligations are performed under the Major Contracts.

8.2 The Pledgee may give a Default Notice to the Pledgor when exercising the Pledge.

8.3 Subject to Clause 7.3, the Pledgee may exercise the right to dispose the Pledge at the same time or at anytime after the Pledgee gives the Default Notice in accordance with Clause 7.2. The Pledgor no longer owns any right or benefit in relation to the Equity Interests once the Pledgee decides to exercise the right to dispose the Pledge.

8.4 As of the occurrence of any Breaching Event, the Pledgee is entitled to dispose the Pledged Equity Interests according to legal procedure, to the extent allowed by laws and in accordance with applicable laws, and does not need to distribute any of the proceedings of such disposal to the Pledgor; the Pledgor hereby waives the contingent right to require for distribution from the Pledgee of any proceedings of such disposal. Similarly, the Pledgor should not be held liable for any losses which the Pledgee may incur by following the disposal of the Pledged Equity Interests.

8.5 As the Pledgee disposes the Pledge in accordance with this Contract, the Pledgor and the Company shall provide assistance necessary for the realization of the Pledge by the Pledgee.

9. Transfer

9.1 Unless with the prior consent of the Pledgee, the Pledgor has no right to grant or transfer any of its rights and obligations hereunder.

9.2 This Contract shall be binding upon the Pledgor and its successors and permitted assigns, and inure to the benefit of the Pledgee and its successors and permitted assigns.

9.3 The Pledgee has the right to, at anytime, transfer any of its rights and obligations under the business cooperation agreement to its designated person (natural person/legal person), and under such circumstance, the assigns shall enjoy and assume the same rights and obligations same to which the Pledgee enjoys and assumes under this Contract, as if the assigns is the original party to the Contract. When the Pledgee transfers any of its rights and obligations under the business cooperation agreement, the Pledgor shall sign any necessary agreement and/or instruments at the request of the Pledgee.

9.4 After the Pledgee changes upon the transfer, the Pledgor shall enter into a new pledge contract containing the content substantially same to this Contract with the new pledgee.

9.5 The Pledgor shall strictly comply with the provisions of this Contract and any other contract entered into with any other party or parties, perform the obligations under this Contract and other contracts, and should not take any action/non-action which may substantially affect the validity and enforceability of the abovementioned contracts. Unless with the written direction of the Pledgee, the Pledgor should not exercise its remaining rights regarding the Pledged Equity Interests.

10. Termination

This Contract terminates once the transfer of the proceedings arising from the Major Contracts is completed, and the Pledgor no longer assumes any obligations under the Major Contracts and is no longer authorized as shareholder of the Company. And the Pledgee shall cancel or revoke this Contract as soon as practical upon the termination of this Contract.

11. Costs and Expenses

Any and all costs and expenses actually incurred in connection with this Contract, including but not limited to legal expenses, costs, stamp duty, as well as any other taxes and fees, will be fully borne by Party A.

12. Confidentiality

Each Party recognizes and confirms this Contract, the content of this Contract, and any and all oral and written information exchanged among them for the preparation and performance of this Contract shall be deemed as confidential information. Each Party shall hold in confidence all such confidential information, and without the written consent from the other Parties, should not disclose any confidential information to any third party, provided that, confidential information shall not include information that (a) is or becomes available to the public other than as a result of disclosure by the receiving Party in violation of this Contract, or (b) any information which must be disclosed pursuant to laws and regulations, stock trading rules, or as required by order or decree of governmental authorities or courts; or (c) any information disclosed by either Party to its shareholders, investors, legal or financial advisors in relation to the transactions contemplated herein, who are bound by confidentiality obligation similar to this provision. Any disclosure of confidential information by the professionals or institutions engaged by either Party shall be deemed as the disclosure by such Party, and such Party shall be held liable for breach. This provision shall survive the termination of this Contract for any reason.

13. Applicable Law and Dispute Resolution

The formation of this Contract, its validity, interpretation, performance, change, and termination of this Contract, and the settlement of any dispute between the Parties, shall be governed by and construed in accordance with the laws of the PRC.

The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Contract through friendly consultations. If a dispute is not resolved through friendly consultations within 30 days from the date a Party gives the other Party written notice of the dispute, then each Party may submit the dispute to China International Economic and Trade Arbitration Commission ("CIETAC") for arbitration in accordance with then effective arbitration rules. The arbitration shall be conducted in Beijing in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

In the event of any dispute arising from the interpretation or performance of this Contract, and in the course of the arbitration of any dispute, each Party shall continue the performance of its rights and obligations hereunder excepted for those disputed ones.

14. Notices

All the notices and other communications required by or sent pursuant to this Contract shall be delivered to the following address of each Party in person, by registered mail, prepaid post, or commercial courier services, or facsimile. Each notice shall be confirmed with a respective email. Delivery shall be deemed to have occurred:

the same day (local time at the recipient's place of business) on which delivery is made by personal delivery, or by courier services, registered mail, or prepaid post, or delivery is refused; or

the day of delivery being successfully made, if by facsimile (certified by the automatically generated transmission confirmation).

Each Party's address for purpose of notice is as follows:

Pledgee: **Duowan Entertainment Corporation**
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing
Attention: Xueling Li
Facsimile:

Pledgor: **Xueling Li**
Address: No.2, Haiyuncang Hutong, Dongcheng District, Beijing
Facsimile:

Each Party may at anytime change its address for receiving notices by giving a notice to the other Parties in accordance with this clause.

15. Severability

If any single or multiple provisions hereof are judged invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality and enforceability of the remaining provisions of this Contract shall not be affected in any aspect. The Parties shall in good faith, endeavor to use valid provisions to the extent allowed by laws and reflecting the intensions of all the Parties, to replace those invalid, illegal or unenforceable provisions, provided that, the economic effects achieved by such valid provisions shall be similar to the economic effects achieved by those invalid, illegal or unenforceable provisions.

16. Appendices

The appendix hereto is an integral part of this Contract.

17. Effectiveness

Any amendment, supplement or change to this Contract shall be made in writing, and can only become effective with the signatures or seals of the Parties and registration with governmental authorities in accordance with applicable rules (if applicable).

[Signature page]

IN WITNESS WHEREOF, the Parties hereto have caused this Equity Pledge Contract to be executed by their duly authorized representatives as of the date first above written.

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited**

By Authorized Representative: (Seal)
Date:

Party B: **Xueling Li**

By: /s/ Xueling Li
Date:

Appendix 1

List of Major Contracts

1. Exclusive Business Cooperation Agreement, dated December 3, 2009, by and between Duowan Entertainment Information Technology (Beijing) Company Limited and Beijing Tuda Science and Technology Company Limited.
2. Exclusive Option Agreement, dated May 27, 2011, by and among Duowan Entertainment Information Technology (Beijing) Company, Xueling Li and Beijing Tuda Science and Technology Company Limited.
3. Exclusive Technology Support and Technology Services Agreement, dated December 3, 2009, by and between Duowan Entertainment Information Technology (Beijing) Company and Beijing Tuda Science and Technology Company Limited.
4. Power of Attorney, dated May 27, 2011, signed by Xueling Li

Equity Interest Pledge Agreement

This Equity Interest Pledge Agreement (this "Contract"), dated July 1, 2011, is made in the People's Republic of China (the "PRC"), by and between:

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited ("Pledgee")**
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing

Party B: **Bin Zhao ("Pledgor")**
Address:

The Pledged equity interest is about the company called Beijing Tuda Science and Technology Company Limited. The registration number is 110108008398900.

(Pledgor and Pledgee individually, a "Party"; collectively, the "Parties").

WHEREAS

4. The Pledgor is a Chinese citizen in the PRC, holding 1.5334% equity interests of Beijing Tuda Science and Technology Company Limited (the "Company") as of the date hereof, pledged equity interests are RMB15.334 thousand per ten thousand shares. The Company is a limited liability company registered in Beijing, the PRC, engaged in the Internet-based value-added telecommunications services. Party B will cause the Company to confirm the rights and obligations of the Pledgor and the Pledgee under this Contract and to provide necessary assistance for the registration of such pledge.

5. The Pledgee is a limited liability company registered in Beijing. The Pledgee, the Pledgor and/or the Company entered into a series of legal documents, including an Exclusive Business Cooperation Agreement, which are made for the purpose of formation of the Pledgee's control over the Company ("Controlling Agreements").

6. The Pledgor agrees to pledge all of its equity interests in the Company to the Pledgee as security for the performance of the obligations hereunder by Party B and/or the Company.

NOW, THEREFORE, the Parties agree as follows through friendly negotiations:

1. Definitions

Unless otherwise required in the context, in this Contract:

1.1 **Pledge** means the secured property rights granted to the Pledgee by the Pledgor in accordance with Section 2 of this Contract, i.e., the right of the Pledgee to be compensated at first priority with respect to the price of sale or disposal of such equity interests pledged to the Pledgee by the Pledgor.

1.2 **Equity Interests** mean any and all equity interests duly owned by the Pledgor in the Company now and in the future.

1.3 **Pledged Equity Interests** mean any and all equity interests duly owned by the Pledgor in the Company, to be pledged by the Pledgor.

1.4 **Pledge Term** means the period as specified in Section 3 of this Contract.

1.5 **Major Contracts** mean the agreements listed in Appendix 1 hereto, including a series of Controlling Agreements by and among the Pledgor and/or the Company and the Pledgee, such as the Exclusive Business Cooperation Agreement.

1.6 An **Breaching Event** means any event listed in Section 7 hereof.

1.7 **Default Notice** means the notice given by the Pledgee regarding the Breaching Event in accordance with this Contract.

2. Pledge

The Pledgor hereby pledges any and all equity interests of the Company owned by it now and in the future as security for its timely and complete performance of the Pledgor's obligations to discharge of liabilities, other monetary payments, as well as all other obligations under the Major Contracts, no matter the monetary payment obligation becomes due and payable as a result of its maturity, demand of earlier collection or any other reasons.

3. Pledge Term

3.1 This Pledge becomes effective immediately after the equity interests pledged hereunder is recorded on the share register of the Company, and remains valid until Party B is no longer authorized as shareholder of the Company. Each Party agrees that the Pledgor shall record the equity interests pledge under this Contract on the share register of the Company within three (3) business days upon the execution hereof.

3.2 During the Pledge Term, if Party B fails to perform the obligations in accordance with the provisions of the Major Contracts, the Pledgee is entitled, however not obligated, to dispose the Pledged Equity Interests pursuant to law and this Contract.

4. Custody of Pledge Certificate

4.1 During the Pledge Term, the Pledgor shall deliver its capital contribution certificate and the share register of the Company in which the pledge is recorded to the custody of the Pledgee. The Pledgor shall deliver the abovementioned capital contribution certificate and the share register of the Company in which the pledge is recorded to the Pledgee within one (1) week upon the execution of this Contract. And the Pledgee shall remain the custodian of such documents throughout the whole Pledge Term as mentioned herein.

4.2 During the Pledge Term, the Pledgee has the right to collect the dividends arising from the Equity Interests.

5. Pledgor’s Representations and Warranties

5.1 The Pledgor is the only legal owner of the Equity Interests.

5.2 The Pledgee has the right to dispose or transfer the Equity Interests according to the ways as described in this Contract.

5.3 The Pledgor has not created any other pledge or other security interest over the Equity Interests, except for this Pledge.

6. Pledgor’s Undertakings and Confirmation

6.1 During the term of this Contract, the Pledgor undertakes to the Pledgee that:

6.1.1 Without prior written consent of the Pledgee, the Pledgor may not transfer the Equity Interests, or create or allow the creation of any new pledge or any other encumbrances upon the Equity Interests, except for the purpose of performance of the Major Contracts;

6.1.2 The Pledgor will abide by the provisions of all laws and regulations related to the Pledge, and upon receiving any notice, order or direction given or formulated by any competent authority with respect to the Pledge, will the Pledgor notify the Pledgee of such notice, order or direction within five (5) days upon the receipt thereof, and at same comply with such notice, order or direction, or submit any dissenting opinions and statements at the request of the Pledgee or with the consent of the Pledgee;

6.1.3 The Pledgor will immediately notify the Pledgee of any event or notice received which may possibly affect the Equity Interests of the Pledgee or any part of the Plegee’s rights, and any other event or received notice which may possibly change the warrants and obligations of the Pledgor under this Contract, or the performance of obligations hereunder by the Pledgor.

6.2 The Pledgor agrees that, the rights granted to the Pledgee regarding the Pledge in accordance with this Contract shall not be interrupted or impaired by any legal proceedings initiated by the Pledgor, its successors, its authorized persons, or any other person.

6.3 The Pledgor warrants to the Pledgee that, for safeguarding or consummating the guaranty regarding the transfer of earnings under the Major Contracts in accordance with this Contract, the Pledgor will faithfully sign, or cause the other party materially related to the Pledge to sign, all the right certificates or instruments as required by the Pledgee, and/or take, or cause the other party materially related to the Pledge to take, any acts as required by the Pledgee, facilitate the exercise of rights and authorizations granted to the Pledgee hereunder, enter into any documents related to the ownership of the Equity Interests with the Pledges or its designated persons (natural person/legal person), and provide to the Pledgee any and all notices, orders and decisions relating to the Pledge as deemed necessary by the Pledgee within the reasonable period.

6.4 The Pledgor warrants to the Pledgee that, the Pledgor will abide by and perform all the warrants, undertakings, agreements, representations and conditions under this Contract, and the Pledgor will indemnify the Pledgee of all losses incurred that is caused by the failure in or partial failure in the performance of such warrants, undertakings, agreements, representations or conditions by the Pledgor.

7. Breaching Event

7.1 Any of the following is deemed as an Breaching Event:

7.1.1 Party B fails to transfer the earnings under the Major Contracts in full and according to the timeline, or commits any act in violation of the Major Contracts and this Contract;

7.1.2 Any of representations or warrants made by the Pledgor in Section 5 hereof is materially misleading or wrong, and/or, the Pledgor breaches any of the representations or warrants made by the Pledgor in Section 5 hereof;

7.1.3 The Pledgor fails to record the Pledge on the share register of the Company in accordance with Clause 3.1;

7.1.4 The Pledgor breaches any provision of this Contract;

7.1.5 Except for the circumstance agreed to in Clause 6.1.1, the Pledgor waives the Pledged Equity Interests, or transfers or intends to transfer the Pledged Equity Interests without the prior written consent of the Pledgee;

7.1.6 Any external borrowings, guaranties, indemnification, undertakings or any other liabilities of the Pledgor (1) shall be repaid or performed earlier due to its default; or (2) cannot be repaid or performed when due;

7.1.7 Any or all consents, permits, approvals or authorizations from the governmental authorities necessary for the enforceability, legality or validity of this Contract, are revoked, suspended, invalidated, or materially changed;

7.1.8 Promulgation of application laws makes this Contract becomes illegal, or the Pledgor cannot continue the performance of its obligations hereunder;

7.1.9 Any adverse change to assets owned by the Pledgor makes the Pledgee to believe that the ability of the Pledgor to perform its obligations hereunder has been affected;

7.1.10 Any other circumstance which makes the Pledgee unable or possibly unable to dispose the Pledge in accordance with applicable laws.

7.2 The Pledgor shall immediately notify the Pledgee in writing of the occurrence of any event mentioned in Clause 7.1 or any event which may cause the occurrence of any abovementioned event.

7.3 Unless any of the abovementioned Breaching Event has been resolved to the satisfaction of the Pledgee, the Pledgee is entitled to give a written Default Notice to the Pledgor anytime upon or following the occurrence of any Breaching Event of the Pledgor, requiring the Pledgee to dispose the Pledge in accordance with Section 8 of this Contract.

8. Exercise of Pledge

8.1 The Pledgor should not transfer any of the Equity Interests of the Company owned by it before the liabilities are discharged and all other material obligations are performed under the Major Contracts.

8.2 The Pledgee may give a Default Notice to the Pledgor when exercising the Pledge.

8.3 Subject to Clause 7.3, the Pledgee may exercise the right to dispose the Pledge at the same time or at anytime after the Pledgee gives the Default Notice in accordance with Clause 7.2. The Pledgor no longer owns any right or benefit in relation to the Equity Interests once the Pledgee decides to exercise the right to dispose the Pledge.

8.4 As of the occurrence of any Breaching Event, the Pledgee is entitled to dispose the Pledged Equity Interests according to legal procedure, to the extent allowed by laws and in accordance with applicable laws, and does not need to distribute any of the proceedings of such disposal to the Pledgor; the Pledgor hereby waives the contingent right to require for distribution from the Pledgee of any proceedings of such disposal. Similarly, the Pledgor should not be held liable for any losses which the Pledgee may incur by following the disposal of the Pledged Equity Interests.

8.5 As the Pledgee disposes the Pledge in accordance with this Contract, the Pledgor and the Company shall provide assistance necessary for the realization of the Pledge by the Pledgee.

9. Transfer

9.1 Unless with the prior consent of the Pledgee, the Pledgor has no right to grant or transfer any of its rights and obligations hereunder.

9.2 This Contract shall be binding upon the Pledgor and its successors and permitted assigns, and inure to the benefit of the Pledgee and its successors and permitted assigns.

9.3 The Pledgee has the right to, at anytime, transfer any of its rights and obligations under the business cooperation agreement to its designated person (natural person/legal person), and under such circumstance, the assigns shall enjoy and assume the same rights and obligations same to which the Pledgee enjoys and assumes under this Contract, as if the assigns is the original party to the Contract. When the Pledgee transfers any of its rights and obligations under the business cooperation agreement, the Pledgor shall sign any necessary agreement and/or instruments at the request of the Pledgee.

9.4 After the Pledgee changes upon the transfer, the Pledgor shall enter into a new pledge contract containing the content substantially same to this Contract with the new pledgee.

9.5 The Pledgor shall strictly comply with the provisions of this Contract and any other contract entered into with any other party or parties, perform the obligations under this Contract and other contracts, and should not take any action/non-action which may substantially affect the validity and enforceability of the abovementioned contracts. Unless with the written direction of the Pledgee, the Pledgor should not exercise its remaining rights regarding the Pledged Equity Interests.

10. Termination

This Contract terminates once the transfer of the proceedings arising from the Major Contracts is completed, and the Pledgor no longer assumes any obligations under the Major Contracts and is no longer authorized as shareholder of the Company. And the Pledgee shall cancel or revoke this Contract as soon as practical upon the termination of this Contract.

11. Costs and Expenses

Any and all costs and expenses actually incurred in connection with this Contract, including but not limited to legal expenses, costs, stamp duty, as well as any other taxes and fees, will be fully borne by Party A.

12. Confidentiality

Each Party recognizes and confirms this Contract, the content of this Contract, and any and all oral and written information exchanged among them for the preparation and performance of this Contract shall be deemed as confidential information. Each Party shall hold in confidence all such confidential information, and without the written consent from the other Parties, should not disclose any confidential information to any third party, provided that, confidential information shall not include information that (a) is or becomes available to the public other than as a result of disclosure by the receiving Party in violation of this Contract, or (b) any information which must be disclosed pursuant to laws and regulations, stock trading rules, or as required by order or decree of governmental authorities or courts; or (c) any information disclosed by either Party to its shareholders, investors, legal or financial advisors in relation to the transactions contemplated herein, who are bound by confidentiality obligation similar to this provision. Any disclosure of confidential information by the professionals or institutions engaged by either Party shall be deemed as the disclosure by such Party, and such Party shall be held liable for breach. This provision shall survive the termination of this Contract for any reason.

13. Applicable Law and Dispute Resolution

The formation of this Contract, its validity, interpretation, performance, change, and termination of this Contract, and the settlement of any dispute between the Parties, shall be governed by and construed in accordance with the laws of the PRC.

The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Contract through friendly consultations. If a dispute is not resolved through friendly consultations within 30 days from the date a Party gives the other Party written notice of the dispute, then each Party may submit the dispute to China International Economic and Trade Arbitration Commission ("CIETAC") for arbitration in accordance with then effective arbitration rules. The arbitration shall be conducted in Beijing in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

In the event of any dispute arising from the interpretation or performance of this Contract, and in the course of the arbitration of any dispute, each Party shall continue the performance of its rights and obligations hereunder excepted for those disputed ones.

14. Notices

All the notices and other communications required by or sent pursuant to this Contract shall be delivered to the following address of each Party in person, by registered mail, prepaid post, or commercial courier services, or facsimile. Each notice shall be confirmed with a respective email. Delivery shall be deemed to have occurred:

the same day (local time at the recipient's place of business) on which delivery is made by personal delivery, or by courier services, registered mail, or prepaid post, or delivery is refused; or

the day of delivery being successfully made, if by facsimile (certified by the automatically generated transmission confirmation).

Each Party's address for purpose of notice is as follows:

Pledgee: **Duowan Entertainment Information Technology (Beijing) Company Limited**
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing
Attention: Xueling Li
Facsimile:

Pledgor: **Bin Zhao**
Address: No.501, Door 2, Suite 6, Jiefang East yard, 55 Dongxi, Luoyang, He'nan Province
Facsimile:

Each Party may at anytime change its address for receiving notices by giving a notice to the other Parties in accordance with this clause.

15. Severability

If any single or multiple provisions hereof are judged invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality and enforceability of the remaining provisions of this Contract shall not be affected in any aspect. The Parties shall in good faith, endeavor to use valid provisions to the extent allowed by laws and reflecting the intensions of all the Parties, to replace those invalid, illegal or unenforceable provisions, provided that, the economic effects achieved by such valid provisions shall be similar to the economic effects achieved by those invalid, illegal or unenforceable provisions.

16. Appendices

The appendix hereto is an integral part of this Contract.

17. Effectiveness

Any amendment, supplement or change to this Contract shall be made in writing, and can only become effective with the signatures or seals of the Parties and registration with governmental authorities in accordance with applicable rules (if applicable).

[Signature page]

IN WITNESS WHEREOF, the Parties hereto have caused this Equity Pledge Contract to be executed by their duly authorized representatives as of the date first above written.

Party A: Duowan Entertainment Information Technology (Beijing) Company Limited

By Authorized Representative: (Seal)
Date:

Party B: Bin Zhao

By: /s/ Bin Zhao
Date:

Appendix 1

List of Major Contracts

1. Exclusive Business Cooperation Agreement, dated December 3, 2009, by and between Duowan Entertainment Information Technology (Beijing) Company Limited and Beijing Tuda Science and Technology Company Limited.
2. Exclusive Preemptive Right Contract, dated May 27, 2011, by and among Duowan Entertainment Information Technology (Beijing) Company Limited, Bin Zhao and Beijing Tuda Science and Technology Company Limited.
3. Exclusive Technology Support and Technology Services Agreement, dated December 3, 2009, by and between Duowan Entertainment Information Technology (Beijing) Company Limited and Beijing Tuda Science and Technology Company Limited.
4. Power of Attorney, dated May 27, 2011, signed by Bin Zhao

Equity Interest Pledge Agreement

This Equity Interest Pledge Agreement (this “Contract”), dated July 1, 2011, is made in the People’s Republic of China (the “PRC”), by and between:

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited (“Pledgee”)**
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing

Party B: **Jin Cao (“Pledgor”)**
Address:

The Pledged equity interest is about the company called Beijing Tuda Science and Technology Company Limited. The registration number is 110108008398900.

(Pledgor and Pledgee individually, a “Party”; collectively, the “Parties”).

WHEREAS

1. The Pledgor is a Chinese citizen in the PRC, holding 0.7666% equity interests of Beijing Tuda Technology Co., Ltd. (the “Company”) as of the date hereof, pledged equity interests of RMB7.666 thousand per ten thousand shares. The Company is a limited liability company registered in Beijing, the PRC, engaged in the Internet-based value-added telecommunications services. Party B will cause the Company to confirm the rights and obligations of the Pledgor and the Pledgee under this Contract and to provide necessary assistance for the registration of such pledge.

2. The Pledgee is a limited liability company registered in Beijing. The Pledgee, the Pledgor and/or the Company entered into a series of legal documents, including an Exclusive Business Cooperation Agreement, which are made for the purpose of formation of the Pledgee’s control over the Company (“Controlling Agreements”).

3. The Pledgor agrees to pledge all of its equity interests in the Company to the Pledgee as security for the performance of the obligations hereunder by Party B and/or the Company.

NOW, THEREFORE, the Parties agree as follows through friendly negotiations:

1. Definitions

Unless otherwise required in the context, in this Contract:

1.1 **Pledge** means the secured property rights granted to the Pledgee by the Pledgor in accordance with Section 2 of this Contract, i.e., the right of the Pledgee to be compensated at first priority with respect to the price of sale or disposal of such equity interests pledged to the Pledgee by the Pledgor.

1.2 **Equity Interests** mean any and all equity interests duly owned by the Pledgor in the Company now and in the future.

1.3 **Pledged Equity Interests** mean any and all equity interests duly owned by the Pledgor in the Company, to be pledged by the Pledgor.

1.4 **Pledge Term** means the period as specified in Section 3 of this Contract.

1.5 **Major Contracts** mean the agreements listed in Appendix 1 hereto, including a series of Controlling Agreements by and among the Pledgor and/or the Company and the Pledgee, such as the Exclusive Business Cooperation Agreement.

1.6 An **Breaching Event** means any event listed in Section 7 hereof.

1.7 **Default Notice** means the notice given by the Pledgee regarding the Breaching Event in accordance with this Contract.

2. Pledge

The Pledgor hereby pledges any and all equity interests of the Company owned by it now and in the future as security for its timely and complete performance of the Pledgor's obligations to discharge of liabilities, other monetary payments, as well as all other obligations under the Major Contracts, no matter the monetary payment obligation becomes due and payable as a result of its maturity, demand of earlier collection or any other reasons.

3. Pledge Term

3.1 This Pledge becomes effective immediately after the equity interests pledged hereunder is recorded on the share register of the Company, and remains valid until Party B is no longer authorized as shareholder of the Company. Each Party agrees that the Pledgor shall record the equity interests pledge under this Contract on the share register of the Company within three (3) business days upon the execution hereof.

3.2 During the Pledge Term, if Party B fails to perform the obligations in accordance with the provisions of the Major Contracts, the Pledgee is entitled, however not obligated, to dispose the Pledged Equity Interests pursuant to law and this Contract.

4. Custody of Pledge Certificate

4.1 During the Pledge Term, the Pledgor shall deliver its capital contribution certificate and the share register of the Company in which the pledge is recorded to the custody of the Pledgee. The Pledgor shall deliver the abovementioned capital contribution certificate and the share register of the Company in which the pledge is recorded to the Pledgee within one (1) week upon the execution of this Contract. And the Pledgee shall remain the custodian of such documents throughout the whole Pledge Term as mentioned herein.

4.2 During the Pledge Term, the Pledgee has the right to collect the dividends arising from the Equity Interests.

5. Pledgor's Representations and Warranties

5.1 The Pledgor is the only legal owner of the Equity Interests.

5.2 The Pledgee has the right to dispose or transfer the Equity Interests according to the ways as described in this Contract.

5.3 The Pledgor has not created any other pledge or other security interest over the Equity Interests, except for this Pledge.

6. Pledgor's Undertakings and Confirmation

6.1 During the term of this Contract, the Pledgor undertakes to the Pledgee that:

6.1.1 Without prior written consent of the Pledgee, the Pledgor may not transfer the Equity Interests, or create or allow the creation of any new pledge or any other encumbrances upon the Equity Interests, except for the purpose of performance of the Major Contracts;

6.1.2 The Pledgor will abide by the provisions of all laws and regulations related to the Pledge, and upon receiving any notice, order or direction given or formulated by any competent authority with respect to the Pledge, the Pledgor will notify the Pledgee of such notice, order or direction within five (5) days upon the receipt thereof, and at same comply with such notice, order or direction, or submit any dissenting opinions and statements at the request of the Pledgee or with the consent of the Pledgee;

6.1.3 The Pledgor will immediately notify the Pledgee of any event or notice received which may possibly affect the Equity Interests of the Pledgee or any part of the Plegee's rights, and any other event or received notice which may possibly change the warrants and obligations of the Pledgor under this Contract, or the performance of obligations hereunder by the Pledgor.

6.2 The Pledgor agrees that, the rights granted to the Pledgee regarding the Pledge in accordance with this Contract shall not be interrupted or impaired by any legal proceedings initiated by the Pledgor, its successors, its authorized persons, or any other person.

6.3 The Pledgor warrants to the Pledgee that, for safeguarding or consummating the guaranty regarding the transfer of earnings under the Major Contracts in accordance with this Contract, the Pledgor will faithfully sign, or cause the other party materially related to the Pledge to sign, all the right certificates or instruments as required by the Pledgee, and/or take, or cause the other party materially related to the Pledge to take, any acts as required by the Pledgee, facilitate the exercise of rights and authorizations granted to the Pledgee hereunder, enter into any documents related to the ownership of the Equity Interests with the Pledges or its designated persons (natural person/legal person), and provide to the Pledgee any and all notices, orders and decisions relating to the Pledge as deemed necessary by the Pledgee within the reasonable period.

6.4 The Pledgor warrants to the Pledgee that, the Pledgor will abide by and perform all the warrants, undertakings, agreements, representations and conditions under this Contract, and the Pledgor will indemnify the Pledgee of all losses incurred that is caused by the failure in or partial failure in the performance of such warrants, undertakings, agreements, representations or conditions by the Pledgor.

7. Breaching Event

7.1 Any of the following is deemed as an Breaching Event:

7.1.1 Party B fails to transfer the earnings under the Major Contracts in full and according to the timeline, or commits any act in violation of the Major Contracts and this Contract;

7.1.2 Any of representations or warrants made by the Pledgor in Section 5 hereof is materially misleading or wrong, and/or, the Pledgor breaches any of the representations or warrants made by the Pledgor in Section 5 hereof;

7.1.3 The Pledgor fails to record the Pledge on the share register of the Company in accordance with Clause 3.1;

7.1.4 The Pledgor breaches any provision of this Contract;

7.1.5 Except for the circumstance agreed to in Clause 6.1.1, the Pledgor waives the Pledged Equity Interests, or transfers or intends to transfer the Pledged Equity Interests without the prior written consent of the Pledgee;

7.1.6 Any external borrowings, guaranties, indemnification, undertakings or any other liabilities of the Pledgor (1) shall be repaid or performed earlier due to its default; or (2) cannot be repaid or performed when due;

7.1.7 Any or all consents, permits, approvals or authorizations from the governmental authorities necessary for the enforceability, legality or validity of this Contract, are revoked, suspended, invalidated, or materially changed;

7.1.8 Promulgation of application laws makes this Contract becomes illegal, or the Pledgor cannot continue the performance of its obligations hereunder;

7.1.9 Any adverse change to assets owned by the Pledgor makes the Pledgee to believe that the ability of the Pledgor to perform its obligations hereunder has been affected;

7.1.10 Any other circumstance which makes the Pledgee unable or possibly unable to dispose the Pledge in accordance with applicable laws.

7.2 The Pledgor shall immediately notify the Pledgee in writing of the occurrence of any event mentioned in Clause 7.1 or any event which may cause the occurrence of any abovementioned event.

7.3 Unless any of the abovementioned Breaching Event has been resolved to the satisfaction of the Pledgee, the Pledgee is entitled to give a written Default Notice to the Pledgor anytime upon or following the occurrence of any Breaching Event of the Pledgor, requiring the Pledgee to dispose the Pledge in accordance with Section 8 of this Contract.

8. Exercise of Pledge

8.1 The Pledgor should not transfer any of the Equity Interests of the Company owned by it before the liabilities are discharged and all other material obligations are performed under the Major Contracts.

8.2 The Pledgee may give a Default Notice to the Pledgor when exercising the Pledge.

8.3 Subject to Clause 7.3, the Pledgee may exercise the right to dispose the Pledge at the same time or at anytime after the Pledgee gives the Default Notice in accordance with Clause 7.2. The Pledgor no longer owns any right or benefit in relation to the Equity Interests once the Pledgee decides to exercise the right to dispose the Pledge.

8.4 As of the occurrence of any Breaching Event, the Pledgee is entitled to dispose the Pledged Equity Interests according to legal procedure, to the extent allowed by laws and in accordance with applicable laws, and does not need to distribute any of the proceedings of such disposal to the Pledgor; the Pledgor hereby waives the contingent right to require for distribution from the Pledgee of any proceedings of such disposal. Similarly, the Pledgor should not be held liable for any losses which the Pledgee may incur by following the disposal of the Pledged Equity Interests.

8.5 As the Pledgee disposes the Pledge in accordance with this Contract, the Pledgor and the Company shall provide assistance necessary for the realization of the Pledge by the Pledgee.

9. Transfer

9.1 Unless with the prior consent of the Pledgee, the Pledgor has no right to grant or transfer any of its rights and obligations hereunder.

9.2 This Contract shall be binding upon the Pledgor and its successors and permitted assigns, and inure to the benefit of the Pledgee and its successors and permitted assigns.

9.3 The Pledgee has the right to, at anytime, transfer any of its rights and obligations under the business cooperation agreement to its designated person (natural person/legal person), and under such circumstance, the assigns shall enjoy and assume the same rights and obligations same to which the Pledgee enjoys and assumes under this Contract, as if the assigns is the original party to the Contract. When the Pledgee transfers any of its rights and obligations under the business cooperation agreement, the Pledgor shall sign any necessary agreement and/or instruments at the request of the Pledgee.

9.4 After the Pledgee changes upon the transfer, the Pledgor shall enter into a new pledge contract containing the content substantially same to this Contract with the new pledgee.

9.5 The Pledgor shall strictly comply with the provisions of this Contract and any other contract entered into with any other party or parties, perform the obligations under this Contract and other contracts, and should not take any action/non-action which may substantially affect the validity and enforceability of the abovementioned contracts. Unless with the written direction of the Pledgee, the Pledgor should not exercise its remaining rights regarding the Pledged Equity Interests.

10. Termination

This Contract terminates once the transfer of the proceedings arising from the Major Contracts is completed, and the Pledgor no longer assumes any obligations under the Major Contracts and is no longer authorized as shareholder of the Company. And the Pledgee shall cancel or revoke this Contract as soon as practical upon the termination of this Contract.

11. Costs and Expenses

Any and all costs and expenses actually incurred in connection with this Contract, including but not limited to legal expenses, costs, stamp duty, as well as any other taxes and fees, will be fully borne by Party A.

12. Confidentiality

Each Party recognizes and confirms this Contract, the content of this Contract, and any and all oral and written information exchanged among them for the preparation and performance of this Contract shall be deemed as confidential information. Each Party shall hold in confidence all such confidential information, and without the written consent from the other Parties, should not disclose any confidential information to any third party, provided that, confidential information shall not include information that (a) is or becomes available to the public other than as a result of disclosure by the receiving Party in violation of this Contract, or (b) any information which must be disclosed pursuant to laws and regulations, stock trading rules, or as required by order or decree of governmental authorities or courts; or (c) any information disclosed by either Party to its shareholders, investors, legal or financial advisors in relation to the transactions contemplated herein, who are bound by confidentiality obligation similar to this provision. Any disclosure of confidential information by the professionals or institutions engaged by either Party shall be deemed as the disclosure by such Party, and such Party shall be held liable for breach. This provision shall survive the termination of this Contract for any reason.

13. Applicable Law and Dispute Resolution

The formation of this Contract, its validity, interpretation, performance, change, and termination of this Contract, and the settlement of any dispute between the Parties, shall be governed by and construed in accordance with the laws of the PRC.

The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Contract through friendly consultations. If a dispute is not resolved through friendly consultations within 30 days from the date a Party gives the other Party written notice of the dispute, then each Party may submit the dispute to China International Economic and Trade Arbitration Commission ("CIETAC") for arbitration in accordance with then effective arbitration rules. The arbitration shall be conducted in Beijing in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

In the event of any dispute arising from the interpretation or performance of this Contract, and in the course of the arbitration of any dispute, each Party shall continue the performance of its rights and obligations hereunder excepted for those disputed ones.

14. Notices

All the notices and other communications required by or sent pursuant to this Contract shall be delivered to the following address of each Party in person, by registered mail, prepaid post, or commercial courier services, or facsimile. Each notice shall be confirmed with a respective email. Delivery shall be deemed to have occurred:

the same day (local time at the recipient's place of business) on which delivery is made by personal delivery, or by courier services, registered mail, or prepaid post, or delivery is refused; or

the day of delivery being successfully made, if by facsimile (certified by the automatically generated transmission confirmation).

Each Party's address for purpose of notice is as follows:

Pledgee: **Duowan Entertainment Information Technology (Beijing) Company Limited**
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing
Attention: Xueling Li
Facsimile:

Pledgor: **Jin Cao**
Address: 6-1-301, Guanjingli, Hongqi South Road, Nankai District, Tianjin
Facsimile:

Each Party may at anytime change its address for receiving notices by giving a notice to the other Parties in accordance with this clause.

15. Severability

If any single or multiple provisions hereof are judged invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality and enforceability of the remaining provisions of this Contract shall not be affected in any aspect. The Parties shall in good faith, endeavor to use valid provisions to the extent allowed by laws and reflecting the intensions of all the Parties, to replace those invalid, illegal or unenforceable provisions, provided that, the economic effects achieved by such valid provisions shall be similar to the economic effects achieved by those invalid, illegal or unenforceable provisions.

16. Appendices

The appendix hereto is an integral part of this Contract.

17. Effectiveness

Any amendment, supplement or change to this Contract shall be made in writing, and can only become effective with the signatures or seals of the Parties and registration with governmental authorities in accordance with applicable rules (if applicable).

[Signature page]

IN WITNESS WHEREOF, the Parties hereto have caused this Equity Pledge Contract to be executed by their duly authorized representatives as of the date first above written.

Party A: Duowan Entertainment Information Technology (Beijing) Company Limited

By Authorized Representative: (Seal)
Date:

Party B: Jin Cao

By: /s/ Jin Cao
Date:

Appendix 1

List of Major Contracts

1. Exclusive Business Cooperation Agreement, dated December 3, 2009, by and between Duowan Entertainment Information Technology (Beijing) Company Limited and Beijing Tuda Science and Technology Company Limited.
2. Exclusive Preemptive Right Contract, dated May 27, 2011, by and among Duowan Entertainment Information Technology (Beijing) Company Limited, Jin Cao and Beijing Tuda Science and Technology Company Limited.
3. Exclusive Technology Support and Technology Services Agreement, dated December 3, 2009, by and between Duowan Entertainment Information Technology (Beijing) Company Limited and Beijing Tuda Science and Technology Company Limited.
4. Power of Attorney, dated May 27, 2011, signed by Jin Cao.

Exhibit 10.24

Consent Letter

Xueling Li, Bin Zhao and Jin Cao (the "Pledgor") have entered into an Equity Interest Pledge Agreement (the "Agreement"), respectively, with Duowan Entertainment Information Technology (Beijing) Company Limited (the "Beijing Duowan") on July 1, 2011, to pledge their respective equity interests in Beijing Tuda Science and Technology Company Limited (the "Beijing Tuda") to Beijing Duowan. Pledgors have reached irrevocable agreement:

1. Beijing Duowan and Beijing Tuda entered into a confirmation letter to the Exclusive Business Cooperation Agreement on November 10, 2011.

2. Beijing Duowan and Beijing Tuda entered into a Supplementary Agreement to the Exclusive Business Cooperation Agreement on November 10, 2011.

3. Beijing Duowan and Beijing Tuda entered into a confirmation letter to the Exclusive Technology Support and Technology Services Agreement on November 10, 2011.

4. Beijing Duowan and Beijing Tuda entered into a Supplementary Agreement to the Exclusive Technology Support and Technology Services Agreement on November 10, 2011.

5. The confirmation letters and supplementary agreements above shall not affect the effect of the Agreement. Pledgors shall continue to comply with and perform the obligations in their respective Agreements.

Xueling Li

Signature: /s/ Xueling Li

Bin Zhao

Signature: /s/ Bin Zhao

Jin Cao
Signature: /s/ Jin Cao

Date: November 10, 2011

Exhibit 10.25

Joint Operation Agreement with respect to Web Game "Dandan Tang"

This agreement (the "Agreement") was signed in Tianhe District of Guangzhou City on July 1st, 2011 by the following two parties:

Parties:

Party A: Shenzhen 7th Road Technology Co., Ltd. (the "Party A")
Address: 16# Floor Yanxiang Technology Building, No.31 Gao Xin Zhong Si Road, Nanshan District, Shenzhen
Person in charge: Cao Kai

Party B: Guangzhou Huaduo Network Technology Co., Ltd. Zhuhai Branch (the "Party B")
Address: 13# Floor, A1 Building, South Software Park, Tangjia Town, Xiangzhou Distirct, Zhuhai
Person in charge: Li Xueling

Whereas:

1. Party A is a limited liability company that is established and legally exists according to the laws of the People's Republic of China. It is an integrated interactive entertainment corporation owning advanced operation principles and management methods with qualification and capability for legal development and sales of products related to web game and complete copyright of "Dandan Tang", and the representative of Party A has already obtained the approval and authorization of its board of directors for entering into this agreement.
2. Party B is subsidiary of a limited liability company that is established and legally exists according to the laws of the People's Republic of China. It is a service supplier of game operation with improved marketing network and favorable operation capability; Party B intends to offer its users group to join the operation combined with the game product of Party A, and the representative of Party B has already obtained the approval and authorization of its board of directors for entering this agreement.
3. Both parties agree to cooperate, according to their respective interests, in order to jointly develop the web game market and provide more relevant services to all users.
4. The term of this Agreement is 1 year from the signing date, and both parties will negotiate the renewal of this Agreement before the expiry date. The arrangement between both parties with respect to the game of "Dandan Tang" will be automatically governed by this agreement after the expiration of the existing two-year contract between the parties with respect to the game (the expiryn date for the existing contract with respect to Dandan Tang is August 1, 2011).

In view of the foregoing and under the premise of equality and voluntariness, after amicable negotiation, both parties hereby sign the Agreement and agree to the following terms based on the principle of mutual benefit:

Article 1 Definitions

1.1 Intellectual Property Right: It refers to all rights representing the fruits of intellectual work related to copyright, trademark right, patent right, domain name, and trade secret stipulated in China's Copyright Law, Trademark Law, Patent Law, Anti-unfair Competition Law, and other relevant laws, regulations, and rules.

1.2 Authorized Game: It refers to "Dandan Tang," a multi-user web game developed and operated by Party A, which is properly authorized for use by the cooperative party under this Agreement and according to the agreed terms and conditions stipulated in this Agreement and jointly operated with the cooperative party.

1.3 Users' Data: It refers to the end users' data related to a game, including but not limited to the appearance (face/body) and characteristics (level/experience points) of the roles within the game, material box, and other all data related to the end users of the game, and all payment information of the end users, including the actual name, ID card number, credit card number, address, fixed-line telephone number, mobile number, e-mail address, or other identification information of the end users.

1.4 Server Group: It refers to an online network that includes the game server, database server, download server, network server, and other required server, which provide services in relation to the Authorized Game.

1.5 IDC Resources: They refer to the telecommunication resources that may ensure the provision of regular services for the Server Group, including but not limited to IP address, bandwidth, server hosting cabinet, and other software and hardware required for internet connection.

1.6 Operation Income of Authorized Game: It refers to the recharge income from the Authorized Game generated as a result of Party B's promotion, users' log in to independent authorized server, and use of Authorized Game service within the game's formal operation period (namely the period beginning from the time the Authorized Game begins to claim charge from users when selling the virtual materials). Within the Authorized Game, the "recharge income" specifically refers to the total amount that is exchanged to points after being recharged by users through Party B's recharge platform (exchange ratio from RMB to Points being 1:100, excluding the amount involved in channel premium and any recharge premium activity offered by either of the parties to game users).

1.7 Shared Proportion: It refers to a certain ratio, according to which both parties shared the recharge income in accordance with the terms of this Agreement. The specific shared proportion shall be stipulated according to Clause 5.1 herein.

1.8 Channel Cost: It refers to the commission and payment generated in the game service sold and provided by Party B to users through third party online payment and consumption systems, which are to be paid to third parties other than Party B. During the term of this Agreement, the Channel Cost shall be borne by the users within the recharge process, and the rates of Channel Cost shall be calculated according to the market standard (refer to the following notes for clarification). Within this agreement, Party A shall not bear the channel cost of recharge, and Party B shall treat it as premium when applicable, on a case-by-case basis.

1.9 Authorized Regions: The Mainland of People's Republic of China, not including Hong Kong, Macau, and Taiwan, is the Authorized Regions under the applicable scope of this Agreement. Server shall not be added or recharge channel shall not be opened out of the Authorized Regions.

2.0 Joint Operation: Party A owns advanced manufacturing and maintenance technology for web game products, while Party B has quality and improved network promotion channels and abundant experience on web game promotion and customer services in relation to web games. By using their respective expertise and resources, both parties hereby agree to cooperate with respect to the Authorized Game of "Dandan Tang" for the purpose of generating business income; the game usage service provided by both parties to end users shall generate service charges, including but not limited to: services for log in, operation, and offering payment channels for designated game service purchase, customer service and technical support to end users, and release and sales of products related to web games. In their cooperation under this Agreement, both parties shall be honest in their dealings, and respective rights and obligations shall be clear. Either party may raise some suggestions on the modification of the working content of the other party, but shall not interfere with the normal work of the other party. Both parties shall play the leading role in the respective domains in which they are the expert in order to achieve the ultimate goal of mutual benefit.

Article 2 Contents of Authorization

2.1 Operation Right: In terms of this Agreement, Party A hereby grants Party B a non-exclusive, non-transferable, non-sublicensed, consideration-required and limited right (hereinafter referred to as "Operation Right") to conduct the following activities with respect to the Authorized Game:

1) Promotion in types of executable code on the web game for the purpose of game operation and maintenance, including production of [all sorts of promotion materials and advertisement-related games] for the online and offline promotion of the game. No pornographic, feudalistic, or superstitious content shall be used in the advertising of the Authorized Game.

2) Recharge service to be offered to users within authorized Server Group for the purpose of game operation and maintenance, including but not limitED to online banking, Easyown, and audio signal recharge.

3) "Promotion", "Sales" mentioned above or similar concepts only refer to authorizing game content to end users for use through cooperation with Party B other than to transfer the ownership of any software to Party B or end users.

2.2 Authorized Trademark

1) According to all terms and conditions herein, within the term of this Agreement, Party A, for the purpose of game operation, hereby grants a non-exclusive, non-transferable and non-sublicensed right that shall copy, use, and display the authorized trademark within the authorized region according to the usage rules of authorized trademark.

2) Without the prior written consent of Party A, Party B shall not register any trademark related to Party A's trade name, corporate logo, or game (including but not limited to the name or maps of game, or the name of roles or materials). Otherwise, Party B shall repeal or transfer it to Party A without any charge according to the instruction of Party A and compensate Party A's loss arising from this. The fee related to trademark transfer shall be borne by Party B.

2.3 Domain Name

For the purpose of game operation, Party B may use the domain name that has already existed or has been newly registered, which shall be owned by Party B.

2.4 Rights Retainment

Besides the rights clearly authorized to Party B according to this article, Party A retains all rights that have not been authorized, including but not limit to all ownerships and intellectual property rights related to the game, especially the right of game modification, and the right of production and sales of products related to the game.

Article 3 Cooperative Operation

3.1 Sever Group Installation

1) Party B shall be responsible for providing all necessary hardware equipments and broadband resource, installing the game server, database server, download server, network server, and other required servers into an online network that is applicable to provide game service.

2) Server Bug: Party B shall guarantee the smooth operation of the servers and the network within the terms of this Agreement, and shall guarantee the security of the software and hardware of servers and the data. Party A shall be responsible for solving any bugs found in the game server.

3.2 Game Update: Only Party A has the right to complete the work of game update, and the update program agreed by both parties shall be as follows:

1) Product Update of Party A. Party A shall conduct necessary update to the game. Before each update, Party A shall notify the update content, maintenance time, and other information in writing to Party B 3 working days in advance. Once Party A issues the notification for game update on its official website, Party A shall complete the update work on cooperative Server Group within 5 working days. In addition, Party A shall guarantee that the version of the game on the cooperative server will not be inferior to the operation version owned by Party A officially or by Party A and other cooperative party at the same period.

2) Update required by Party B. When Party B finds any bug within the game or has any requirement to specific version within the cooperative area, Party B shall immediately notify to Party A, and Party A shall reply to Party B within 3 working days. The content of reply may be as follows: (i) to confirm the type of bug and notify the schedule for solving such bug; (ii) to agree the requirement to version modification raised by Party B, and notify the schedule for modification; (iii) to approve the suggestion of Party B, but to ask Party B to modify the demand, for the demand may not be completely implemented; (iv) to completely deny the requirement of Party B and explain the reasons.

3) Party B shall not update the game voluntarily without written consent of Party A.

4) Non-Differentiation Operation Bug. The product update provided by Party A to Party B, including but not limited to version update, game activity, game sequence number, and gifts, shall not be later than the offer by the third party.

3.3. Technical Support

1) Solution to Game Error: For the error appeared in the program and data during the game operation, Party A has the obligation to solve it thoroughly. Within 60 minutes after submission of error by Party B, Party A shall give feedback in terms of error type, error affect, and solution schedule.

2) Other Emergency: For any emergency of the game that the technical support shall be provided (such as material problem of customer service, any virtual material owned by the user with accumulated consumption of RMB1000 has been stolen), Party A shall give feedback in terms of emergency type, affect, and solution schedule within 30 minutes after problem submission of Party B, and shall solve the problem within 24 hours.

3.4 Data Record

1) Both parties shall verify the consumption record on basis of working day according to the recharge interfaces. Within 5 working days at the beginning of each month, both parties shall verify data of online amount produced from game servers related to Authorized Game operations and the operation income of the Authorized Game. When the verified difference in proportion is within 1%, data shall be subject to those of Party B; otherwise, if such proportion exceeds 1%, it shall be subject to the results of negotiation by both parties.

2) Party A shall provide sorts of data produced from Party B's platform during the period of joint operation, including but not limited to data of registration, log in, online, recharge, churn rate, levels data of users, and others.

Article 4 Promotion, Marketing, and Operation

4.1 Promotion and Marketing:

1) Party A shall be responsible for providing operation materials of subject matter so that Party B may plan for the promotion of subject matter. In addition, for the design template of subject matter, Party B may adopt or optimize it according to self requirement. However, Party A shall not participate the production of any operation material and prefecture.

2) Specification, Monitoring and Punishment of Promotion and Marketing:

A. Pulp Promotion: Party B shall guarantee that any pornographic, violent, pulp, feudalistic, superstitious, and any other material with temptation nature or any content that violates national laws and regulations shall not be included in the self-made operation materials;

B. Ballyhoo: When promoting the advertisement materials, Party B shall consider the actual status, and the following matters shall not happen, such as: second version of "Dandan Tang", private server, update version, only designated official website, and other words that are obviously inconsistent with the fact.

C. Wicked Client Soliciting: Party B shall make the most of self advantages and make great effort to promote, and shall not maliciously publish information of server opening,

award policy for entrance when server opening, and other activity of client soliciting through chat channel, forum, e-mail within game, and QQ groups of users; if it is actually the individual activity of user, it shall be mediated by platform, relevant user group shall be dismissed, and corresponding responsibility shall be borne.

For the abovementioned status, if it fails to be remedied within 1 day after dissuasion of Party A, Party A has the right to stop Party B's platform from opening new server;

If the foregoing prohibited matter has happened for more than 3 times, Party A has the right to unilaterally terminate this Agreement and close the server.

4.2 Promotion Activity

1) Activity Conduction: For all operational activities of the game, Party B shall plan for them, and Party A shall coordinate to execute them. Party B may obtain online support of Party A, the support types include but not limit to game updates required by online activity, promotion sequence number, and virtual materials required by online activity. If Party A asks Party B to assign staffs to participate or monitor, Party B shall provide necessary coordination.

2) During the period of cooperation, both parties may plan for activities related to recharge within the authorized servers. Party B may conduct non-recharge activity according to platform characteristics, but the relevant plan document and standard for award issuance shall be implemented after confirmation of Party A.

3) If Party B voluntarily makes decision for special compensation without consent of Party A, Party A has the right to refuse to coordinate with it.

4.4 Point Application

1) If Party B needs points and stage property for game experience or internal server support, it may submit application to Party A. Specific issuance rules may be drafted by Party A.

2) Party B shall not use the user account to replace with the points or stage property application, or trade the points or stage property obtained by application with internal account to the user. If Party A discovers the forgoing event, Party A has the right to refuse to coordinate with it. If the dissuasion of Party A fails, Party A has the right to stop Party B's platform from opening new server; for any serious event, Party A has the right to unilaterally terminate this Agreement.

4.5 Game Charge: All rules related to charge and present for the game shall be formulated by Party A.

Article 5 Charge, Settlement, and Payment

5.1 Both parties shall settle and share income according to revenue generated from consumption (recharge revenue of prefecture user) related to subject matter on prefecture server by prefecture users. The shared income shall be Net Income after deduction of channel cost from consumption income, namely the remaining amount after deduction of channel cost from consumption recharge by prefecture users (hereinafter referred to as Net Income).

5.1.1 Before signing this contract, Party A shall provide complete data and materials of channel cost approved by both parties as appendix of this Agreement with equal legal force to this Agreement.

5.1.2 Both parties shall share income according to the actual amount of subject matter on monthly basis, and the specific proportion shall be as follows:

5.1.3 The proportion of income due to each of Party A and Party B, as represented in net income terms, are:

Income due to Party A = Net income × ***%

Income due to Party B = Net income × ***%

5.2 Payment Method: After confirmation by both parties, Party A shall give the value-added invoice of corresponding amount to Party B before the 10th day of each month, and Party B shall pay the share of income due in the last settlement month to Party A within [ ] working days after receipt of invoice. If there is any dispute regarding the reconciliation data, both parties shall solve it with amicable negotiation. If the difference of data is less than plus-minus 1%, it shall be subject to Party B's data; otherwise, if the difference of data is more than plus-minus 1%, detail reconciliation shall be conducted, and the specific details shall be determined in negotiation by both parties.

5.4 Closed Cycle: The closed cycle agreed in this Agreement shall be from 00:00 of the 1st day of each month until 24:00 of the last day of such month.

5.5 Account Information of Party A

Company name: Shenzhen 7th Road Technology Co., Ltd.

Deposit bank: China Merchant Bank Shenzhen Keyuan Branch

Account No.: 755916317610818

When the account information of Party A is changed, Party A shall notify Party B in writing 10 working days in advance; otherwise, it shall bear any resulting loss.

5.6 For the settlement method for shared income of the operation income for the last 2 months within joint operation period, it shall be separately stipulated in Clause 10.8.

Article 6 Main Rights and Obligations of Both Parties

6.1 Rights and Obligations of Party A

6.1.1 Party A has the right to supervise the operation of Party B within the authorized scope according to this Agreement. If Party B modifies the Authorized Game, changes the name, or adds, deletes, separates, or decompiles content of the game without written consent of Party A, Party A has the right to object, take action and investigate the legal liability of Party B, which actions include but are not limit to unilaterally terminating this Agreement and requiring Party B to recover the reputation of Party A and to bear the loss suffered by Party A due to these actions of Party B.

6.1.2 Party A shall deliver the game and relevant documents and materials according to the content and time stipulated herein.

* Indicate that certain information contained herein has been omitted. Confidential treatment has been requested with respect to the omitted portions.

6.1.3 Party A shall provide technical support to Party B according to this Agreement. If Party B asks technical support staffs of Party A to offer on-site technical support, Party B shall undertake the travelling fee of technical staffs of Party A such as conveyance fee and accommodation charge.

6.1.4 If there is any update program or patch program of the game, Party A shall timely notify Party B and solve any resulting problems according to this Agreement.

6.1.5 Party A shall designate a staff as project manager and the main contact person of Party B. In addition, Party A promises that at least one technical support staff will offer technical support to Party B at any time. If Party A changes any contact staff in terms of business, finance, technique, customer service, and others related to joint operation, it shall notify Part B of the information and new contact method of the new contact staff through formal mail.

6.1.6 Party A shall guarantee that all products related to this Agreement (including the game, and the font, image, and promotion materials related to the game) have legal and complete intellectual property right, ownership, and other rights, and relevant products or services shall be consistent with existing laws or rules on public order and moral custom. If any dispute arising from this, Party A shall unilaterally solve it and bear the responsibility.

6.1.7 Party A shall provide relevant qualification certificates to Party B for verification (such as: business license of Party A, network certificate, copyright certificate of the game, and software product certificate), and shall put the game for reference according to requirements of Ministry of Culture, Copyright Administration, and other relevant departments. If it fails to complete relevant filing procedures when signing this Agreement, Party A shall complete it within three months and provide relevant certificates. If Party A still fails to complete the above procedures within 5 working days after receipt of Party B's written notification, Party B may immediately terminate this Agreement.

6.1.8 Party A has the obligation to provide the following product materials to Party B for game promotion of "Dandan Tang" without any charge:

1) Game instruction and materials required in building and operating the web-pages of the game;

2) Update version of the game, including the improved BUG, added content, and improved system;

3) Materials for production of promotion pictures, official website, and videos;

4) Other materials required for cooperation.

6.1.9 Party A shall guarantee that the pages of "Dandan Tang" will not appear in any other links in domain names other than www.duowan.com, www.yy.com (but allowing the appearance of the game name in the sub-domain names of these two domain names).

6.2 Rights and Obligations of Party B

6.2.1 Party B has the right to ask Party A to deliver the game and relevant materials and to provide technical support and training according to this Agreement.

6.2.2 Party B shall pay for agreed fee to Party A according to the agreed time and method.

6.2.3 Party B shall not modify the game, change the name, or add, delete, separate, or decompile content of game without written consent of Party A.

6.2.4 Party B shall perform its obligation of game operation and maintenance within the authorized agent period, and shall build up the official website of the game, and shall guarantee the sustainable and stable operation of such website.

6.2.5 Party B shall open the charge channel to claim fees from the users.

6.2.6 If the local government of the agent region requires approval, filing, and registration of the game agency and operation, Party B shall be responsible to deal with it and bear the relevant fees, and shall guarantee the legal operation of the game within the agent region.

6.2.7 Party B shall promise to provide quality customer service and bear all fees arising from this, and shall attract and retain the end users of subject matter with favorable operation service. Party B shall timely give feedback of end users to Party A for game improvement.

6.2.8 Party B shall be responsible to operate and maintain a set of safe payment system, and shall guarantee that such payment system will be able to establish account for new end user (prefecture user), authenticate the password, and calculate the payment amount in an accurate way.

6.2.9 Party B shall not conduct any activity that may damage the game and the benefit of Party A within the term herein, and shall not make false statement on the game to Party A for misdirection or cheat of users. Without written permit of Party A, Party B shall not transfer its rights herein to its clients, partners, or any other third party.

6.2.10 Party B shall not conduct any activity that may prejudice to the game or may be irrelevant to this Agreement beyond the agreed region herein.

6.2.11 Party B shall properly complete the establishment and management of management Server Group in order to guarantee the game versionbe operated in a stable way. If the server shall be ceased for maintenance, or shall be moved to another place, Party B shall notify to Party A at least 3 working days in advance in order to leave enough time for Party A to make corresponding adjustment and coordination.

Article 7 Term

7.1 The term of this Agreement shall be 1 year from the signing date. Within 30 days before expiry, if either party does not submit written termination notification to the other party, this agreement will be automatically renewed for another 1 year; if both parties fail to be consistent on renewal, this Agreement may be terminated when expiry.

7.2 Both parties may separately negotiate on the renewal matters and sign corresponding agreement one month before the expiry date.

Article 8 Confidentiality

8.1 “Exclusive Information” refers to information related one party that has been known, directly or indirectly, by the director, staff, employee, agent, or consultant of the other party from the previous party or its consultant before or after signing this Agreement (including information

of business, finance, operation, management, legal affairs, or others); such information may be disclosed in any way, including but not limited to in writing, oral, or electronic transmission. Confidential information includes but not limits to sales data, marketing scheme, business plan, financial information, client information, supplier information, staff information, know-how, trade secret, and other information with technical, technological, or business nature; in addition, it also includes the analysis report, list, research report, and similar documents manufactured based on the abovementioned information, and all documents and materials contained or reflect the abovementioned information or based on, which are manufactured by the director, staff, employee, agent, or consultant of the other party.

8.2 Without Disclosing Party's prior written consent, either party shall keep secret on any exclusive information, and shall not use or disclose such information to any person or entity, except need of normal performance of obligations herein.

8.3 Both parties shall be responsible to keep secret on the cooperation and the specific content herein, and either party shall not disclose the cooperation and the specific content herein to any third party without prior written consent of the other party.

8.4 This confidentiality article shall survive for three years after the termination of business cooperation by both parties.

Article 9 Breach for Liability of Contract

9.1 If either party (Non-default Party) states that the other party (Default Party) has any breach for liability of contract and provides relevant evidence to prove that such breach may cause non-performance, non-complete performance, or delay performance of this Agreement, Non-default Party has the right to require the Default Party to bear the responsibility, and may cease to perform its obligations herein in the premise of non-termination of this Agreement.

9.2 Default Party shall conduct any remedy within 15 days after receipt of the written notification with facts of breach from Non-default Party, otherwise, Non-default Party has the right to terminate this Agreement and ask the Default Party to compensate all economic losses (including direct and indirect loss, and all reasonable fees and expenses caused by the compensation). No matter why this Agreement is terminated, this article will still be valid.

9.3 If there is any specific article that clearly stipulates the breach and responsibility of breach to either party, and such article may be different from this article, such article shall prevail on the situation stated in such article.

9.4 If Party B fails to pay for monthly shared income to Party A according to this Agreement, Party B shall pay for *** of payable at current period per overdue day to Party A as overdue fee. If Party B fails to pay such income for more than 15 days, Party A has the right to unilaterally terminate this Agreement.

9.5 If Party A fails to operate the cooperation according to the standard agreed in Article 3 herein, Party B has the right to temporarily deduct the shared income of current month until Party A conforms to the standard and eliminates all relevant negative influence. If the abovementioned event has happened for 3 times, Party B has the right to unilaterally terminate this Agreement.

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* Indicate that certain information contained herein has been omitted. Confidential treatment has been requested with respect to the omitted portions.

Article 10 Termination

10.1 Termination Right: Except the termination stipulated by laws, if one of the following event happens, this Agreement will be immediately terminated:

1) Relevant operation qualification owned by Party B or Party A has been canceled or withdrawn by administrative department;

2) Non-default Party terminates this Agreement according to Clause 6.1.7 and 9.2;

3) Either party has been in or applied by the third party to be in bankrupt or liquidation procedures.

10.2 Force majeure refers to any objective status that cannot be predicted, and the happen and aftermath cannot be avoided and encountered, including but not limited to: serious natural disaster (such as typhoon, flood, thundering, earthquake, fire, and explosion), war (no matter declare or not), riot, etc.

10.3 If either party delays to perform this Agreement due to force majeure, the period of performance delay shall be the same as the continuous time of the force majeure, but the pricing article herein will not be adjusted due to such delay.

10.4 Either party that has been affected by force majeure shall immediately notify to the other party in any possibly fastest way after such force majeure event happened, and shall issue valid certificate to the other party in writing to prove such force majeure event within five days after such force majeure event happened. Either party that has been affected by force majeure shall adopt any active and valid measure in order to reduce loss caused to the other party due to non-performance or delay performance of this Agreement to the largest extent. Once the affect of such force majeure has been eliminated, it shall immediately notify to the other party.

10.5 If the party that is not affected by force majeure evaluates that the force majeure will continue for more than 30 days with enough evidence, both parties shall solve the performance problem of this Agreement with amicable negotiation.

10.6 If this Agreement has been terminated according to this article, the observation party may ask the breach party to bear the liability and compensate the loss. The compensation scope shall include all economic losses suffered by observation party due to breach party.

10.7 During the cooperative period, if the monthly total recharge amount is lower than RMB200,000 yuan or the maximum number of online users is less than 2000 for consecutive 2 natural months after game operation, both parties has the right to cease the operation and to terminate this Agreement.

10.8 If both parties cease the joint operation, according to Temperary Method for Management of Web Game issued by Ministry of Culture, both parties shall notify to users on server closure 60 days in advance, and shall share the compensation to users according to the same proportion as the agreed proportion of shared income. The operation income gained in the last 2 months of joint operation shall be used to compensate to users in advance, and both parties may shared the remaining amount after settling all debts according to the proportion agreed in Clause 5.1 herein.

Article 11 Contact

Party A: Shenzhen 7th Road Technology Co., Ltd.
Address: 16# Floor Yanxiang Technology Building, No 31Gao Xin Zhong Si Road, Nanshan District, Shenzhen
Person in charge: ***
Mobile: ***
Postcode: 518057
Tel: ***
Fax: ***
E-mail: ***
Party B: Guangzhou Huaduo Network Technology Co., Ltd. Zhuhai Branch
Address: 13# Floor, A1 Building, South Software Park, Tangjia Town, Xiangzhou Distirct, Zhuhai
Person in charge: ***
Mobile: ***
Postcode: 519080
Tel: ***
Fax: ***
E-mail: ***

Article 12 Representation and Warranty

11.1 Party A represents and warrants that:

1) Party A is a limited liability company that has been established and existed legally according to laws of People's Republic of China;
2) Signature and performance of Party A herein are conformed to laws and articles of association;
3) This Agreement constitutes valid, binding, enforceable legal obligations to Party A;
4) Party A has no need to ask for approval of any third party or filing in any third party on the signature and performance herein;
5) Party A will strictly abide by China's laws and relevant policies and regualtions applicable in the authorized region;

11.2 Party B represents and warrants that:

1) Party B is a limited liability company that has been established and existed legally according to laws of People's Republic of China;
2) Signature and performance of Party B herein are conformed to laws and articles of association;
3) This Agreement constitutes valid, binding, enforceable legal obligations to Party B;

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* Indicate that certain information contained herein has been omitted. Confidential treatment has been requested with respect to the omitted portions.

4) Party B has no need to ask for approval of any third party or filing in any third party on the signature and performance herein;

5) Party A will strictly abide by China's laws and relevant policies and regualtions applicable in the authorized region;

Article 13 Other Matters

12.1 Transfer: without written consent of the other party, either party shall not transfer any and all rights and obligations herein, but either party has the right to transfer and/or sub-license its rights and obligations herein to its affiliated company without consent of the other party. Under the above condition, such party shall notify the other party in writing fifteen days in advance and provide certificate that may prove the relationship between such party and the transferee. Such party shall guarantee in writing that: transferee is able to properly perform the obligations herein, and the transfer will not affect the rights and interest of the other party.

12.2 Constraint Force: This agreement and appendixes will be valid from the date when authorized representatives of both parties sign on this agreement. This agreement is stipulated for both parties and their legal successors and transferee, and legally binds them. This agreement shall only be modified with written consent of both parties.

12.3 Notification: Any written notification required or allowed herein shall be served on the address of the other party listed in Article 11 herein, and the notification will be valid from the receipt date of the mail. Other notification and instruction required herein may be served on the e-mail address designated herein.

12.4 For any outstanding matters during the performance herein, or any supplement, change, or modification to the existing content herein due to business development, both parties or either party may raise the suggestion or plan on supplement, change, or modification, and then such document will become the supplemental document to this Agreement with equal legal force after negotiation of both parties, and signing and affixing seals on the written documents.

12.5 Any dispute on the establishment, effect, explanation, and performance of this Agreement shall be solved according to laws of the People's Republic of China. For any dispute caused by this Agreement or the performance of this Agreement, both parties shall solve it based on principle of amicable negotiation. If the negotiation fails, either party has the right to submit it to the people's court of the location where this Agreement is signed for hearing.

12.6 This Agreement will become formally effective after the authorized representatives of both parties' signatories and affix seals on it.

12.7 This Agreement is made in Chinese and in quadruplicate with Party B and Party A holding two respectively, all of which have equal legal force.

(Hereinafter blank)

This is the signature page without any text:

In view of the above text, Party A and Party B have respectively authorized their designated representatives to sign this agreement on the date listed in the head page herein.

Party A: Shenzhen 7th Road Technology Co., Ltd.

/s/ Hu Xiaoli

Signature of authorized representative: Hu Xiaoli

Party B: Guangzhou Huaduo Network Technology Co., Ltd. Zhuhai Branch

/s/ Peng Haifeng

Signature of authorized representative: Peng Haifeng

Exhibit 21.1

List of Subsidiaries of YY Inc.

Name	Jurisdiction of incorporation	Relationship with the registrant
Duowan Entertainment Corp.	BVI	Wholly-owned subsidiary
NeoTasks Inc.	Cayman Islands	Wholly-owned subsidiary
NeoTasks Limited	Hong Kong	Wholly-owned subsidiary
Guangzhou Huanju Shidai Information Technology Company Limited	PRC	Wholly-owned subsidiary
Duowan Entertainment Information Technology (Beijing) Company Limited	PRC	Wholly-owned subsidiary
Zhuhai Duowan Information Technology Company Limited	PRC	Wholly-owned subsidiary
Beijing Tuda Science and Technology Company Limited	PRC	Variable interest entity
Guangzhou Huaduo Network Technology Company Limited	PRC	Variable interest entity

普华永道

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the use in this Registration Statement on Form F-1 of YY Inc. of our report dated July 13, 2012, relating to the financial statements of YY Inc., which appears in such Registration Statement. We also consent to the reference to us under the heading “Experts” in such Registration Statement.

/s/ PricewaterhouseCoopers Zhong Tian CPAs Limited Company
PricewaterhouseCoopers Zhong Tian CPAs Limited Company
Shanghai, the People’s Republic of China
October 15, 2012

普华永道中天会计师事务所有限公司
PricewaterhouseCoopers Zhong Tian CPAs Limited Company, 11/F PricewaterhouseCoopers Center
2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai 200021, PRC
T: +86(21) 2323 8888, F: +86 (21) 2323 8800, www.pwccn.com

Exhibit 23.5

Consent of iResearch Consulting Group

September 5, 2012

YY Inc.
Building 3-08, Yangcheng Creative Industry Zone
No. 309 Huangpu Ave. Middle, Tianhe District
Guangzhou, P.R.C., 510655

Ladies and Gentlemen:

iResearch Consulting Group hereby consents to references to its name in the registration statement on Form F-1 (together with any amendments thereto, the "**Registration Statement**") in relation to the initial public offering of YY Inc. (the "**Company**") to be filed with the United States Securities and Exchange Commission (the "**SEC**") under the Securities Act of 1933, as amended, any written correspondences with the SEC and any other future filings with the SEC, including filings on Form 20-F or Form 6-K or other SEC filings (collectively, the "**SEC Filings**").

iResearch Consulting Group hereby further consents to inclusion of, summary of and reference to (i) any data contained in the reports and materials it provides to the Company and (ii) any other information, data and statements prepared by iResearch Consulting Group, whether or not publicly available, as well as citation of any of the foregoing in the Company's Registration Statement and SEC Filings and in roadshow and other promotional materials in connection with the proposed offering under the Registration Statement.

iResearch Consulting Group also hereby consents to the filing of this letter as an exhibit to the Registration Statement.

Yours faithfully

For and on behalf of
iResearch Consulting Group

/s/ authorized signatory
Name:
Title: Consultant

Exhibit 23.6

Consent of DCCI Data Center of China Internet

September 21, 2011

YY Inc.
No. 50 Jianzhong Road
Tianhe Software Park
Tianhe District, Guangzhou 510660
People's Republic of China
Tel: (+86 20) 8553-5024

Ladies and Gentlemen:

DCCI Data Center of China Internet ("**DCCI**") hereby consents to references to its name in the registration statement on Form F-1 (together with any amendments thereto, the "**Registration Statement**") in relation to the initial public offering of YY Inc. (the "**Company**") to be filed with the United States Securities and Exchange Commission (the "**SEC**") under the Securities Act of 1933, as amended, any written correspondences with the SEC and any other future filings with the SEC, including filings on Form 20-F or Form 6-K or other SEC filings (collectively, the "**SEC Filings**").

DCCI further consents to inclusion of, summary of and reference to (i) any data contained in the report it provides to the Company (ii) any other information, data and statements prepared by DCCI, as well as citation of any of the foregoing in the Company's Registration Statement and SEC Filings and in roadshow and other promotional materials in connection with the proposed offering under the Registration Statement.

DCCI also hereby consents to the filing of this letter as an exhibit to the Registration Statement.

Yours faithfully

For and on behalf of
DCCI Data Center of China Internet

/s/ Yanping Hu
Name: Yanping Hu
Title: Company founder

Exhibit 99.1

YY INC.

CODE OF BUSINESS CONDUCT AND ETHICS

I. PURPOSE

This Code of Business Conduct and Ethics (the "**Code**") contains general guidelines for conducting the business of YY Inc., a Cayman Islands company, and its subsidiaries (collectively, the "**Company**") consistent with the highest standards of business ethics, and is intended to qualify as a "code of ethics" within the meaning of Section 406 of the Sarbanes-Oxley Act of 2002 and the rules promulgated thereunder. To the extent this Code requires a higher standard than required by commercial practice or applicable laws, rules or regulations, we adhere to these higher standards.

This Code is designed to deter wrongdoing and to promote:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- full, fair, accurate, timely, and understandable disclosure in reports and documents that the Company files with, or submits to, the U.S. Securities and Exchange Commission (the "**SEC**") and in other public communications made by the Company;
- compliance with applicable laws, rules and regulations;
- prompt internal reporting of violations of the Code; and
- accountability for adherence to the Code.

II. APPLICABILITY

This Code applies to all directors, officers and employees of the Company, whether they work for the Company on a full-time, part-time, consultative or temporary basis (each, an "**employee**" and collectively, the "**employees**"). Certain provisions of the Code apply specifically to our chief executive officer, chief financial officer, senior finance officer, controller, vice presidents and any other persons who perform similar functions for the Company (each, a "**senior officer**," and collectively, the "**senior officers**").

The Board of Directors of the Company (the "**Board**") has appointed the Company's Chief Financial Officer as the Compliance Officer for the Company (the "**Compliance Officer**"). If you have any questions regarding the Code or would like to report any violation of the Code, please call the Compliance Officer at (86)20 2916-2000 or e-mail him at compliance@yy.com.

III. CONFLICTS OF INTEREST

Identifying Conflicts of Interest

A conflict of interest occurs when an employee's private interest interferes, or appears to interfere, in any way with the interests of the Company as a whole. An employee should actively avoid any private interest that may impact such employee's ability to act in the interests of the Company or that may make it difficult to perform the employee's work objectively and effectively. In general, the following should be considered conflicts of interest:

- Competing Business. No employee may be employed by a business that competes with the Company or deprives it of any business.
- Corporate Opportunity. No employee should use corporate property, information or his or her position with the Company to secure a business opportunity that would otherwise be available to the Company. If an employee discovers a business opportunity that is in the Company's line of business through the use of the Company's property, information or position, the employee must first present the business opportunity to the Company before pursuing the opportunity in your individual capacity.
- Financial Interests.

(i) No employee may have any financial interest (ownership or otherwise), either directly or indirectly through a spouse or other family member, in any other business or entity if such interest adversely affects the employee's performance of duties or responsibilities to the Company, or requires the employee to devote time to it during such employee's working hours at the Company;

(ii) No employee may hold any ownership interest in a privately held company that is in competition with the Company;

(iii) An employee may hold up to 5% ownership interest in a publicly traded company that is in competition with the Company; provided that if the employee's ownership interest in such publicly traded company increases to more than 5%, the employee must immediately report such ownership to the Compliance Officer;

(iv) No employee may hold any ownership interest in a company that has a business relationship with the Company if such employee's duties at the Company include managing or supervising the Company's business relations with that company; and

(v) Notwithstanding the other provisions of this Code,

(a) a director or any immediate family member of such director (collectively, "**Director Affiliates**") or a senior officer or any immediate family member of such senior officer (collectively, "**Officer Affiliates**") may continue to hold his or her investment or other financial interest in a business or entity (an "**Interested Business**") that:

(1) was made or obtained either (x) before the Company invested in or otherwise became interested in such business or entity; or (y) before the director or senior officer joined the Company (for the avoidance of doubt, regardless of whether the Company had or had not already invested in or otherwise become interested in such business or entity at the time the director or senior officer joined the Company); or

(2) may in the future be made or obtained by the director or senior officer, provided that at the time such investment or other financial interest is made or obtained, the Company has not yet invested in or otherwise become interested in such business or entity;

provided that such director or senior officer shall disclose such investment or other financial interest to the Board;

(b) an interested director or senior officer shall refrain from participating in any discussion among senior officers of the Company relating to an Interested Business and shall not be involved in any proposed transaction between the Company and an Interested Business; and

(c) before any Director Affiliate or Officer Affiliate (i) invests, or otherwise acquires any equity or other financial interest, in a business or entity that is in competition with the Company; or (ii) enters into any transaction with the Company, the related director or senior officer shall obtain prior approval from the Audit Committee of the Board.

For purposes of this Code, a company or entity is deemed to be "in competition with the Company" if it competes with the Company's business of providing private educational services and/or any other business in which the Company is engaged.

- Loans or Other Financial Transactions. No employee may obtain loans or guarantees of personal obligations from, or enter into any other personal financial transaction with, any company that is a material customer, supplier or competitor of the Company. This guideline does not prohibit arms-length transactions with recognized banks or other financial institutions.
- Service on Boards and Committees. No employee shall serve on a board of directors or trustees or on a committee of any entity (whether profit or not-for-profit) whose interests could reasonably be expected to conflict with those of the Company. Employees must obtain prior approval from the Board before accepting any such board or committee position. The Company may revisit its approval of any such position at any time to determine whether an employee's service in such position is still appropriate.

The above is in no way a complete list of situations where conflicts of interest may arise. The following questions might serve as a useful guide in assessing a potential conflict of interest situation not specifically addressed above:

- Is the action to be taken legal?
- Is it honest and fair?
- Is it in the best interests of the Company?

Disclosure of Conflicts of Interest

The Company requires that employees fully disclose any situations that could reasonably be expected to give rise to a conflict of interest. If an employee suspects that he or she has a conflict of interest, or a situation that others could reasonably perceive as a conflict of interest, the employee must report it immediately to the Compliance Officer. Conflicts of interest may only be waived by the Board, or the appropriate committee of the Board, and will be promptly disclosed to the public to the extent required by law and applicable rules of the Nasdaq.

Family Members and Work

The actions of family members outside the workplace may also give rise to conflicts of interest because they may influence an employee's objectivity in making decisions on behalf of the Company. If a member of an employee's family is interested in doing business with the Company, the criteria as to whether to enter into or continue the business relationship and the terms and conditions of the relationship must be no less favorable to the Company compared with those that would apply to an unrelated party seeking to do business with the Company under similar circumstances.

Employees should report any situation involving family members that could reasonably be expected to give rise to a conflict of interest to their supervisor or the Compliance Officer. For purposes of this Code, "family members" or "members of employee's family" include an employee's spouse, siblings, parents, in-laws and children.

IV. GIFTS AND ENTERTAINMENT

The giving and receiving of appropriate gifts may be considered common business practice. Appropriate business gifts and entertainment are welcome courtesies designed to build relationships and understanding among business partners. However, gifts and entertainment should never compromise, or appear to compromise, an employee's ability to make objective and fair business decisions.

It is the responsibility of employees to use good judgment in this area. As a general rule, employees may give or receive gifts or entertainment to or from customers or suppliers only if the gift or entertainment is in compliance with applicable law, insignificant in amount and not given in consideration or expectation of any action by the recipient. All gifts and entertainment expenses made on behalf of the Company must be properly accounted for on expense reports.

We encourage employees to submit gifts received to the Company. While it is not mandatory to submit small gifts, gifts of over RMB200 must be submitted immediately to the administration department of the Company.

Bribes and kickbacks are criminal acts, strictly prohibited by law. An employee must not offer, give, solicit or receive any form of bribe or kickback anywhere in the world.

V. FCPA COMPLIANCE

The U.S. Foreign Corrupt Practices Act ("**FCPA**") prohibits giving anything of value, directly or indirectly, to officials of foreign governments or foreign political candidates in order to obtain or retain business. A violation of FCPA does not only violate the Company's policy but also constitute a civil or criminal offense under FCPA which the Company is subject to after the Effective Time. No employee shall give or authorize directly or indirectly any illegal payments to government officials of any country. While the FCPA does, in certain limited circumstances, allow nominal "facilitating payments" to be made, any such payment must be discussed with and approved by an employee's supervisor in advance before it can be made.

VI. PROTECTION AND USE OF COMPANY ASSETS

Employees should protect the Company's assets and ensure their efficient use for legitimate business purposes only. Theft, carelessness and waste have a direct impact on the Company's profitability. Any use of the funds or assets of the Company, whether for personal gain or not, for any unlawful or improper purpose is strictly prohibited.

To ensure the protection and proper use of the Company's assets, each employee should:

- Exercise reasonable care to prevent theft, damage or misuse of Company property;
- Promptly report any actual or suspected theft, damage or misuse of Company property;
- Safeguard all electronic programs, data, communications and written materials from unauthorized access; and
- Use Company property only for legitimate business purposes.

Except as approved in advance by the Chief Executive Officer or Chief Financial Officer of the Company, the Company prohibits political contributions (directly or through trade associations) by any employee on behalf of the Company. Prohibited political contributions include:

- any contributions of the Company's funds or other assets for political purposes;
- encouraging individual employees to make any such contribution; and
- reimbursing an employee for any political contribution.

VII. INTELLECTUAL PROPERTY AND CONFIDENTIALITY

- All inventions, creative works, computer software, and technical or trade secrets developed by an employee in the course of performing the employee's duties or primarily through the use of the Company's assets or resources while working at the Company shall be the property of the Company.

- Employees should maintain the confidentiality of information entrusted to them by the Company or entities with which the Company has business relations, except when disclosure is authorized or legally mandated. Confidential information includes all non-public information that might be of use to competitors, or harmful to the company or its customers, if disclosed.
- The Company maintains a strict confidentiality policy. During an employee's term of employment with the Company, the employee shall comply with any and all written or unwritten rules and policies concerning confidentiality and shall fulfill the duties and responsibilities concerning confidentiality applicable to the employee.
- In addition to fulfilling the responsibilities associated with his position in the Company, an employee shall not, without obtaining prior approval from the Company, disclose, announce or publish trade secrets or other confidential business information of the Company, nor shall an employee use such confidential information outside the course of his duties to the Company.
- Even outside the work environment, an employee must maintain vigilance and refrain from disclosing important information regarding the Company or its business, business associates or employees.
- An employee's duty of confidentiality with respect to the confidential information of the Company survives the termination of such employee's employment with the Company for any reason until such time as the Company discloses such information publicly or the information otherwise becomes available in the public sphere through no fault of the employee.
- Upon termination of employment, or at such time as the Company requests, an employee must return to the Company all of its property without exception, including all forms of medium containing confidential information, and may not retain duplicate materials.

VIII. ACCURACY OF FINANCIAL REPORTS AND OTHER PUBLIC COMMUNICATIONS

Upon the completion of the Company's initial public offering, the Company will be required to report its financial results and other material information about its business to the public and the SEC. It is the Company's policy to promptly disclose accurate and complete information regarding its business, financial condition and results of operations. Employees must strictly comply with all applicable standards, laws, regulations and policies for accounting and financial reporting of transactions, estimates and forecasts. Inaccurate, incomplete or untimely reporting will not be tolerated and can severely damage the Company and result in legal liability.

Employees should be on guard for, and promptly report, any possibility of inaccurate or incomplete financial reporting. Particular attention should be paid to:

- Financial results that seem inconsistent with the performance of the underlying business;
- Transactions that do not seem to have an obvious business purpose; and
- Requests to circumvent ordinary review and approval procedures.

The Company's senior financial officers and other employees working in the finance department have a special responsibility to ensure that all of the Company's financial disclosures are full, fair, accurate, timely and understandable. Any practice or situation that might undermine this objective should be reported to the Compliance Officer.

Employees are prohibited from directly or indirectly taking any action to coerce, manipulate, mislead or fraudulently influence the Company's independent auditors for the purpose of rendering the financial statements of the Company materially misleading. Prohibited actions include but are not limited to:

- issuing or reissuing a report on the Company's financial statements that is not warranted in the circumstances (due to material violations of U.S. GAAP, generally accepted auditing standards or other professional or regulatory standards);
- not performing audit, review or other procedures required by generally accepted auditing standards or other professional standards;
- not withdrawing an issued report when withdrawal is warranted under the circumstances; or
- not communicating matters required to be communicated to the Company's Audit Committee.

IX. COMPANY RECORDS

Accurate and reliable records are crucial to the Company's business and form the basis of its earnings statements, financial reports and other disclosures to the public. The Company's records are a source of essential data that guides business decision-making and strategic planning. Company records include, but are not limited to, booking information, payroll, timecards, travel and expense reports, e-mails, accounting and financial data, measurement and performance records, electronic data files and all other records maintained in the ordinary course of business.

All Company records must be complete, accurate and reliable in all material respects. There is never an acceptable reason to make false or misleading entries. Undisclosed or unrecorded funds, payments or receipts are strictly prohibited. An employee is responsible for understanding and complying with the Company's recordkeeping policy. An employee should contact the Compliance Officer if he or she has any questions regarding the recordkeeping policy.

X. COMPLIANCE WITH LAWS AND REGULATIONS

Each employee has an obligation to comply with the laws of the cities, provinces, regions and countries in which the Company operates. This includes, without limitation, laws covering commercial bribery and kickbacks, copyrights, trademarks and trade secrets, information privacy, insider trading, offering or receiving gratuities, employment harassment, environmental protection, occupational health and safety, false or misleading financial information, misuse of corporate assets and foreign currency exchange activities. Employees are expected to understand and comply with all laws, rules and regulations that apply to their positions at the Company. If any doubt exists about whether a course of action is lawful, the employee should seek advice immediately from the Compliance Officer.

XI. DISCRIMINATION AND HARASSMENT

The Company is firmly committed to providing equal opportunity in all aspects of employment and will not tolerate any illegal discrimination or harassment based on race, ethnicity, religion, gender, age, national origin or any other protected class. For further information, employees should consult the Compliance Officer.

XII. FAIR DEALING

Each employee should endeavor to deal fairly with the Company's customers, suppliers, competitors and employees. None should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair-dealing practice.

XIII. HEALTH AND SAFETY

The Company strives to provide employees with a safe and healthy work environment. Each employee has responsibility for maintaining a safe and healthy workplace for other employees by following environmental, safety and health rules and practices and reporting accidents, injuries and unsafe equipment, practices or conditions. Violence or threats of violence are not permitted.

Each employee is expected to perform his or her duty to the Company in a safe manner, not under the influence of alcohol, illegal drugs or other controlled substances. The use of illegal drugs or other controlled substances in the workplace is prohibited.

XIV. VIOLATIONS OF THE CODE

All employees have a duty to report any known or suspected violation of this Code, including any violation of laws, rules, regulations or policies that apply to the Company. Reporting a known or suspected violation of this Code by others will not be considered an act of disloyalty, but an action to safeguard the reputation and integrity of the Company and its employees.

If an employee knows of or suspects a violation of this Code, it is such employee's responsibility to immediately report the violation to the Compliance Officer, who will work with the employee to investigate his or her concern. All questions and reports of known or suspected violations of this Code will be treated with sensitivity and discretion. The Compliance Officer and the Company will protect the employee's confidentiality to the extent possible, consistent with the law and the Company's need to investigate the employee's concern.

It is the Company's policy that any employee who violates this Code will be subject to appropriate discipline, including termination of employment, based upon the facts and circumstances of each particular situation. An employee's conduct, if it does not comply with the law or with this Code, can result in serious consequences for both the employee and the Company.

The Company strictly prohibits retaliation against an employee who, in good faith, seeks help or reports known or suspected violations. An employee inflicting reprisal or retaliation against another employee for reporting a known or suspected violation will be subject to disciplinary action, including termination of employment.

XV. WAIVERS OF THE CODE

Waivers of this Code will be granted on a case-by-case basis and only in extraordinary circumstances. Waivers of this Code may be made only by the Board, or the appropriate committee of the Board, and may be promptly disclosed to the public if so required by applicable laws and regulations and rules of the Nasdaq.

XVI. CONCLUSION

This Code contains general guidelines for conducting the business of the Company consistent with the highest standards of business ethics. If employees have any questions about these guidelines, they should contact the Compliance Officer. We expect all employees to adhere to these standards. Each employee is separately responsible for his or her actions. Conduct that violates the law or this Code cannot be justified by claiming that it was ordered by a supervisor or someone in higher management positions. If an employee engages in conduct prohibited by the law or this Code, such employee will be deemed to have acted outside the scope of your employment. Such conduct will subject the employee to disciplinary action, including termination of employment.

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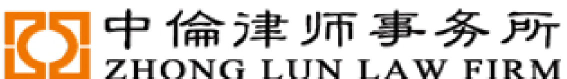

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To: YY Inc.
Building 3-08 Yangcheng Creative Industry Zone
No.309 Huangpu Avenue Middle
Tianhe District
Guangzhou 510655
P.R.C

October 15, 2012

Dear Sirs/Madam

YY INC.

We are lawyers qualified in the People's Republic of China (the "**PRC**", which, for the purpose of this opinion, exclude the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan) and are qualified to issue an opinion on PRC Laws (as defined below).

We are acting as PRC legal counsel to YY Inc. (the "**Company**") solely in connection with (A) the Company's registration statement on Form F-1 including all amendments or supplements thereto (the "**Registration Statement**") filed with the Securities and Exchange Commission (the "**SEC**") under the U.S. Securities Act of 1933, as amended, on October 15, 2012, relating to the initial public offering by the Company of a certain number of the Company's American depositary shares ("**ADSs**"), each representing a certain number of class A common shares of par value US$0.00001 per share of the Company, and (B) the proposed listing and trading of the Company's ADSs on the Nasdaq Global Market (the "**Offering**").

This legal opinion (the "**Opinion**") is furnished pursuant to the instructions of the Company regarding certain PRC legal matters, and is delivered to the Company solely for the purposes of the Offering.

The following terms as used in this Opinion are defined as follows:

"Beijing Tuda"	means Beijing Tuda Science and Technology Company Limited (北京途达科技有限责任公司)..
"Control Agreements"	means each of the contractual agreements and documents listed in Annex 3 hereto.
"CSRC"	means China Securities Regulatory Commission.
"Government Agency"	means any competent government authorities, courts, arbitration commissions, or regulatory bodies of the PRC.
"Governmental Authorization"	means any approval, consent, permit, authorization, filing, registration, exemption, waiver, endorsement, annual inspection, qualification and license required by the applicable PRC Laws to be obtained from any Government Agency.
"Guangzhou Huaduo"	means Guangzhou Huaduo Network Technology Company Limited (广州华多网络科技有限公司)..
"Huanju Shidai"	means Huanju Shidai Technology (Beijing) Company Limited (欢聚时代科技（北京）有限公司), formerly known as "Duowan Entertainment Information Technology (Beijing) Company Limited" (多玩娱乐信息技术（北京）有限公司)..
"M&A Rules"	means the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors issued by the PRC Ministry of Commerce, the State Assets Supervision and Administration Commission, the State Administration for Taxation, the State Administration for Industry and Commerce, the CSRC, and the State Administration of Foreign Exchange on August 8, 2006, which became effective on September 8, 2006 and was further amended on June 22, 2009.
"Material Adverse Effect"	means any event, circumstance, condition, occurrence or situation or any combination of the foregoing that has or could be reasonably expected to have a material and adverse effect upon the conditions (financial or otherwise), business, properties or results of operations or prospects of the Company and the PRC Companies taken as a whole.

"PRC Affiliated Entities"	means the PRC affiliated entities listed in Annex 2 attached hereto; and a "PRC Affiliated Entity" shall be construed accordingly.
"PRC Laws"	means any and all laws, regulations, statutes, rules, decrees, notices, and supreme court's judicial interpretations currently in force and publicly available in the PRC as of the date hereof.
"PRC Companies"	means, collectively, the PRC Subsidiaries and the PRC Affiliated Entities.
"PRC Subsidiaries"	means the PRC subsidiaries of the Company listed in Annex 1 attached hereto and a "PRC Subsidiary" shall be construed accordingly.

Capitalized terms used herein and not otherwise defined herein shall have the same meanings described in the Registration Statement.

For the purpose of rendering this Opinion, we have reviewed the Registration Statement, the originals or copies, certified or otherwise identified to our satisfaction, of the documents provided to us by the Company and the PRC Companies and such other documents, corporate records, certificates, Governmental Authorizations and other instruments as we have deemed necessary or advisable for purposes of this Opinion (collectively, the "**Documents**").

In reviewing the Documents and for the purpose of this Opinion, we have assumed the accuracy of the factual matters described in the Registration Statement and that the Registration Statement and other documents will be executed by the parties in the forms provided to and reviewed by us. We have further assumed without further inquiry: (a) the genuineness of all the signatures, seals and chops contained therein; (b) the authenticity and completeness of the Documents submitted to us as originals and the conformity with the originals of the Documents provided to us as copies and the authenticity and completeness of such originals; (c) the truthfulness, accuracy, completeness and fairness of all Documents, as well as the factual statements contained in such Documents; (d) that the Documents provided to us remain in full force and effect up to the date of this Opinion and have not been revoked, amended, varied or supplemented except as otherwise indicated in such Documents; (e) that all information provided to us by the Company and the PRC Companies in response to our enquiries for the purpose of this Opinion is true, accurate, complete and not misleading, and that the Company and the PRC Companies have not withheld anything that, if disclosed to us, would reasonably cause us to alter this Opinion in whole or in part; (f) that all parties other than the PRC Companies have the requisite capacity, necessary power, authority and legal right to enter into, execute, deliver and perform the Documents to which they are parties; (g) that all parties other than the PRC Companies have duly executed, delivered and performed the Documents to which they are parties, and all parties will duly perform their obligations under the Documents to which they are parties; (h) that all Governmental Authorizations and other official statement or documentation are obtained from competent PRC Governmental Agencies by lawful means in due course; and (i) that each Document which is governed by the laws of any jurisdiction other than the PRC is legal, valid and enforceable in any aspects under the respective governing law.

This Opinion relates to the PRC Law as it exists and is interpreted at the date of this Opinion. We do not purport to be experts on or generally familiar with or qualified to express legal opinion based on the laws of any jurisdiction other than the PRC. Accordingly we express no opinion as to the laws of any other jurisdiction and none is to be implied.

Based on the foregoing and subject to the disclosures contained in the Registration Statement and the qualifications set out below, we are of the opinion that as of the date hereof, so far as PRC Laws are concerned:

(1) *Corporate Structure.* The descriptions of the corporate structure of the PRC Group Companies set forth in "Corporate History and Structure" section of the Prospectus are true and accurate and nothing has been omitted from such description which would make the same misleading in any material respects.

We have advised the Company that:

(a) Each of the PRC Subsidiaries and the PRC Affiliated Entities has been duly organized and is validly existing as a wholly foreign owned enterprise, or a domestic limited liability company, as the case may be, with full legal person status and limited liability and in good standing under the applicable PRC Laws; and the articles of association and the business license of each of the PRC Subsidiaries and the PRC Affiliated Entities comply with the requirements of applicable PRC Laws, have been approved by or registered with the relevant PRC authorities, as the case may be, and are in full force and effect.

(b) (aa) the Company's current ownership structure for its business operations, the ownership structure of its PRC Subsidiaries and its PRC Affiliated Entities, the contractual arrangements among its PRC Subsidiaries, its PRC Affiliated Entities and its shareholders, as described in the Prospectus, both currently and after giving effect to the Offering, are in compliance with the existing PRC Laws; and (bb) the contractual arrangements among Huanju Shidai, Guangzhou Huaduo and its shareholders governed by PRC Laws are valid, binding and enforceable, and are in compliance with the existing PRC Laws.

(c) The statements set forth in the Prospectus under the captions "Risk Factors —Risks Relating to Our Corporate Structure and Our Industry — If the PRC government finds that the structure we have adopted for our business operations does not comply with PRC laws and regulations, or if these laws or regulations or interpretations of existing laws or regulations change in the future, we could be subject to severe penalties, including the shutting down of our platform and our business operations." are fair and accurate summaries of the matters described therein, and nothing has been omitted from such summaries that would make the same misleading in any material respect.

(2) *M&A Rules*. We have advised the Company as to the content of the M&A Rules, in particular the relevant provisions thereof that purport to require offshore special purpose vehicles formed for the purpose of obtaining a stock exchange listing outside of PRC and controlled directly or indirectly by Chinese companies or natural persons, to obtain the approval of the CSRC prior to the listing and trading of their securities on stock exchange located outside of PRC.

We have advised the Company that CSRC approval is not required in the context of the Offering because (A) the CSRC currently has not issued any definitive rule or interpretation concerning whether offerings like the Company's under the Prospectus are subject to the M&A Rules; (B) the Company is not required to submit an application to CSRC for its approval of the listing and trading of its ADSs on the Nasdaq Global Market, considering that (a) its PRC subsidiaries, Huanju Shidai and Zhuhai Duowan Technology, are foreign-invested enterprises established by foreign enterprises, (b) it did not acquire any equity interest or assets of a PRC domestic company owned by PRC companies or individuals as defined under the M&A Rules and (c) there is no provision that clearly classifies the contractual arrangements among its PRC subsidiary, Huanju Shidai, its PRC consolidated affiliated entities and their respective shareholders as a transaction regulated by the M&A Rules.

The statements set forth in the Prospectus under the captions "Risk Factors — Risks Relating to Our ADSs and This Offering — The approval of the China Securities Regulatory Commission may be required in connection with this offering and, if required, we cannot assure you that we will be able to obtain such approval." when taken together with the statements under "Regulation — New M&A Regulations and Overseas Listings," are fair and accurate summaries of the matters described therein, and nothing has been omitted from such summaries that would make the same misleading in any material respect.

(3) *Company Contracts.* Except as disclosed in the Registration Statement, each of the material company contracts governed by PRC Laws (the "Company Contracts"), listed in Annex 4 hereto, has been duly authorized, executed and delivered by the relevant PRC Subsidiary or PRC Affiliated Entity; each such PRC Subsidiary or PRC Affiliated Entity had the corporate power and capacity to enter into and to perform its obligations under such Company Contracts; except as disclosed in the Registration Statement, each of the Company Contracts to which a PRC Subsidiary or PRC Affiliated Entity is a party constitutes a legal, valid and binding obligation of the parties therein, enforceable against the parties therein in accordance with its terms and conditions, subject, as to enforcement, to bankruptcy, insolvency, reorganization and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles, provided that each of the Company Contracts has been duly authorized, executed and delivered by the parties other than the PRC Subsidiaries or the PRC Affiliated Entities.

(3) *Enforceability of Civil Procedures*. We have advised the Company that there is uncertainty as to whether the courts of the PRC would: (i) recognize or enforce judgments of United States courts obtained against the Company or directors or officers of the Company predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States; or (ii) entertain original actions brought in each respective jurisdiction against the Company or directors or officers of the Company predicated upon the securities laws of the United States or any state in the United States.

We have further advised the Company that the recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based either on treaties between China and the country where the judgment is rendered or on reciprocity between the jurisdictions provided that the foreign judgments do not violate the basic principles of laws of the PRC or its sovereignty, security, or social and public interest. However, China does not have any treaties or other form of reciprocity with the United States or Cayman Islands that provide for the reciprocal recognition and enforcement of foreign judgments. As a result, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered by a court in the United States or the Cayman Islands.

(4) *Statements in the Prospectus.* The statements in the Prospectus under the headings “Prospectus Summary”, “Risk Factors”, “Use of Proceeds”, “Corporate History and Structure”, “Dividend Policy”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, “Industry Overview”, “Business”, “PRC Regulation”, “Management”, “Related Party Transactions”, “Description of Share Capital”, “Enforceability of Civil Liabilities” and “Taxation” (other than the financial statements and related schedules and other financial data contained therein to which we express no opinion) to the extent such statements relate to matters of the PRC Laws or documents, agreements or proceedings governed by the PRC Laws, are true and accurate in all material respects, and fairly present and fairly summarize in all material respects the PRC Laws, documents, agreements or proceedings referred to therein, and we have no reason to believe there has been anything omitted from such statements which would make the statements, in light of the circumstance under which they were made, misleading in any material aspect.

(5) *Statement relating to PRC Tax.* We have also advised the Company that foreign ADS holders may be subject to a 10% withholding tax upon dividends payable by the Company, if such income is sourced from within the PRC. Under the Enterprise Income Tax Law of 2007 dated March 16, 2007 and the Implementation Regulations of the Enterprise Income Tax Law dated December 6, 2007, an enterprise established outside the PRC with its “de facto management body” within the PRC is considered a resident enterprise. The “de facto management body” of an enterprise is defined as the organizational body that effectively exercises overall management and control over production and business operations, personnel, finance and accounting, and properties of the enterprise. It remains unclear how the PRC tax authorities will interpret such a broad definition. Although the Company is incorporated in the Cayman Islands, substantially all of the Company’s management members are based in the PRC. It remains unclear how the PRC tax authorities will interpret the PRC tax resident treatment of an offshore company controlled by PRC individuals, like the Company.

This Opinion is subject to the following qualifications:

(a) This Opinion relates only to the PRC Laws and we express no opinion as to any other laws and regulations. There is no guarantee that any of the PRC Laws, or the interpretation thereof or enforcement therefor, will not be changed, amended or replaced in the immediate future or in the longer term with or without retrospective effect.

(b) This Opinion is intended to be used in the context which is specifically referred to herein and each section should be looked on as a whole regarding the same subject matter.

(c) The term "enforceable" as used above means that the obligations assumed by the relevant obligors under the relevant Documents are of a type which the courts of the PRC enforce. It does not mean that those obligations will necessarily be enforced in all circumstances in accordance with their terms.

(d) This Opinion is subject to the effects of (i) certain legal or statutory principles affecting the enforceability of contractual rights generally under the concepts of public interest, national security, good faith and fair dealing, applicable statutes of limitation, and the limitations by bankruptcy, insolvency, reorganization or similar laws affecting the enforcement of creditor's rights generally; (ii) any circumstance in connection with formulation, execution or performance of any legal documents that would be deemed materially mistaken, clearly unconscionable, fraudulent; (iii) judicial discretion with respect to the availability of injunctive relief, the calculation of damages, and the entitlement of attorneys' fees and other costs; and (iv) the discretion of any competent PRC legislative, administrative or judicial bodies in exercising their authority in connection with the interpretation, implementation and application of relevant PRC Laws.

(e) This Opinion is issued based on our understanding of the current PRC Laws. For matters not explicitly provided under the current PRC Laws, the interpretation, implementation and application of the specific requirements under the PRC Laws are subject to the final discretion of competent PRC legislative, administrative and judicial authorities.

This Opinion is rendered to you for the purpose hereof only, and save as provided herein, this Opinion shall not be quoted nor shall a copy be given to any person (apart from the addressee) without our express prior written consent except where such disclosure is required to be made by the applicable law or is requested by SEC or any other regulatory agencies.

We hereby consent to the use of this Opinion in, and the filing hereof as an exhibit to, the Registration Statement. In giving such consent, we do not thereby admit that we fall within the category of the person whose consent is required under Section 7 of the U.S. Securities Act of 1933, as amended, or the regulations promulgated thereunder.

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[Signature Page]

Yours faithfully

ZHONG LUN LAW FIRM

/s/ Zhong Lun Law Firm

Annex 1

PRC Subsidiaries

1. Huanju Shidai Technology (Beijing) Company Limited (欢聚时代科技（北京）有限公司), formerly known as "Duowan Entertainment Information Technology (Beijing) Company Limited" (多玩娱乐信息技术（北京）有限公司)
2. Zhuhai Duowan Information Technology Company Limited (珠海多玩信息技术有限公司)
3. Guangzhou Huanju Shidai Information Technology Company Limited (广州欢聚时代信息科技有限公司) ..

Annex 2

PRC Affiliated Entities

1. Guangzhou Huaduo Network Technology Company Limited (广州华多网络科技有限公司)
2. Beijing Tuda Science and Technology Company Limited (北京途达科技有限责任公司) ..

Annex 3

Control Agreements

A. Control Agreements Relating to Beijing Tuda:

1. Exclusive Business Cooperation Agreement (独家业务合作协议), dated December 3, 2009, between Huanju Shidai and Beijing Tuda.
2. Exclusive Technology Support and Technology Services Agreement (独家技术支持与技术服务协议), dated December 3, 2009, between Huanju Shidai and Beijing Tuda.
3. Supplemental Agreement to Exclusive Business Cooperation Agreement (独家业务合作协议 – 补充协议), dated November 10, 2011, between Huanju Shidai and Beijing Tuda.
4. Supplemental Agreement to Exclusive Technology Support and Technology Services Agreement (独家技术支持与技术服务协议 – 补充协议), dated November 10, 2011, between Huanju Shidai and Beijing Tuda.
5. Powers of Attorney (授权委托书), dated 27 May 2011, by the shareholders of Beijing Tuda.
6. Exclusive Option Agreements (独家购买权合同), dated May 27, 2011, between Huanju Shidai, Beijing Tuda and each of the shareholders of Beijing Tuda.
7. Share Pledge Agreements (股权质押合同), dated July 1, 2011, between Huanju Shidai and each of the shareholders of Beijing Tuda.
8. Confirmation Letter to Exclusive Business Cooperation Agreement (独家业务合作协议 – 确认函), dated November 10, 2011, between Huanju Shidai and Beijing Tuda.
9. Confirmation letter to Exclusive Technology Support and Technology Services Agreement (独家技术支持与技术服务协议 – 确认函).. dated November 10, 2011, between Huanju Shidai and Beijing Tuda.
10. Consent Letter (同意函), dated November 10, 2011, issued by the shareholders of Beijing Tuda.

B. Control Agreements Relating to Guangzhou Huaduo:

1. Exclusive Business Cooperation Agreement (独家业务合作协议), dated August 12, 2008, between Huanju Shidai and Guangzhou Huaduo.
2. Exclusive Technology Support and Technology Services Agreement (独家技术支持与技术服务协议), dated August 12, 2008, between Huanju Shidai and Guangzhou Huaduo.
3. Supplemental Agreement to Exclusive Business Cooperation Agreement (独家业务合作协议 – 补充协议), dated November 10, 2011, between Huanju Shidai and Guangzhou Huaduo.
4. Supplemental Agreement to Exclusive Technology Support and Technology Services Agreement (独家技术支持与技术服务协议 – 补充协议), dated November 10, 2011, between Huanju Shidai and Guangzhou Huaduo.
5. Powers of Attorney (授权委托书), dated September 16, 2011, by the shareholders of Guangzhou Huaduo.
6. Exclusive Option Agreement (独家购买权合同), dated September 16, 2011, between Huanju Shidai, David Xueling Li and Guangzhou Huaduo.
7. Exclusive Option Agreement (独家购买权合同), dated September 16, 2011, between Huanju Shidai, Jun Lei and Guangzhou Huaduo.
8. Exclusive Option Agreement (独家购买权合同), dated September 16, 2011, between Huanju Shidai, Tony Bin Zhao and Guangzhou Huaduo.
9. Exclusive Option Agreement (独家购买权合同), dated September 16, 2011, between Huanju Shidai, Jin Cao and Guangzhou Huaduo.
10. Exclusive Option Agreement (独家购买权合同), dated September 16, 2011, between Huanju Shidai, Beijing Tuda and Guangzhou Huaduo.
11. Share Pledge Agreements (股权质押合同), dated September 16, 2011, between Huanju Shidai and David Xueling Li.
12. Share Pledge Agreements (股权质押合同), dated September 16, 2011, between Huanju Shidai and Jun Lei.

13. Share Pledge Agreements (股权质押合同), dated September 16, 2011, between Huanju Shidai and Tony Bin Zhao.
14. Share Pledge Agreements (股权质押合同), dated September 16, 2011, between Huanju Shidai and Jin Cao.
15. Share Pledge Agreements (股权质押合同), dated September 16, 2011, between Huanju Shidai and Beijing Tuda.
16. Confirmation Letter to Exclusive Business Cooperation Agreement (独家业务合作协议 – 确认函), dated November 10, 2011, between Huanju Shidai and Guangzhou Huaduo.
17. Confirmation letter to Exclusive Technology Support and Technology Services Agreement (独家技术支持与技术服务协议 – 确认函).. dated November 10, 2011, between Huanju Shidai and Guangzhou Huaduo.
18. Consent Letter (同意函), dated November 10, 2011, issued by the shareholders of Guangzhou Huaduo.

Annex 4

Company Contracts

1. Joint Operation Agreement (业务合作协议), dated July 1, 2011, between the Zhuhai branch of Guangzhou Huaduo and Shenzhen 7th Road Technology Co., Ltd.

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Exhibit 99.3

CONFIDENTIAL TREATMENT REQUESTED BY THE REGISTRANT
AS CONFIDENTIALLY SUBMITTED TO THE SECURITIES AND EXCHANGE COMMISSION ON JULY 13, 2012

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM F-1
REGISTRATION STATEMENT

UNDER
THE SECURITIES ACT OF 1933

YY INC.

(Exact name of Registrant as specified in its charter)

Not Applicable
(Translation of Registrant's name into English)

Cayman Islands	7389	Not Applicable
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

Building 3-08, Yangcheng Chuangyi Chanye Park
No. 309 Huangpu Dadao Central
Tianhe District, Guangzhou 510655
People's Republic of China
Tel: (+86 20) 2916 2114
(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

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

Copies to:

Z. Julie Gao, Esq.
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Central, Hong Kong
(+852) 2514-7600

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	Proposed maximum aggregate offering price(1)	Amount of registration fee
Common shares, par value US$0.00001 per share(2)(3)	US$	US$

(1) Estimated solely for the purpose of determining the amount of registration fee in accordance with Rule 457(o) under the Securities Act of 1933.

(2) Includes 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, and also includes common shares that may be purchased by the underwriters pursuant to an over-allotment option. These common shares are not being registered for the purpose of sales outside the United States.

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

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 preliminary prospectus is not complete and may be changed. [Neither we nor the selling shareholders] may sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and we [and the selling shareholders] are not soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

PROSPECTUS (SUBJECT TO COMPLETION)
DATED , 2012

AMERICAN DEPOSITARY SHARES

YY Inc.

Representing Common Shares

This is an initial public offering of American depositary shares, or ADSs, of YY Inc. Each ADS represents common shares, par value US$0.00001 per share. We are offering ADSs[, and the selling shareholders identified in this prospectus are offering ADSs. We will not receive any of the proceeds from the ADSs sold by the selling shareholders]. Prior to this offering, there has been no public market for our common shares or ADSs. We anticipate the initial public offering price will be between US$ and US$ per ADS.

We are an "emerging growth company" under applicable U.S. federal securities laws and are eligible for reduced public company reporting requirements.

We have applied to have our ADSs listed on [Nasdaq Global Market/NYSE] under the symbol "YY."

Investing in our ADSs involves a high degree of risk. See "Risk Factors" beginning on page 14.

PRICE US$ PER ADS

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Us, Before Expenses	[Proceeds to the Selling Shareholders]
Per ADS	US$	US$	US$	US$
Total	US$	US$	US$	US$

The underwriters have an option to purchase up to additional ADSs from us [and an aggregate of additional ADSs from the selling shareholders] at the initial public offering price, less underwriting discounts and commissions, within 30 days from the date of this prospectus, to cover over-allotments. Upon the completion of this offering, our senior management and existing shareholders holding more than 5% of our outstanding shares will own an aggregate of % of the total voting power of our outstanding shares.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the ADSs to purchasers on or about , 2012.

Deutsche Bank Securities **Morgan Stanley**

The date of this prospectus is , 2012.

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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.

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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 prospectus contains information from a consumer survey commissioned by us and conducted by iResearch Consulting Group, or iResearch, a third party market research firm, in July 2012 to provide information on our market position in China. We refer to this report as the iResearch Report in this prospectus.

Overview

YY is a revolutionary rich communication social platform that engages users in real-time online group activities through voice, text and video. YY Client, our core product launched in China in July 2008, has attracted 328.9 million registered user accounts as of May 31, 2012 and had 62.7 million monthly active users in May 2012.

People are social creatures with a fundamental desire to connect, interact and communicate with each other. YY empowers users to create and organize groups of varying sizes to discover and participate in a wide range of online activities, including online games, karaoke, music concerts and education. We believe that our proprietary technology infrastructure was the first to support simultaneous communication among hundreds of thousands of concurrent users in a single channel. YY's scale, social features and high quality voice and video make it popular among internet users in China, as evidenced by the 9.0 million peak concurrent users on YY in May 2012 and 121.4 billion voice minutes that users spent on YY Client in the first three months of 2012. "Voice minute" means a minute in which the user is using our voice- and video-enabled services, such as listening to or talking on YY channels.

Our platform consists of YY Client, the YY.com and Duowan.com web portals and Mobile YY. YY Client is our personal computer, or PC-based user software that provides real-time access to online activities groups, which we refer to as channels. Although online communication tools such as instant messenger and social networking services existed when we introduced YY Client in July 2008, these tools and services were confined to text or limited-scale voice or video communications. YY Client has transformed online social communications by enabling large-scale group activities through our platform. In 2011, we held an approximate 84.2% market share in the real-time online group voice communications market in China in terms of user time spent, according to the iResearch Report. On average, each active user spent approximately 56.3 hours on YY Client in May 2012. YY Client is available for free download from YY.com, our online portal and guide to channels, events and content available across our platform. We also operate Duowan.com, which provides access to and interactive resources for online games, and was ranked the No. 2 game media website in China in terms of monthly unique visitors in the three months ended March 31, 2012 according to iResearch. To increase the accessibility and usage of YY Client, we introduced our mobile application, Mobile YY, in December 2010.

Delivering superior user experience is our core focus, and it relies on our proprietary technology and industry know-how. A single YY channel can have from only a handful to hundreds of thousands of concurrent users. YY enables users to continually create new channels to engage in activities on our open platform designed to make offline group activities more effective and efficient online. YY is supported by our highly scalable infrastructure throughout China, and our proprietary algorithms enabling low latency, low jitter and low loss rates in delivering voice and video data.

While the basic use of our platform is currently free, we monetize our user base through internet value-added services, or IVAS, and online advertising. Currently, revenues from IVAS are primarily generated through

sales of virtual items and game tokens that our users may purchase for use in online activities on our platform, including online games and YY Music, our music channels on YY Client. Online advertising revenues are primarily generated from sales of different forms of advertising on Duowan. com. We believe that we will be able to capitalize on the large and highly engaged user base of our open platform by exploring additional monetization opportunities and diversifying our revenue sources.

We have achieved significant growth in recent years. Our total net revenues increased from RMB32.7 million in 2009 to RMB128.3 million in 2010 and to RMB319.7 million (US$50.8 million) in 2011, representing a CAGR of 212.6% from 2009 to 2011. For the three months ended March 31, 2012, our total net revenues grew to RMB136.7 million (US$21.7 million), representing a 188.4% increase from RMB47.4 million for the three months ended March 31, 2011. We had a net loss of RMB47.1 million, RMB238.9 million and RMB83.2 million (US$13.2 million) in 2009, 2010 and 2011, respectively, and in the three months ended March 31, 2012, we had a net income of RMB3.5 million (US$0.6 million). Our adjusted net loss, a non-GAAP measure, decreased from RMB10.6 million in 2009 to RMB1.9 million in 2010, and in 2011, we had an adjusted net income of RMB51.8 million (US$8.2 million). In the three months ended March 31, 2012, our adjusted net income amounted to RMB31.1 million (US$4.9 million) compared to an adjusted net loss of RMB8.6 million in the same period in 2011. Our adjusted net loss or income excludes non-cash share-based compensation expenses. For information regarding adjusted net loss or income and a reconciliation of each to net loss or net income, see “Prospectus Summary—Our Summary Consolidated Financial Data—Non-GAAP Financial Measure” on page 12.

The PRC government extensively regulates foreign ownership of, and the licensing and permit requirements pertaining to, companies that provide internet-based services such as our YY platform. To comply with these restrictions, we conduct our operations principally through our consolidated affiliated entities in China. We face risks and uncertainties associated with our corporate structure, as our control over these consolidated affiliated entities is based on contractual arrangements rather than equity ownership. See “Risk Factors—Risks Relating to Our Corporate Structure and Our Industry” and “Corporate History and Structure.”

Our Strengths

We believe the following factors have contributed to the success of our rich communication social platform:

- Large and highly engaged user base;
- Powerful network effects;
- Superior user experience;
- Scalable platform serving a broad range of potential end markets; and
- Proprietary and scalable technology infrastructure.

Our Strategies

Our mission is to make offline group activities available and better online. We are dedicated to continue to pursue our mission by pursuing the following strategies:

- Further expand our user base;
- Increase the monetization of our user base;
- Further develop and expand the use of Mobile YY; and
- Continue to invest in our leading technology infrastructure.

Monetization Opportunities

As users continue to unlock the full potential of our platform, we believe we will have increasing opportunities to expand our portfolio of products and services, and monetize them in various manners. Currently, we derive revenues from our users and third party advertisers.

Internet Value Added Services

We primarily generate revenues from paying users of online games, YY Music and membership. We believe the following areas represent the most significant monetization opportunities for our platform:

Online Games. Online games have become an increasingly popular source of entertainment for individuals and groups of internet users. According to the iResearch Report, China's online gaming market generated RMB32.7 billion (US$5.0 billion) of revenue in 2010, and is expected to grow to RMB43.5 billion (US$6.6 billion) in 2013. Our platform attracts a large number of online game players and is particularly attractive to online game players' guilds, the members of which congregate on YY Client to discuss gaming strategies and to communicate during online games. Our platform provides users with access to a wide variety of games which we monetize.

Music. YY has become a popular platform for live music performances on music channels. YY provides a stage for grassroots musicians, celebrities and professional performers to perform live. Starting from March 2011, users can purchase and present virtual gifts to their favorite performers to show support. We have encouraged and facilitated numerous large-scale music events such as fan club gathering and meet-and-greets with various performers, as well as concerts and singing competitions for performers. In the future, we intend to encourage more live music events which users can access in real-time for an entry fee.

Membership. We provide enhanced membership privileges to users who pay a monthly fee and subscribe to our membership program. Enhanced privileges include access to special features, such as experimental channel functions including additional video usage. In the future, we intend to continue exploring different ways to expand our members-only offerings so as to better serve our members and attract a larger membership base.

Education. YY provides a convenient and efficient platform for lectures or personal tutoring sessions to be conducted in real time. Our education channels provide numerous classes that cover diverse subjects such as foreign languages, the PRC government civil employee examination and IT training. In the future, we intend to continue enabling users to conduct education courses and cooperate with various educational institutions to provide online classes on YY for a fee.

Advertising Services

We believe that our extensive user base represents an attractive demographic target for advertisers. We believe our advertising business will continue to develop as we grow our user base and advertisers embrace our platform and solutions for them.

Online Display Advertising. According to iResearch, Duowan was the No. 2 game media website in China in the three months ended March 31, 2012, with a market share of 15.7% in terms of monthly unique visitors during that period. Also, according to the iResearch Report, total online advertising spending by game developers in China was approximately RMB690.0 million (US$109.5 million) in 2010, while the overall online advertising market in China was RMB32.6 billion (US$5.2 billion). According to the iResearch Report, the overall online advertising market in China is expected to grow to as much as RMB143.1 billion (US$22.7 billion) in 2014, representing a CAGR of 34.5% from 2010 to 2014.

The vast majority of our current advertising revenues are generated from advertisements on Duowan.com; in the future, we intend to expand our capacity and advertisement solutions for online advertising as our user base

grows and to launch additional special interest content-driven portals to complement Duowan.com. Currently, a significant majority of our advertisers are game developers and we intend to further diversify our advertising client base.

Our Challenges

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

- successfully implement our relatively new business model, grow and monetize our user base and expand our product and service offerings;
- continue developing innovative technologies in response to evolving user demand and maintain our technological leadership;
- develop and maintain relationships with advertisers in a broad range of industries;
- generate and increase revenues from a diverse group of online games; and
- attract and retain qualified personnel.

In addition, we expect to face risks and uncertainties related to our corporate structure and doing business in China, including:

- risks associated with our control over our consolidated affiliated entities in China, which is based on contractual arrangements rather than equity ownership; and
- uncertainties associated with our compliance with applicable PRC regulations and policies, including those relating to various channels on our YY platform.

Corporate Information

Our principal executive offices are located at Building 3-08, Yangcheng Chuangyi Chanye Park, No. 309 Huangpu Dadao Central, Tianhe District, Guangzhou 510655, People's Republic of China. Our telephone number at this address is (+86 20) 2916 2114. Our registered office in the Cayman Islands is located at the offices of Codan Trust Company (Cayman) Limited of Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KYI-1111, Cayman Islands. Our agent for service of process in the United States is .

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

Corporate History

We commenced operations in April 2005 in China. In November 2007, we established Duowan Entertainment Corp., or Duowan BVI, in the British Virgin Islands. Through its wholly owned subsidiary, Duowan BVI entered into a series of contractual arrangements with certain PRC consolidated affiliated entities and their shareholders through which it exercises effective control over the operations of these PRC consolidated affiliated entities. Our current holding company, YY Inc., was incorporated in July 2011 as a limited liability company in the Cayman Islands. Through a share exchange in September 2011, the shareholders of Duowan BVI exchanged all of their outstanding common and preferred shares in Duowan BVI for common shares, meaning common shares with a par value US$0.00001 per share, and preferred shares, meaning series A, B, C-1 and C-2 preferred shares with a par value of US$0.00001 per share, of YY Inc. on a pro rata basis. No additional consideration was paid in connection with the share exchange. As a result, Duowan BVI became a wholly owned subsidiary of YY Inc. For more details, see "Corporate History and Structure."

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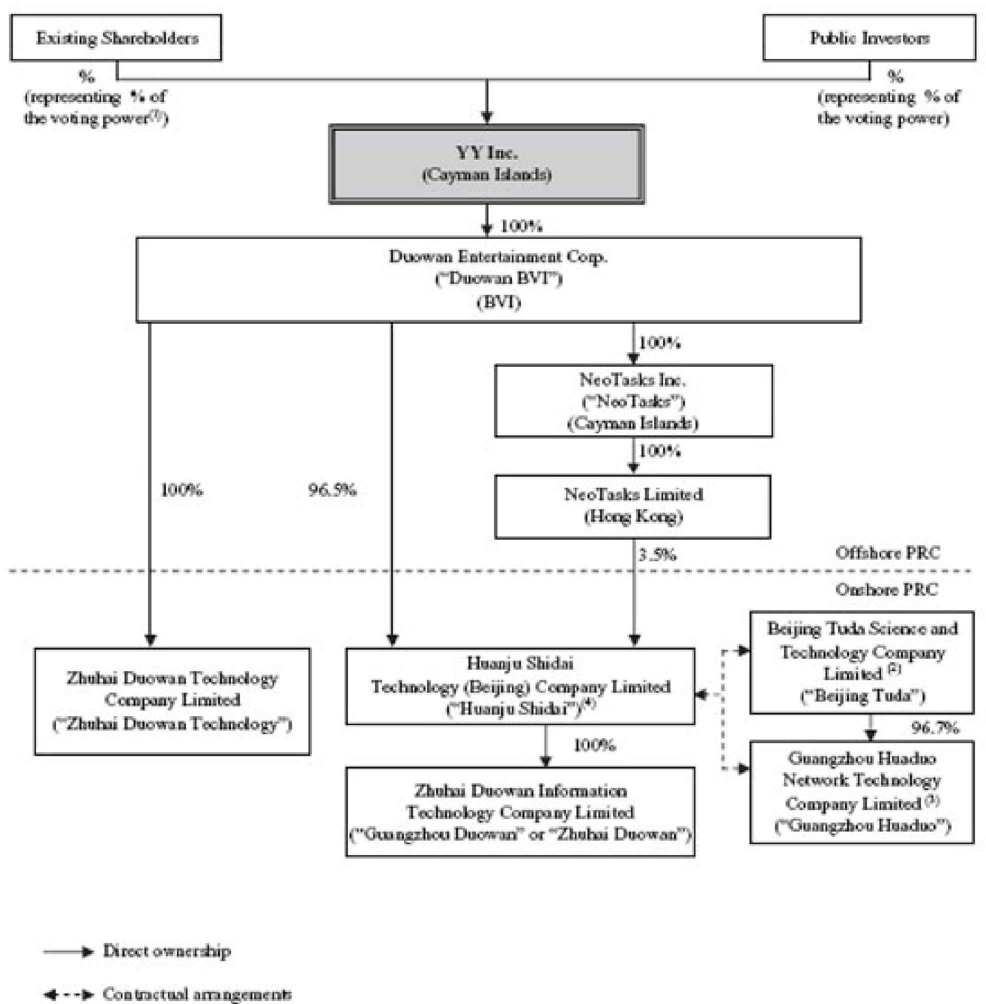
The following diagram illustrates our corporate structure upon the completion of this offering, assuming that the underwriters do not exercise their option to purchase additional shares:



(1) Upon the completion of this offering, our senior management and existing shareholders holding more than 5% of our outstanding shares will own an aggregate of % of the total voting power of our outstanding shares.

(2) Beijing Tuda is our PRC consolidated affiliated entity. Mr. David Xueling Li, our co-founder, chief executive officer and director, Mr. Tony Bin Zhao, our chief technology officer and Mr. Jin Cao, the general manager of our website department, own 97.7%, 1.5% and 0.8% of Beijing Tuda's equity interests, respectively.

(3) Guangzhou Huaduo is our PRC consolidated affiliated entity. Mr. David Xueling Li, Mr. Jun Lei, our co-founder and chairman, Mr. Tony Bin Zhao, Mr. Jin Cao and Beijing Tuda own approximately 1.7%, 1.4%, 0.1%, 0.1% and 96.7% of Guangzhou Huaduo's equity interests, respectively.

(4) Formerly known as Duowan Entertainment Information Technology (Beijing) Company Limited.

Conventions Which Apply to this Prospectus

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

- "we," "us," "our company" and "our" refer to YY Inc., a Cayman Islands company, its offshore subsidiaries, Duowan Entertainment Corp., NeoTasks Inc. and NeoTasks Limited, and its PRC direct and indirect subsidiaries, Huanju Shidai Technology (Beijing) Company Limited, Zhuhai Duowan Technology Company Limited and Zhuhai Duowan Information Technology Company Limited, and, in the context of describing our operations and consolidated financial information, also include YY Inc.'s PRC consolidated affiliated entities, Beijing Tuda Science and Technology Company Limited and Guangzhou Huaduo Network Technology Company Limited.
- "active user" for any period means a registered user account that has signed onto YY Client at least once during such relevant period. Active users do not include users of YY.com, Duowan.com and Mobile YY;
- "concurrent users" for any point in time means the total number of YY users that are simultaneously logged onto YY Client at such point in time;
- "paying user" for any period means a registered user account that has purchased virtual items or other products and services on our platform at least once during the relevant period;
- "registered user account" means a user account that has downloaded, registered and signed onto YY Client at least once since registration. We calculate registered user accounts as the cumulative number of user accounts at the end of the relevant period that have signed onto YY Client at least once after registration. Each individual user may have more than one registered user account, and consequently, the number of registered user accounts we present in this prospectus overstates the number of unique individuals who are our registered users;
- "unique visitor" to Duowan.com means an individual user visiting Duowan.com from a specific IP address. No subsequent visits from the same IP address are added to our total unique visitors count; and
- "voice minute" means a minute in which the user is using our voice- and video-enabled services, such as listening to or talking on YY channels.

The number of common shares that will be outstanding immediately after this offering:

- assumes conversion of all outstanding series A, B, C-1 and C-2 preferred shares into 359,424,310 common shares immediately prior to the completion of this offering;
- assumes no exercise of the underwriters' of their over-allotment option;
- excludes   common shares issuable upon the exercise of options outstanding as of the date of this prospectus, at a weighted average exercise price of US$ per share; and
- excludes common shares reserved for future issuances under our 2009 employee equity incentive scheme, or the 2009 Scheme, and common shares reserved for future issuance under our 2011 Share Incentive Plan, or the 2011 Plan.

Implications of Being an Emerging Growth Company

As a company with less than US$1.0 billion in revenue for our last fiscal year, we qualify as an "emerging growth company" pursuant to the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include exemption from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, in the assessment of the emerging growth company's internal control over financial reporting. The JOBS Act also provides that an emerging growth company does not need to comply with any new or revised financial accounting standards until such date that a private company is otherwise required to comply with such new or revised accounting standards. However, we have elected to "opt out" of this provision and, as a result, we will comply with new or revised accounting standards as required when they are adopted for public companies. This decision to opt out of the extended transition period under the JOBS Act is irrevocable.

We will remain an emerging growth company until the earliest of (a) the last day of our fiscal year during which we have total annual gross revenues of at least US$1.0 billion; (b) the last day of our fiscal year following the fifth anniversary of the completion of this offering; (c) the date on which we have, during the previous three-year period, issued more than US$1.0 billion in non-convertible debt; or (d) the date on which we are deemed to be a "large accelerated filer" under the Securities Exchange Act of 1934, as amended, or the Exchange Act, which would occur if the market value of our ADSs that are held by non-affiliates exceeds US$700 million as of the last business day of our most recently completed second fiscal quarter. Once we cease to be an emerging growth company, we will not be entitled to the exemptions provided in the JOBS Act discussed above.

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$ and US$ per ADS.
ADSs offered by us	ADSs
[ADSs offered by the selling shareholders]	ADSs
Common shares outstanding immediately after this offering	shares (or shares if the underwriters exercise their over-allotment option in full)
ADSs outstanding immediately after this offering	ADSs (or ADSs if the underwriters exercise their over-allotment option in full)
The ADSs	Each ADS represents common shares, par value US$0.00001 per share. The depositary will hold the common shares underlying your ADSs. You will have rights as provided in the deposit agreement. If we declare dividends on our common shares, the depositary will pay you the cash dividends and other distributions it receives on our common shares, after deducting its fees and expenses. You may turn in your ADSs to the depositary in exchange for 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. 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.
Over-allotment option	We [and the selling shareholders] 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 ADSs.

Use of proceeds	We plan to use the net proceeds we receive from this offering for investing in our voice and video technology and infrastructure, expanding our product development and services offerings, expanding our sales and marketing activities and other general corporate purposes, including working capital needs. See "Use of Proceeds" for additional information. [We will not receive any of the proceeds from the sale of ADSs by the selling shareholders.]
Lock-up	We, [our directors and executive officers, our existing shareholders and certain of our options, restricted shares and restricted share units holders] 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 after the date of this prospectus. See "Underwriting" for more information.
Proposed [Nasdaq Global Market/NYSE] symbol	We have applied to have the ADSs listed on the [Nasdaq Global Market/NYSE] under the symbol "YY." Our ADSs and common shares will not be listed on any other stock exchange or traded on any automated quotation system.
Payment and settlement	The underwriters expect to deliver the ADSs against payment therefor through the facilities of the Depository Trust Company on , 2012.
Depositary	
Directed share program	[At our request, the underwriters have reserved for sale, at the initial public offering price, up to ADSs offered by this prospectus to some of our directors, officers, employees, business associates and related persons.]
Risk factors	See "Risk Factors" and other information included in this prospectus for a discussion of risks that you should carefully consider before investing in our ADSs.

Our Summary Consolidated Financial Data

The following summary consolidated statements of operations data for the years ended December 31, 2009, 2010 and 2011 and the summary balance sheet data as of December 31, 2010 and 2011 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. Our consolidated financial statements are prepared and presented in accordance with U.S. GAAP. The summary consolidated statements of operations data for the three months ended March 31, 2011 and 2012 and the summary consolidated balance sheet data as of March 31, 2012 have been derived from our unaudited consolidated financial statements included elsewhere in this prospectus. The unaudited consolidated financial statements have been prepared 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 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.

	For the Year Ended December 31,				For the Three Months Ended March 31,		
	2009	2010	2011		2011	2012	
	RMB	RMB	RMB	US$	RMB	RMB (Unaudited)	US$
	(in thousands, except for share, per share and per ADS data)						
Summary Consolidated Statements of Operations Data:							
Internet value-added service							
—Online game	12,976	86,316	165,933	26,830	34,479	68,806	10,926
—YY Music	—	—	52,854	8,403	40	33,763	5,361
—Others	853	1,282	13,589	2,161	686	13,427	2,132
Online advertising	18,881	40,740	87,279	13,876	12,152	20,667	3,282
Total net revenue	32,710	128,338	319,665	50,820	47,357	136,663	21,701
Cost of revenues(1)	(28,849)	(110,062)	(182,699)	(29,046)	(37,237)	(68,954)	(10,949)
Gross profit	3,861	18,276	136,956	21,774	10,120	67,709	10,752
Operating expenses(1):							
Research and development expenses	(12,597)	(49,219)	(106,804)	(16,980)	(21,172)	(36,719)	(5,831)
Sales and marketing expenses	(4,951)	(12,363)	(13,381)	(2,127)	(3,722)	(2,046)	(325)
General and administrative expenses	(32,878)	(192,222)	(118,241)	(18,798)	(28,210)	(25,330)	(4,022)
Total operating expenses	(50,426)	(253,804)	(238,426)	(37,905)	(53,104)	(64,095)	(10,178)
Operating (loss) income	(46,565)	(235,528)	(99,488)	(15,816)	(42,984)	4,256	676
(Loss) income before income tax expenses	(46,534)	(236,023)	(80,455)	(12,791)	(42,295)	7,215	1,146
Net (loss) income attributable to YY Inc.	(47,116)	(238,857)	(83,156)	(13,221)	(42,927)	3,521	559
Weighted average number of common shares used in calculating:							
Basic	407,613,328	406,304,672	485,883,845	485,883,845	455,553,104	533,084,719	533,084,719
Diluted	407,613,328	406,304,672	485,883,845	485,883,845	455,553,104	533,084,719	533,084,719
Net loss per share:							
Basic	(0.81)	(5.04)	(0.63)	(0.10)	(0.23)	(0.11)	(0.02)
Diluted	(0.81)	(5.04)	(0.63)	(0.10)	(0.23)	(0.11)	(0.02)
Loss per ADS(2):							
Basic							
Diluted							

(1) Share-based compensation was allocated in cost of revenues and operating expenses as follows:

	For the Year Ended December 31,				For the Three Months Ended March 31,		
	2009	2010	2011		2011	2012	
	RMB	RMB	RMB	US$	RMB	RMB (Unaudited)	US$
	(in thousands)						
Cost of revenues	5,269	31,709	15,449	2,456	4,408	2,171	345
Research and development expenses	2,475	21,627	31,672	5,035	6,624	9,641	1,531
Sales and marketing expenses	194	1,499	1,336	212	315	248	39
General and administrative expenses	28,544	182,101	86,544	13,759	22,983	15,473	2,457
Total	36,482	236,936	135,001	21,462	34,330	27,533	4,372

(2) Each ADS represents common shares.

	As of December 31,				As of March 31,					
	2009	2010	2011		2012					
	RMB	RMB	RMB	US$	RMB	US$	RMB	US$	RMB	US$
	Actual	Actual	Actual	Actual	Actual	Actual	Pro forma(1) (Unaudited)	Pro forma(1) (Unaudited)	Pro forma as adjusted(2) (Unaudited)	Pro forma as adjusted(2) (Unaudited)
						(in thousands)				
Summary Consolidated Balance Sheet Data:										
Cash and cash equivalents	106,427	83,683	128,891	20,491	172,266	27,355	172,266	27,355		
Total assets	131,003	158,767	745,426	118,510	793,561	126,012	793,561	126,012		
Total current liabilities	52,757	253,001	125,737	19,990	142,527	22,633	142,527	22,633		
Total mezzanine equity	448,418	2,257,271	2,480,934	394,425	2,543,565	403,900	—	—		
Accumulated deficits	(370,045)	(2,350,448)	(2,433,604)	(386,900)	(2,430,083)	(385,881)	(2,430,083)	(385,881)		
Total shareholders' (deficits) equity	(370,172)	(2,351,505)	(1,861,693)	(295,976)	(1,893,791)	(300,721)	649,774	103,179		

(1) The unaudited consolidated balance sheet data as of March 31, 2012 on a pro forma basis reflect the automatic conversion of all of our outstanding series A, B, C-1 and C-2 preferred shares into 359,424,310 common shares immediately upon the completion of this offering.

(2) The unaudited consolidated balance sheet data as of March 31, 2012 on a pro forma as adjusted basis reflect (a) the automatic conversion of all of our outstanding series A, B, C-1 and C-2 preferred shares into 359,424,310 common shares immediately upon the completion of this offering; and (b) the sale of common shares in the form of ADSs by us in this offering at an assumed initial public offering price of US$ 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.

Non-GAAP Financial Measure

Adjusted Net Loss or Income

To provide investors with additional information about our financial results, we disclose within this prospectus adjusted net loss or income, a non-GAAP financial measure.

We have provided below a reconciliation between adjusted net loss or income and net loss or income, the most directly comparable GAAP financial measure. We have included adjusted net loss or income in this prospectus because it is a key measure we use to evaluate our operating performance, generate future operating plans and make strategic decisions for the allocation of capital. Accordingly, we believe that adjusted net loss or income provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors. While we believe that this non-GAAP financial measure is useful in evaluating our business, this information should be considered as supplemental in nature and is not meant as a substitute for the related financial information prepared in accordance with GAAP.

The following table presents a reconciliation between adjusted net loss or income and net loss or income, the most directly comparable GAAP financial measure.

	For the Year Ended December 31,				For the Three Months Ended March 31,		
	2009	2010	2011		2011	2012	
	RMB	RMB	RMB	US$	RMB (Unaudited)	RMB (Unaudited)	US$ (Unaudited)
				(in thousands)			
Reconciliation of Net Loss or Income to Adjusted Net Loss or Income:							
Net (loss) income	(47,116)	(238,857)	(83,156)	(13,221)	(42,927)	3,521	559
Share-based compensation	(36,482)	(236,936)	(135,001)	(21,462)	(34,330)	(27,533)	(4,372)
Adjusted net (loss) income	(10,634)	(1,921)	51,845	8,241	(8,597)	31,054	4,931

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 Relating to Our Business

Our business is based on a relatively new business model that may not be successful, and we may not be able to effectively manage our growth or implement our future business strategies, in which case our business and results of operations would be materially and adversely affected.

Many of the elements of our business are unique, evolving and relatively unproven. The markets for our technology, especially our voice- and video-based technology, and products and services are relatively new and rapidly developing and are subject to significant challenges. Our business plan relies heavily upon increased revenues from IVAS and online advertising, and our ability to successfully monetize our user base and products and services, and we may not succeed in any of these respects.

Some of our current monetization methods are in a very preliminary stage; for example, we began selling virtual items on YY's music channels in March 2011. If we fail to properly manage the supply and timing of our in-game virtual items and the appropriate price points for these products and services, our users may be less likely to purchase in-game virtual items from us. The prices for our in-game virtual items reflect the terms of our agreements with the third party game developers. For non-game virtual items, we consider industry standards and expected user demand in determining how to most effectively optimize virtual item merchandizing. Furthermore, as the online music industry in China is relatively young and untested, there are few proven methods of projecting user demand or available industry standards on which we can rely. We cannot assure you that our attempts to monetize our user base and products and services will be successful, profitable or widely accepted and therefore the future revenue and income potential of our business are difficult to evaluate.

We have experienced a period of significant rapid growth and expansion that has placed, and continues to place, significant strain on our management and resources. We cannot assure you that this level of significant growth will be sustainable or achieved at all in the future. We believe that our continued growth will depend on our ability to develop new sources of revenue, increase monetization, attract new users, retain and expand paying users, encourage additional purchases by our paying users, continue developing innovative technologies in response to user demand, increase brand awareness through marketing and promotional activities, react to changes in user access to and use of the internet, expand into new market segments, integrate new devices, platforms and operating systems, attract new advertisers and retain existing advertisers and take advantage of any growth in the relevant markets. We cannot assure you that we will achieve any of the above.

To manage our growth and attain and maintain profitability, we anticipate that we will need to implement a variety of new and upgraded operational and financial systems, procedures and controls, including the improvement of our accounting and other internal management systems. We will also need to further expand, train, manage and motivate our workforce and manage our relationships with users, third party game developers and advertisers. All of these endeavors involve risks and will require substantial management efforts and skills and significant additional expenditures. We cannot assure you that we will be able to effectively manage our growth or implement our future business strategies effectively, and failure to do so may materially and adversely affect our business and results of operations.

We have experienced net losses in the past, and you should consider our prospects in light of the risks and uncertainties which early-stage companies in evolving industries in China with limited operating histories may be exposed to or encounter, including possible volatility in the trading prices of ADSs.

We had a net loss of RMB47.1 million, RMB238.9 million and RMB83.2 million (US$13.2 million) in 2009, 2010 and 2011, respectively, and a net income of RMB3.5 million (US$ 0.6 million) in the three months ended March 31, 2012. Our net losses and income reflect the aggregate impact of non-cash items relating to share-based compensation, amortization of intangible assets and depreciation. In addition to the aggregate impact of these non-cash items, our results of operations for these periods were affected by costs and expenses required to build, operate and expand our platform, grow our user base, develop products and services, license third party products and services and make strategic investments. We expect that we will continue to incur costs and expenses such as research and development costs to launch new services and increasing bandwidth costs to support our video function, grow our user and advertiser base and generally expand our business operations. We have only recently become profitable, and may not generate sufficient revenues to offset such costs to achieve or sustain profitability in the future. In addition, we expect to invest heavily in our operations to support our anticipated future growth and to meet our expanded reporting and compliance obligations as a public company.

Our profitability is also affected by other factors beyond our control. For example, we cannot assure you that advertisers will increase or maintain their spending on game media websites or online social platforms, including our platform. The continued success of YY Client depends on our ability to identify which IVAS will appeal to our user base and to obtain them on commercially acceptable terms. Our ability to finance our planned expansion also depends in part on our ability to attract advertisers and successfully compete in a very competitive market.

We have a limited history operating our business. We only introduced YY Client in July 2008 and have experienced a high growth rate since then. As a result, our historical results of operations may not provide a meaningful basis for evaluating our business, financial performance and future prospects. We may not be able to achieve similar growth rates in future periods. Accordingly, you should not rely on our results of operations for any prior periods as an indication of our future performance. We may again incur net losses in the future and you should consider our prospects in light of the risks and uncertainties which early-stage companies in evolving industries in China with limited operating histories such as ours may be exposed to or encounter, including risks associated with being a public company with business operations located mainly in China. See "—Risks Relating to Our ADSs and This Offering—The trading prices of our ADSs are likely to be volatile, which could result in substantial losses to investors."

We generate a significant portion of our revenues from a limited number of popular online games. If we cannot continue to offer these popular games for any reason, or if we are unable to successfully source new online games, or the terms of the revenue-sharing arrangements become less favorable, our revenues from online games may decrease, and our financial condition and results of operations may be materially and adversely affected.

We generate a significant portion of our revenues from a limited number of popular online games, primarily through selling of game tokens to users for their purchase of in-game virtual items. For example, Dandan Tang, one of our most popular online games, contributed 62.8%, 46.5% and 19.3% of our online game revenues and 42.3%, 24.2% and 9.7% of our total revenues in 2010, 2011 and in the three months ended March 31, 2012, respectively. A majority of our popular online games are created by third party game developers under revenue-sharing arrangements that typically last one to two years, and which do not provide for automatic extension or renewal. If we fail to maintain or renew these contracts on acceptable terms or at all, we may be unable to continue offering these popular online games, and our operating results will be adversely affected. In addition, if our users decide to access these online games through our competitors, or if they prefer other online games hosted by our competitors, our operating results could be materially and adversely affected.

Our revenues from online games accounted for 39.7%, 67.3%, 51.9% and 50.3% of our total revenues in 2009, 2010, 2011 and the three months ended March 31, 2012, respectively. We believe that most online games have a limited commercial lifespan. For instance, we believe that Dandan Tang, launched in March 2009, is in a relatively mature stage of its commercial lifespan, and that the revenues we derive from it may decrease in the future. As a result, we must continually source new online games that appeal to our game players. We had previously developed some of our online games internally but source our new online games primarily through revenue-sharing arrangements with third party game developers. We must maintain good relationships with our third party game developers to have access to new popular games with reasonable revenue-sharing terms. Under our current revenue-sharing arrangements, we retain a majority of the gross revenues generated from each particular game. In the future, we may not be able to achieve similarly attractive revenue-sharing terms, which may adversely affect our net revenues. Additionally, we depend upon these third party game developers to provide the technical support necessary to operate their online games on our platform and to develop updates and expansion packs to sustain player interest in a game. Most of our third party game developers have limited operating histories and financial resources, and the contracts we enter into with them do not clearly provide for remedies to us in the event they fail to deliver the games as scheduled.

If we are not successful in sourcing and providing popular new online games, our revenues from online games under revenue-sharing arrangements and in-game virtual items may decrease. If this were to happen, our financial condition and results of operations may be materially and adversely affected.

We rely on online advertising for a significant proportion of our revenues. If we fail to attract more advertisers to our platform or if advertisers are less willing to advertise with us, our revenues, profitability and prospects may be materially and adversely affected.

In 2009, 2010, 2011 and the three months ended March 31, 2012, online advertising accounted for 57.7%, 31.7%, 27.3% and 15.1%, respectively, of our total revenues. Consequently, our profitability and prospects depend on the continuous development of the online advertising industry in China and advertisers' allocation of budgets to internet advertising. In addition, companies that decide to advertise online may utilize more established methods or channels for online advertising, such as more established Chinese internet portals or search engines, over advertising on our platform. If the online advertising market size does not increase from current levels, or if we are unable to capture and retain a sufficient share of that market, our ability to maintain or increase our current level of online advertising revenues and our profitability and prospects could be materially and adversely affected. These risks may increasingly affect our revenues because we intend to offer new and different forms of online advertising in addition to online game-related advertising on Duowan.com from which we have historically derived the majority of our revenues.

We offer advertising services substantially through contracts entered into with third party advertising agencies. We cannot assure you that we will be able to retain existing direct advertisers or advertising agencies or attract new direct advertisers and advertising agencies. In addition, if any direct advertisers or advertising agencies determine that their expenditures on YY do not generate expected returns, they may allocate a greater portion or all of their advertising budgets to others and reduce or discontinue business with us. Since our arrangements with third party advertising agencies typically involve one-year framework agreements, these advertising arrangements may be easily amended or terminated without incurring liabilities. Failure to retain existing advertisers and advertising agencies or attract new direct advertisers and direct advertising agencies may materially and adversely affect our business, financial condition and results of operations.

We have granted employee stock options and other share-based awards in the past and will continue to do so in the future. We recognize share-based compensation expenses in our consolidated statements of income in accordance with the relevant rules under U.S. GAAP, which have had and may continue to have a material and adverse effect on our results of operations.

We have granted share-based compensation awards, including share options, restricted shares and restricted share units, to various employees, key personnel and other non-employees to incentivize performance and align

their interests with ours. Under our 2009 Scheme, we are authorized to grant options or restricted shares to purchase a maximum of 118,166,946 common shares. Under our 2011 Plan, we are authorized to grant options, restricted shares or restricted share units to purchase a maximum of 43,000,000 common shares. As of March 31, 2012, options to purchase 17,889,535 common shares, 56,577,812 restricted shares and 17,247,221 restricted share units were outstanding. As a result of these grants and potential future grants under the 2009 Scheme and the 2011 Plan, we had incurred in the past and expect to continue to incur in future periods significant share-based compensation expenses. The amount of these expenses is based on the fair value of the share-based awards. We account for compensation costs for certain share-based compensation awards granted in the past using a graded-vesting method and recognize expenses in our consolidated statements of operations in accordance with the relevant rules under U.S. GAAP. The expenses associated with share-based compensation have materially increased our net losses and may reduce our net income in the future, and any additional securities issued under share-based compensation schemes will dilute the ownership interests of our shareholders, including holders of our ADSs. However, if we limit the scope of the share-based compensation schemes, we may not be able to attract or retain key personnel who expect to be compensated by options, restricted shares or restricted share units.

The rate at which we gain registered user accounts may decline, the number of active users we have may fluctuate and we may fail to attract more paying users. As a result, our revenues may fail to grow and our results of operations and financial condition may suffer.

We have attracted 328.9 million registered user accounts as of May 31, 2012 and had approximately 62.7 million monthly active users in May 2012. However, we may fail to attract new registered user accounts at a similar rate in the future and the number of our average monthly active users may substantially fluctuate from time to time. If we are unable to attract new registered users and retain them as active users and convert non-paying active users into paying users, our revenues may fail to grow and our results of operations and financial condition may suffer.

We may not be able to keep our users highly engaged, which may in turn reduce our monetization opportunities and as a result, our revenues, profitability and business prospects may be materially and adversely affected.

Our success depends on our ability to maintain and grow our user base and keep our users highly engaged. In order to attract and retain users and remain competitive, we must continue to innovate our products and services, implement new technologies and functionalities and improve the features of our platform in order to entice users to use our products and services more frequently and for longer durations.

The internet industry is characterized by constant changes, including rapid technological evolution, continual shifts in customer demands, frequent introductions of new products and services and constant emergence of new industry standards and practices. Thus our success will depend, in part, on our ability to respond to these changes on a cost-effective and timely basis; failure to do so may cause our user base to shrink and user engagement level to decline and our results of operations would be materially and adversely affected. For example, our plan to more fully extend online video-enabled services across our rich communication social platform and retain the ability to offer high quality delivery of voice and video data may cause us to incur significant additional costs and may not succeed.

Because of the viral nature of online social interactions, users may leave us for competitors' platforms more quickly than in other online sectors. A decrease in the number of active YY users may reduce the diversity and vibrancy of YY Client's online social ecosystem and affect our user-generated channels, which may in turn reduce our monetization opportunities and have a material and adverse effect on our business, financial condition and results of operations.

We cannot assure you that our platform will continue to be sufficiently popular with our users to offset the costs incurred to operate and expand it. User satisfaction is particularly difficult to predict as internet users in

China may not be familiar with the concept of a rich communication social platform such as ours which provides real-time voice, text and video online. We have historically relied on word of mouth referrals to increase user awareness of our products and services and to expand our user base. If we decide to engage in more conventional advertising or marketing campaigns, our sales and marketing expenses will increase, which could have an adverse effect on our results of operations. Failure to maintain or grow our user base in a cost-effective manner, or at all, and keep our users highly engaged would materially and negatively affect our results of operations.

We face competition in several major aspects of our business. If we fail to compete effectively, we may lose users, and make us less attractive to advertisers which could materially and adversely affect our business, financial condition and results of operations.

We face competition in several major aspects of our business, particularly from companies that provide social networking, internet communication services and online games. Some of our competitors may have longer operating histories and significantly greater financial, technical and marketing resources than we do, and in turn may have an advantage in attracting and retaining users and advertisers. In addition, competitors in some areas of our business may have significantly larger user bases and more established brand names than we do and may be able to more effectively leverage their user bases and brand names to provide integrated social networking, internet communication, online games and other products and services, and thereby increase their respective market shares.

We may face potential competition from global online social networking service providers that seek to enter the China market, whether independently or through the formation of alliances with, or acquisition of, PRC domestic internet companies. In relation to voice-enabled technology, several internet voice communication service providers in China, including iSpeak, Tencent's QQtalk and Dudu, and leading international internet voice communication service providers such as Skype are also expanding into the China market, and some other leading Chinese internet companies have announced the launch of internet voice communication services. Competition in the online game media market in China and the overseas markets is also intense. Duowan.com's primary competitor is 17173.com. Our competitors also include other major platforms that host online games, such as QQ, Renren and Qihoo 360. In addition, we compete with other internet companies that provide voice and video services to Chinese internet users.

If we are not able to effectively compete in any of our lines of business, our overall user base and level of user engagement may decrease, which could reduce our paying users or make us less attractive to advertisers. We may be required to spend additional resources to further increase our brand recognition and promote our products and services, and such additional spending could adversely affect our profitability. Furthermore, if we are involved in disputes with any of our competitors that result in negative publicity to us, such disputes, regardless of their veracity or outcome, may harm our reputation or brand image and in turn lead to reduced number of users and advertisers. Any legal proceedings or measures we take in response to such disputes may be expensive, time-consuming and disruptive to our operations and divert our management's attention.

Our competitors may unilaterally decide to adopt a wide range of measures targeted at us, including possibly designing their products to negatively impact our operations, such as sending virus-like programs to attack elements of our platform. Some competitors may also make their applications incompatible with ours, effectively requiring users to either stop using our competitors' products or uninstall our products, leading to a reduction in our number of users. For example, in a widely publicized dispute between two of the largest companies providing user-end software in China, one of the companies announced that it would disable its own software on computers that had installed its rival's products. As a result, a significant number of users stopped using products from either or both of these companies. Due to the large number of internet users that were affected, the Ministry of Industry and Information Technology of China, or the MIIT, ordered the parties to ensure the compatibility of the relevant products. Similar events may occur in the future between our competitors and us, which may reduce our market share, negatively affect our brand and reputation, and materially and adversely affect our business, financial condition and results of operations.

Spammers and malicious applications may affect user experience, which could reduce our ability to attract users and advertisers and materially and adversely affect our business, financial condition and results of operations.

Spammers may use YY to send targeted and untargeted spam messages to users, which may affect user experience. As a result, our users may use our products and services less or stop using them altogether. In spamming activities, spammers typically create multiple user accounts for the purpose of sending spam messages. Although we attempt to identify and delete accounts created for spamming purposes, we may not be able to effectively eliminate all spam messages from our platform in a timely fashion. Any spamming activities could have a material and adverse effect on our business, financial condition and results of operations.

The revenue model we adopt for online games may not remain effective, causing us to lose game players, which may materially and adversely affect our business, financial condition and results of operations.

We currently operate substantially all of our online games using the virtual items-based revenue model, whereby players can play games for free, but have the option of purchasing in-game virtual items, such as items that improve the strength of game characters, and in-game accessories. We have generated, and expect to continue to generate, a substantial majority of our online game revenues using this revenue model. However, we may not be able to continue successfully implementing the virtual items-based revenue model as we may not be able to develop or obtain the rights to host online games that attract game players or cause such game players to increase the amount of time spent playing and the amount of money spent on purchasing in-game virtual items. The sale of virtual items requires us to closely track game players' tastes and preferences and in-game consumption patterns. If we fail to offer popular virtual items, we may not be able to effectively convert our game player base into paying users or encourage existing paying users to spend more on YY.

In addition, PRC regulators have been implementing regulations designed to reduce the amount of time that youths in China spend playing online games. See "PRC Regulation—Anti-fatigue Compliance System and Real-name Registration System." A revenue model that does not charge for playing time may be viewed by the PRC regulators as inconsistent with this goal. If we were to start charging for playing time, we may lose game players who may choose to play online games from other providers and on other platforms or choose to engage in other alternative forms of entertainment, including traditional offline PC or video games.

We cannot assure you that the revenue model that we have adopted for any of our online games will continue to be suitable for that game, or that we will not in the future need to change our revenue model or introduce a new revenue model for that game. We may change the revenue model for some of our online games if we believe the existing models are not generating adequate revenues. A change in revenue model could result in various adverse consequences, including disruptions of our online games operations, criticism from game players who have invested time and money in a game, decrease in the number of our game players and decrease in the revenues we generate from our online games. Therefore, such a change in revenue model may materially and adversely affect our business, financial condition and results of operations.

The revenue models for each of YY Music and our membership program is relatively new and may not remain effective, which may cause us to lose users and materially and adversely affect our business, financial condition and results of operations.

We operate YY Music using a virtual items-based revenue model whereby YY Music users can listen to music for free, but have the option of purchasing in-channel virtual items, such as monthly tickets, lollipops, flowers, glow sticks, beer and chocolate, as gifts to the performers. We have generated, and expect to continue to generate, a substantial majority of our YY Music revenues using this revenue model. YY Music has begun to contribute an increasingly larger portion of our total revenues, reaching 24.7% of our total revenues in the three months ended March 31, 2012.

However, we may not be able to continue successfully implementing the virtual items-based revenue model for YY Music, as popular performers may leave YY Music and we may be unable to attract new talents that bring in YY Music users or cause such users to increase the amount of time spent engaging in various activities on our music channels as well as the amount of money spent on purchasing in-channel virtual items.

Furthermore, under our current arrangements with performers and channel owners, we typically provide them with a portion of the gross revenues we generate from in-channel virtual item sales on YY Music. In the future, the amount we pay to music channel performers and channel owners may increase or we may fail to reach mutually acceptable terms with respect to these arrangements, which may adversely affect our net revenues or cause them to leave our platform. In addition, we are currently a pioneer in offering YY Music performers and YY users an online concert platform. However, if our users decide to access online concert sources or channels offered by our current or future competitors, our operating results could be materially and adversely affected.

In our membership program, users pay a flat monthly subscription fee in order to become members, and in exchange, we give them access to various privileges and enhanced features on our channels. We generated membership subscription fees of RMB10.6 million (US$1.7 million) in the three months ended March 31, 2012. However, we may not be able to further build or maintain our membership base in the future for various reasons; for example, if we fail to continue to provide innovative products and services that are attractive to members.

We use third party services and technologies in connection with our business, and any disruption to the provision of these services and technologies to us could result in adverse publicity and a slowdown in the growth of our users, which could materially and adversely affect our business and results of operations.

Our business depends upon services provided by, and relationships with, third parties. Substantially all of our online advertising revenues are generated through agreements entered into with various third party advertising agencies that represent advertisers. We do not have long-term cooperation agreements or exclusive arrangements with these agencies and they may elect to direct business opportunities to other advertising service providers. If we fail to retain and enhance our business relationships with these third party advertising agencies, we may suffer from a loss of advertisers and our business and results of operations may be materially and adversely affected.

A significant portion of our IVAS revenues are generated from online games and increasingly, from YY Music. If we are unable to obtain or retain rights to host popular online games or popular in-game virtual items, or if we are required to share a bigger portion of our revenues with third party game developers, we could be required to devote greater resources and time to obtain hosting rights for new games and applications from other parties, and our results of operations may be impacted. Furthermore, if we are unable to attract popular talents such as performers, channel managers and hosts for YY Music channels or if these talents cannot draw large numbers of fans or participants, our results of operations may be adversely affected. Also, if channel owners are unable to reach or maintain mutually satisfactory cooperation arrangements with the performers on their channels, we may lose popular performers and our business and operations may be adversely affected. In addition, some third party software we use in our operations are currently publicly available without charge. If the owner of any such software decides to charge users or no longer makes the software publicly available, we may need to incur significant cost to license the software, find replacement software or develop it on our own. If we are unable to find or develop replacement software at a reasonable cost, or at all, our business and operations may be adversely affected.

Some of the games offered on our platform run on a complex network of servers located in and maintained by third party data centers throughout China and our overall network relies on broadband connections provided by third party operators. We expect this dependence on third parties to continue. The networks maintained and services provided by such third parties are vulnerable to damage or interruption, which could impact our results of operations. See "—System failure, interruptions and downtime can result in adverse publicity for our products

and result in net revenue losses, a slowdown in the growth of our registered user accounts and a decrease in the number of our active users. If any of these system disruptions occurs, our business, financial condition and results of operations may be materially and adversely affected."

In addition, we sell a significant portion of our products and services through third party online payment systems. If any of these third party online payment systems suffer from security breaches, users may lose confidence in such payment systems and refrain from purchasing our virtual items online, in which case our results of operations would be negatively impacted. See "—The security of operations of, and fees charged by, third party online payment platforms may have material and adverse effects on our business."

We exercise no control over the third parties with whom we have business arrangements. If such third parties increase their prices, fail to provide their services effectively, terminate their service or agreements or discontinue their relationships with us, we could suffer service interruptions, reduced revenues or increased costs, any of which may have a material and adverse effect on our business, financial condition and results of operations.

System failure, interruptions and downtime can result in adverse publicity for our products and result in net revenue losses, a slowdown in the growth of our registered user accounts and a decrease in the number of our active users. If any of these system disruptions occurs, our business, financial condition and results of operations may be materially and adversely affected.

Although we seek to reduce the possibility of disruptions or other outages, our services may be disrupted by problems with our own technology and system, such as malfunctions in our software or other facilities and network overload. Our systems may be vulnerable to damage or interruption from telecommunication failures, power loss, computer attacks or viruses, earthquakes, floods, fires, terrorist attacks and similar events. We have experienced system failures, including a partial system outage in 2009 caused by hackers hired by a competing business intending to maliciously overwhelm and clog our servers and our routing system. Those responsible were subsequently found guilty and penalized by the PRC courts and we have subsequently updated our system to make it more difficult for similar attacks to succeed in the future, but we cannot assure you that there will be no similar failures in the future. Parts of our system are not fully redundant, and our disaster recovery planning is not sufficient for all eventualities. Despite any precaution we may take, the occurrence of a natural disaster or other unanticipated problems at our hosting facilities could result in lengthy interruptions in the availability of our products and services. Any interruption in the ability of our users to use our products and services could reduce our future revenues, harm our future profits, subject us to regulatory scrutiny and lead users to seek alternative forms of online social interactions.

Our servers that process user payments experience some downtime on a regular basis, which may negatively affect our brand and user perception of the reliability of our systems. Any scheduled or unscheduled interruption in the ability of users to use our payment systems could result in an immediate, and possibly substantial, loss of revenues.

Almost all internet access in China is maintained through state-owned telecommunication operators under the control and supervision of the MIIT, and we use a limited number of telecommunication service providers to provide us with data communications capacity through local telecommunications lines and internet data centers to host our servers. Internet data centers in China are generally owned by telecommunication service providers with their own broadband networks and are leased to various customers through third party agents. These third party agents negotiate the terms of the leases, enter into lease agreements with end customers, handle customer interactions and manage the data centers on behalf of the data center owners. In the past, we signed data center lease agreements with multiple third party agents. With the expansion of our business, we may be required to purchase more bandwidth and upgrade our technology and infrastructure to keep up with the increasing traffic on our websites and increasing user levels on our platform overall. We cannot assure you that the telecommunications providers whose networks we lease or the third party agents that operate our data centers

would be able to accommodate all of our requests for more bandwidth or upgraded infrastructure or network, or that the internet infrastructure and the fixed telecommunications networks in China will be able to support the demands associated with the continued growth in our internet usage.

Our users may use our products or services for critical transactions and communications, especially business communications. As a result, any system failures could result in damage to such users' businesses. These users could seek significant compensation from us for their losses. Even if unsuccessful, this type of claim likely would be time consuming and costly for us to address.

We have limited control over the prices of the services provided by telecommunication service providers and may have limited access to alternative networks or services. If the prices we pay for telecommunications and internet services rise significantly, our results of operations may be materially and adversely affected. Furthermore, if internet access fees or other charges to internet users increase, our user traffic may decline and our business may be harmed.

The respective number of our registered user accounts, active users and paying users overstates the numbers of unique individuals who register to use our products and services. Such overstatement may lead to an inaccurate evaluation of our business operations by our management and by investors, and may cause advertisers to reduce the amount spent on advertising with us, which may materially and adversely affect our reputation, business and results of operations.

We calculate registered user accounts as the cumulative number of user accounts at the end of the relevant period that have signed onto YY Client at least once after registration, active users as the cumulative number of user accounts at the end of the relevant period that have signed onto YY Client at least once during the relevant period, and paying users as the cumulative number of registered user accounts that have purchased virtual items or other products and services on YY Client at least once during the relevant period. The actual number of unique individual users, however, is likely to be lower than that of registered user accounts, active users and paying users, potentially significantly, for two primary reasons. First, each individual user may register more than once and therefore have more than one account, and sign onto each of these accounts during a given period. For example, a user may (a) create separate accounts for community and personal use and log onto each account at different times for different activities or (b) if he or she lost his or her original YY Client username or password, he or she can simply register again and create an additional account. Second, we experience irregular registration activities such as the creation of a significant number of spurious user accounts by a limited number of individuals, which may be for the purpose of clogging our network or posting spam to our channels. We believe that some of these accounts may also be created for the sole purpose of voting for certain performers in various contests, but the number of registered user accounts and active users do not exclude user accounts created for this purpose. We have limited ability to validate or confirm the accuracy of information provided during the user registration process to ascertain whether a new user account created was not actually created by an existing user who is registering duplicative accounts. Thus, the respective number of our registered user accounts, active users and paying users overstates the number of unique individuals who register on our platform, sign onto YY Client and purchase virtual items on YY Client, respectively. If the growth in the number of our registered user accounts, active users or paying users is lower than the actual growth in the number of unique individual registered, active or paying users, our user engagement level, sale of IVAS and our business may not grow as quickly as we expect, and advertisers may reduce the amount spent on advertising with us, which may harm our business, financial condition and results of operations. In addition, such overstatement may cause inaccurate evaluation of our business operations by our management and by investors, which may also materially and adversely affect our reputation, business and results of operations.

If we are unable to successfully capture and retain a significant portion of the growing number of users that access internet services through mobile devices, we may lose users, which may have a material and adverse effect on our business, financial condition and results of operations.

YY is now available to users from PCs, as well as mobile devices. An important element of our strategy is to continue to further develop enhanced features for Mobile YY to capture a greater share of the growing number of users that access internet services such as ours through mobile devices.

As new laptops, mobile devices and operating systems are continually being released, it is difficult to predict the problems we may encounter in developing versions of our products and services for use on these devices and operating systems, and we may need to devote significant resources to create, support and maintain these services. Devices providing access to our products and services are not manufactured and sold by us, and we cannot assure you that the companies manufacturing or selling these devices would always ensure that their devices perform reliably and are maximally compatible with our systems. Any faulty connection between these devices and our products and services may result in consumer dissatisfaction with us, which could damage our brand and have a material and adverse effect on our financial results. In addition, the lower resolution, functionality and memory associated with some mobile devices make the use of our products and services through such devices more difficult and the versions of our products and services we develop for these devices may fail to attract users. Manufacturers or distributors may establish unique technical standards for their devices and, as a result, Mobile YY may not work or be viewable on these devices. Furthermore, new social platforms or services may emerge which are specifically created to function on mobile operating systems, as compared to our platform that was originally designed to be accessed from PCs, and such new entrants may operate more effectively on mobile devices than Mobile YY does.

If we are unable to attract and retain a substantial number of Mobile YY users, or if we are slower than our competitors in developing attractive services adaptable for mobile devices, we may fail to capture a significant share of an increasingly important portion of the market or may lose existing users, either of which may have a material and adverse effect on our business, financial condition and results of operations.

Concerns about collection and use of personal data could damage our reputation and deter current and potential users from using our products and services, which could lead to lower advertising revenues or lower IVAS revenues.

Concerns about our practices with regard to the collection, use or disclosure of personal information or other privacy-related matters, even if unfounded, could damage our reputation and operating results. YY Client, launched in July 2008, had attracted 328.9 million registered user accounts as of May 31, 2012 and had approximately 13.0 million channels as of March 31, 2012. We apply strict management and protection for any information provided by users and, under our privacy policy, without our users' prior consent, we will not provide any of our users' personal information to any unrelated third party. While we strive to comply with our privacy guidelines as well as all applicable data protection laws and regulations, any failure or perceived failure to comply may result in proceedings or actions against us by government entities or others, and could damage our reputation. User and regulatory attitudes towards privacy are evolving, and future regulatory or user concerns about the extent to which personal information is used or shared with advertisers or others may adversely affect our ability to share certain data with advertisers, which may limit certain methods of targeted advertising. Concerns about the security of personal data could also lead to a decline in general internet usage, which could lead to lower registered, active or paying user numbers on our platform. For example, if the PRC government authorities require real-name registration for YY Client users, the growth of our user numbers may slow and our business, financial condition and results of operations may be adversely affected. See "—Risks Related to Our Corporate Structure and Our Industry—We may be adversely affected by the complexity, uncertainties and changes in PRC regulations of internet business and companies." A significant reduction in registered, active or paying user numbers could lead to lower advertising revenues or lower IVAS revenues, which could have a material and adverse effect on our business, financial condition and results of operations.

The security of operations of, and fees charged by, third party online payment platforms may have material and adverse effects on our business.

Currently, we sell all of our IVAS to our users through third party online payment systems. In the three months ended March 31, 2012, 84.9% of our total net revenues were derived from IVAS. We expect that an increasing amount of our sales will be conducted over the internet as a result of the growing use of online payment systems. In all these online payment transactions, secured transmission of confidential information such as customers' credit card numbers and personal information over public networks is essential to maintain consumer confidence.

We do not have control over the security measures of our third party online payment vendors, and security breaches of the online payment systems that we use could expose us to litigation and possible liability for failing to secure confidential customer information and could, among other things, damage our reputation and the perceived security of all of the online payment systems that we use. If a well-publicized internet or mobile network security breach were to occur, users concerned about the security of their online financial transactions may become reluctant to purchase our virtual items even if the publicized breach did not involve payment systems or methods used by us. In addition, there may be billing software errors that would damage customer confidence in these online payment systems. If any of the above were to occur and damage our reputation or the perceived security of the online payment systems we use, we may lose paying users and users may be discouraged from purchasing our IVAS, which may have an adverse effect on our business.

In addition, there are currently only a limited number of third party online payment systems in China, such as Alipay and Tenpay. If any of these major payment systems decides to significantly increase the percentage they charge us for using their payment systems for our virtual items and other services, our results of operations may be materially and adversely affected.

Our core values of focusing on user experience and satisfaction first and acting for the long-term may conflict with the short-term operating results of our business, and also negatively impact our relationships with advertisers or other third parties.

One of our core values is to focus on user experience and satisfaction, which we believe is essential to our success and serves the best, long-term interests of our company and our shareholders. Therefore, we have made, and may make in the future, significant investments or changes in strategy that we think will benefit our users, even if our decision negatively impacts our operating results in the short-term. For example, in order to provide users of YY Client with uninterrupted entertainment options, we do not place significant advertising on YY Client. While this decision adversely affects our operating results in the short-term, we believe it enables us to provide higher quality user experience on YY Client, which will help us expand and maintain our current large user base and create better monetizing potential in the long-term. In addition, this philosophy of putting our users first may also negatively impact our relationships with advertisers or other third parties, and may not result in the long-term benefits that we expect, in which case the success of our business and operating results could be harmed.

Trademarks registered, internet search engine keywords purchased and domain names registered by third parties that are similar to our trademarks, brands or websites could cause confusion to our users, divert online customers away from our products and services or harm our reputation.

Competitors and other third parties may purchase (a) trademarks that are similar to our trademarks and (b) keywords that are confusingly similar to our brands or websites in internet search engine advertising programs and in the header and text of the resulting sponsored links or advertisements in order to divert potential customers from us to their websites. Preventing such unauthorized use is inherently difficult. If we are unable to prevent such unauthorized use, competitors and other third parties may continue to drive potential online customers away from our platform to competing, irrelevant or potentially offensive platforms, which could harm our reputation and cause us to lose revenue.

We may be held liable for information or content displayed on, retrieved from or linked to our platform, or distributed to our users, and PRC authorities may impose legal sanctions on us, including, in serious cases, suspending or revoking the licenses necessary to operate our platform.

Our rich communication social platform enables users to exchange information, generate content, advertise products and services, conduct business and engage in various other online activities. However, our platform does not require real-name registration by our users and because a majority of the communications on our platform is conducted in real time, we are unable to verify the sources of all information posted thereon or examine the content generated by users before they are posted. Therefore, it is possible that users may engage in illegal, obscene or incendiary conversations or activities, including the publishing of inappropriate or illegal content, that may be deemed unlawful under PRC laws and regulations on our platform. If any content on our platform is deemed illegal, obscene or incendiary, or if appropriate licenses and third party consents have not been obtained, claims may be brought against us for defamation, libel, negligence, copyright, patent or trademark infringement, other unlawful activities or other theories and claims based on the nature and content of the information delivered on or otherwise accessed through our platforms. For example, we have occasionally received fines for certain inappropriate materials placed by third parties on our platform, and may be subject to similar fines and penalties in the future. We also may face liability for copyright or trademark infringement, fraud, and other claims based on the nature and content of the materials that are delivered, shared or otherwise accessed through or published on our platform. Defending any such actions could be costly and involve significant time and attention of our management and other resources. In addition, if they find that we have not adequately managed the content on our platform, PRC authorities may impose legal sanctions on us, including, in serious cases, suspending or revoking the licenses necessary to operate our platform. See “PRC Regulation—Information Security and Censorship.”

We may be subject to intellectual property infringement claims or other allegations, which could require us to pay substantial statutory penalties or other damages and fines, remove relevant content from our website or enter into license agreements which may not be available on commercially reasonable terms.

Some of our competitors may own technology patents, copyrights, trademarks, trade secrets and website content, which they may use to assert claims against us. In addition, content generated through YY, including real-time content, may also potentially cause disputes regarding content ownership or intellectual property. We have certain procedures designed to reduce the likelihood that we may use, develop or make available any content or applications without the proper licenses or necessary third party consents. However, these procedures may not be effective in completely preventing the unauthorized posting or use of copyrighted material or the infringement of other rights of third parties.

The validity, enforceability and scope of protection of intellectual property rights in internet-related industries, particularly in China, are uncertain and still evolving. As we face increasing competition and as litigation becomes a more common way to resolve disputes in China, we face a higher risk of being the subject of intellectual property infringement claims. Pursuant to relevant laws and regulations, online service providers that provide information storage space for users to upload works or link services may be held liable for damages if such providers have reasons to know that the works uploaded or linked infringe the copyrights of others. In cases involving the unauthorized posting of copyrighted content by users on websites in China, there have been court proceedings but no settled court practice that provides clear guidance as to under what circumstances hosting providers and administrators of a platform such as ours can be held liable for the unauthorized posting by users of copyrighted material. See “PRC Regulation—Intellectual Property Rights.” Any such proceeding could result in significant costs to us and divert our management’s time and attention from the operation of our business, as well as potentially adversely impact our reputation, even if we are ultimately absolved of all liability.

In addition, although we have not been subject to claims or lawsuits outside China, we cannot assure you that we will not become subject to intellectual property laws in other jurisdictions, such as the United States, by virtue of our ADSs being listed on the [Nasdaq Global Market/NYSE], the ability of users to access our videos in the United States and other jurisdictions, the ownership of our ADSs by investors in the United States and other jurisdictions, or the extraterritorial application of foreign law by foreign courts or otherwise. In addition, as a

publicly listed company, we may be exposed to increased risk of litigation. If a claim of infringement brought against us in the United States or other jurisdictions is successful, we may be required to pay substantial statutory penalties or other damages and fines, remove relevant content from our website or enter into license agreements which may not be available on commercially reasonable terms or at all.

We may not be able to successfully halt the operations of platforms that aggregate our data as well as data from other companies, including social networks, or "copycat" platforms that have misappropriated our data in the past or may misappropriate our data in the future. Those platforms may also lure away some of our users or advertisers or reduce our market share, causing material and adverse effects on our business operations.

From time to time, third parties have misappropriated our data through scraping our platform, robots or other means and aggregated this data on their platforms with data from other companies. In addition, "copycat" platforms or client applications have misappropriated data on our platform, implanted Trojan viruses in user PCs to steal user data from YY Client and attempted to imitate our brand or the functionality of our platform. When we became aware of such platforms, we employed technological and legal measures in an attempt to halt their operations. However, we may not be able to detect all such platforms in a timely manner and, even if we could, technological and legal measures may be insufficient to stop their operations. In those cases, our available remedies may not be adequate to protect us against such platforms. Regardless of whether we can successfully enforce our rights against these platforms, any measures that we may take could require significant financial or other resources from us. Those platforms may also lure away some of our users or advertisers or reduce our market share, causing material and adverse effects to our business operations.

We may not be able to prevent others from unauthorized use of our intellectual property, which could harm our business and competitive position.

We regard our trademarks, service marks, patents, domain names, trade secrets, proprietary technologies and similar intellectual property as critical to our success, and we rely on trademark and patent law, trade secret protection and confidentiality and license agreements with our employees and others to protect our proprietary rights. As of July 3, 2012, we had registered 30 domain names, including YY.com, Duowan.com and Chinaduo.com, 42 software copyrights, two patents and 45 trademarks and service marks in China. In addition, we have filed 23 patent applications covering certain of our proprietary technologies and 104 trademark applications in China.

It is often difficult to create and enforce intellectual property rights in China. Patents, trademarks and service marks may also be invalidated, circumvented, or challenged. Trade secrets are difficult to protect, and our trade secrets may be leaked or otherwise become known or be independently discovered by others. Confidentiality agreements may be breached, and we may not have adequate remedies for any breach. Even where adequate, relevant laws exist in China, it may not be possible to obtain swift and equitable enforcement of such laws, or to obtain enforcement of a court judgment or an arbitration award delivered in another jurisdiction, and accordingly, we may not be able to effectively protect our intellectual property rights or enforce agreements in China. Policing any unauthorized use of our intellectual property is difficult and costly and the steps we have taken may be inadequate to prevent the misappropriation of our technologies. Given the potential cost, effort, risks and downsides of obtaining patent protection, in some cases we have not and do not plan to apply for patents or other forms of formal intellectual property protection for certain key technologies. If some of these technologies are later proven to be important to our business and are used by third parties without our authorization, especially for commercial purposes, our business and competitive position may be harmed.

As our patents may expire and may not be extended, our patent applications may not be granted and our patent rights may be contested, circumvented, invalidated or limited in scope, our patent rights may not protect us effectively. In particular, we may not be able to prevent others from developing or exploiting competing technologies, which could have material and adverse effects on our business operations, financial condition and results of operations.

In China, the valid period of utility model patent right or design patent right is ten years and is not extendable. Currently, we have patent applications pending in China, but we cannot assure you that we will be granted patents pursuant to our pending applications. Even if our patent applications succeed and we are issued patents in accordance with them, it is still uncertain whether these patents will be contested, circumvented or invalidated in the future. The rights granted under any issued patents may not provide us with proprietary protection or competitive advantages. Further, the claims under any patents that issue from our patent applications may not be broad enough to prevent others from developing technologies that are similar or that achieve results similar to ours. It is also possible that the intellectual property rights of others will bar us from licensing and from exploiting any patents that issue from our pending applications. Numerous U.S. and foreign issued patents and pending patent applications owned by others exist in the fields in which we have developed and are developing our technology. These patents and patent applications might have priority over our patent applications and could subject our patent applications to invalidation. Finally, in addition to those who may claim priority, any of our existing or pending patents may also be challenged by others on the basis that they are otherwise invalid or unenforceable.

If we fail to maintain and enhance our brands, or if we incur excessive expenses in this effort, our business, results of operations and prospects may be materially and adversely affected.

We believe that maintaining and enhancing our brands is of significant importance to the success of our business. Well-recognized brands are important to increasing the number of users and the level of engagement of our users and enhancing our attractiveness to advertisers. Since we operate in a highly competitive market, brand maintenance and enhancement directly affect our ability to maintain our market position.

Although we have developed YY mostly through word of mouth referrals, as we expand, we may conduct various marketing and brand promotion activities using various methods to continue promoting our brands. We cannot assure you, however, that these activities will be successful or that we will be able to achieve the brand promotion effect we expect. In addition, any negative publicity in relation to our products or services, regardless of its veracity, could harm our brands and reputation.

We have sometimes received, and expect to continue to receive, complaints from users regarding the quality of the products and services we offer. If our users' complaints are not addressed to their satisfaction, our reputation and our market position could be significantly harmed, which may materially and adversely affect our business and prospects.

Our business depends substantially on the continuing efforts of our executive officers and key employees, and our business operations may be severely disrupted if we lose their services.

Our future success depends substantially on the continued efforts of our executive officers and key employees. If one or more of our executive officers or key employees were unable or unwilling to continue their services with us, we might not be able to replace them easily, in a timely manner, or at all. In addition, our executive officers and key employees hold the equity interests in Beijing Tuda and Guangzhou Huaduo, our PRC consolidated affiliated entities. In particular, Mr. David Xueling Li, our co-founder, chief executive officer and director, Mr. Tony Bin Zhao, our director and chief technology officer, and Mr. Jin Cao, the general manager of our website department, own 97.7%, 1.5% and 0.8% of Beijing Tuda's equity interests, respectively. Messrs. Li, Zhao and Cao and Beijing Tuda also own approximately 1.7%, 0.1%, 0.1% and 96.6% of Guangzhou Huaduo's equity interests, respectively, with the remaining 1.5% owned by Mr. Jun Lei, our co-founder and chairman. If

any of these executive officers and key employees terminate their services with us, we have the contractual right to appoint designees to hold the PRC consolidated affiliated entities' equity interests. However, our business may be severely disrupted, our financial condition and results of operations may be materially and adversely affected and we may incur additional expenses to recruit, train and retain personnel. If any of our executive officers or key employees joins a competitor or forms a competing company, we may lose customers, know-how and key professionals and staff members. Each of our executive officers and key employees has entered into an employment agreement and a non-compete agreement with us. However, as advised by our PRC counsel, Zhong Lun Law Firm, certain provisions under the non-compete agreement may not be deemed valid or enforceable under PRC laws, if any dispute arises between our executive officers and key employees and us, we cannot assure you that we would be able to enforce these non-compete agreements in China, where these executive officers reside, in light of uncertainties with China's legal system. See "—Risks Relating to Doing Business in China—Uncertainties in the interpretation and enforcement of Chinese laws and regulations could limit the legal protections available to you and us."

If we are unable to attract, train and retain qualified personnel, our business may be materially and adversely affected.

Our future success depends, to a significant extent, on our ability to attract, train and retain qualified personnel, particularly management, technical and marketing personnel with expertise in the internet industry; inability to do so may materially and adversely affect our business. Since the internet industry is characterized by high demand and intense competition for talent, we cannot assure you that we will be able to attract or retain qualified staff or other highly skilled employees. As our company is relatively young, our ability to train and integrate new employees into our operations may not meet the growing demands of our business which may materially and adversely affect our ability to grow our business and hence our results of operations.

Our results of operations are subject to substantial quarterly and annual fluctuations due to a number of factors that could adversely affect our business and the trading price of our ADSs.

We experience seasonality in our business, reflecting seasonal fluctuations in internet usage. As a result, comparing our operating results on a period-to-period basis may not be meaningful. For example, online user numbers tend to be lower during school holidays and certain parts of the school year, and advertising revenues tend to be lower during the Chinese New Year season, which negatively affects our cash flow for those periods. We may also experience a reduction in active users in the third quarter of each year because a significant portion of our users are students, and as the new school year begins, student access to computers and the internet are affected. For the same reason, internet usage and the rate of internet growth may be expected to decline during the summer as some students lose regular internet access.

Due to the foregoing factors, our operating results in one or more future quarters or years may fall below the expectations of securities analysts and investors. In such event, the trading price of our ADSs would likely be materially and adversely affected. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Seasonality" for additional details regarding the effects of seasonality on our cash flow, operating performance and financial results.

Our business, financial condition and results of operations, as well as our ability to obtain financing, 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 such disruptions has persisted. 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. We derived approximately 97.4%, 99.0%, 79.2% and 65.5% of our net revenues in 2009, 2010, 2011 and the three months ended March 31, 2012 from the online gaming and online advertising industries. In addition, we derived approximately 16.5% and 24.7% of our net revenues in 2011 and the three months ended March 31, 2012 from YY Music. The online gaming and online advertising industries, along with YY Music, may be affected by economic downturns. Thus, our business and prospects may be affected by the macroeconomic environment in China. A prolonged

slowdown in China's economy may lead to a reduced amount of online advertising, which could materially and adversely affect our business, financial condition and results of operations. In addition, our products and services may be viewed as discretionary by our users, who may choose to discontinue or reduce spending on such products and services during an economic downturn. In such an event, our ability to retain existing users and increase new users will be adversely affected, which would in turn negatively impact our business and results of operations.

Moreover, a slowdown or disruption in the global or China's economy may have a material and adverse impact on financings available to us. The weakness in the economy could erode investors' confidence, which constitutes the basis of the credit market. The recent financial turmoil affecting the financial markets and banking system may significantly restrict our ability to obtain financing in the capital markets or from financial institutions on commercially reasonable terms, or at all. Although we are uncertain about the extent to which the recent global financial and economic crisis and slowdown of China's economy may impact our business in the short-term and long-term, there is a risk that our business, results of operations and prospects would be materially and adversely affected by any global economic downturn or disruption or slowdown of China's economy.

Future strategic alliances or acquisitions may have a material and adverse effect on our business, reputation and results of operations.

We may enter into strategic alliances, including joint ventures or minority equity investments, with various third parties to further our business purpose from time to time. These alliances could subject us to a number of risks, including risks associated with sharing proprietary information, non-performance by the third party and increased expenses in establishing new strategic alliances, any of which may materially and adversely affect our business. We may have limited ability to monitor or control the actions of these third parties and, to the extent any of these strategic third parties suffers negative publicity or harm to their reputation from events relating to their business, we may also suffer negative publicity or harm to our reputation by virtue of our association with any such third party.

In addition, although we have no current acquisition plans, if appropriate opportunities arise, we may acquire additional assets, products, technologies or businesses that are complementary to our existing business. Future acquisitions and the subsequent integration of new assets and businesses into our own would require significant attention from our management and could result in a diversion of resources from our existing business, which in turn could have an adverse effect on our business operations. Acquired assets or businesses may not generate the financial results we expect. Acquisitions could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities, the occurrence of significant goodwill impairment charges, amortization expenses for other intangible assets and exposure to potential unknown liabilities of the acquired business. Moreover, the costs of identifying and consummating acquisitions may be significant. In addition to possible shareholders' approval, we may also have to obtain approvals and licenses from relevant government authorities for the acquisitions and to comply with any applicable PRC laws and regulations, which could result in increased delay and costs.

If we fail to implement and maintain an effective system of internal controls, we may be unable to accurately report our results of operations or prevent fraud or fail to meet our reporting obligations, and investor confidence and the market price of our ADSs may be materially and adversely affected.

Prior to this offering, we were a private company with limited accounting personnel and other resources with which to address our internal controls and procedures. Our independent registered public accounting firm has not conducted an audit of our internal control over financial reporting. However, in connection with the audits of our consolidated financial statements as of and for the year ended December 31, 2011, we and our independent registered public accounting firm identified two material weaknesses in our internal control over financial reporting, as defined in the standards established by the Public Company Accounting Oversight Board of the United States. The material weaknesses identified related to (a) the lack of accounting resources for

fulfilling U.S. GAAP and SEC reporting requirements and (b) the lack of comprehensive U.S. GAAP accounting policies and financial reporting procedures. We are in the process of implementing a number of measures to address the material weaknesses identified. For details of our proposed remedies, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Internal Control Over Financial Reporting." However, we cannot assure you that we will complete such implementation in a timely manner.

Furthermore, it is possible that, had our independent registered public accounting firm conducted an audit of our internal control over financial reporting, such firm might have identified additional material weaknesses and deficiencies. Upon the completion of this offering, we will become a public company in the United States subject to the Sarbanes-Oxley Act of 2002. Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, will require that we include a report of management on 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, once we cease to be an "emerging growth company" as such term is defined in the JOBS Act, our independent registered public accounting firm must attest to and report on the effectiveness of our internal control over financial reporting. Our management may conclude that our internal control over financial reporting is not effective. Moreover, even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm, after conducting its own independent testing, may issue a report that is qualified if it is not satisfied with our internal controls or the level at which our controls are documented, designed, operated or reviewed, or if it interprets the relevant requirements differently from us. In addition, after we become a public company, our reporting obligations may place a significant strain on our management, operational and financial resources and systems for the foreseeable future. We may be unable to timely complete our evaluation testing and any required remediation.

During the course of documenting and testing our internal control procedures, in order to satisfy the requirements of Section 404, we may identify other weaknesses and deficiencies in our internal control over financial reporting. In addition, if we fail to maintain the adequacy of our internal control over financial reporting, as these standards are modified, supplemented or amended from time to time, we may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404. If we fail to achieve and maintain an effective internal control environment, we could suffer material misstatements in our financial statements and fail to meet our reporting obligations, which would likely cause investors to lose confidence in our reported financial information. This could in turn limit our access to capital markets, harm our results of operations, and lead to a decline in the trading price of our ADSs. Additionally, ineffective internal control over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to potential delisting from the stock exchange on which we list, regulatory investigations and civil or criminal sanctions. We may also be required to restate our financial statements from prior periods.

Some of our users may make sales or purchases of virtual items used in our platform through unauthorized third party platforms, which may affect our revenue-generating opportunities and exert downward pressure on the prices we charge for our virtual items.

Some of our users may make sales or purchases of our virtual items, such as in-game virtual items, including virtual flowers on YY channels, through unauthorized third party sellers in exchange for real currency. For example, fans of a performer may pay other users to send flowers or gifts the latter have accumulated on YY Client to the performer, in order to show support and raise the popularity ranking of the performer of their choice. These unauthorized transactions are usually arranged on third party platforms. Accordingly, these unauthorized purchases and sales from third party sellers may affect our revenue-generating opportunities and may impede our revenue and profit growth by, among other things, reducing the revenues we could have generated and exerting downward pressure on the prices we charge for our virtual items.

We have limited business insurance coverage, so that any uninsured occurrence of business disruption may result in substantial costs to us and the diversion of our resources, which could have an adverse effect on our results of operations and financial condition.

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 may disrupt our business operations, require us to incur substantial costs and divert our resources, which could have an adverse effect on our results of operations and financial condition.

Risks Relating to Our Corporate Structure and Our Industry

If the PRC government finds that the structure we have adopted for our business operations does not comply with PRC laws and regulations, or if these laws or regulations or interpretations of existing laws or regulations change in the future, we could be subject to severe penalties, including the shutting down of our platform and our business operations.

Foreign ownership of internet-based businesses is subject to significant restrictions under current PRC laws and regulations. The PRC government regulates internet access, the distribution of online information and the conduct of online commerce through strict business licensing requirements and other government regulations. These laws and regulations also limit foreign ownership in PRC companies that provide internet information distribution services. Specifically, foreign ownership in an internet information provider or other value-added telecommunication service providers may not exceed 50%. In addition, according to the Several Opinions on the Introduction of Foreign Investment in the Cultural Industry promulgated by the Ministry of Culture, or the MOC, the State Administration of Radio, Film and Television, or the SARFT, the General Administration of Press and Publication, or the GAPP, the National Development and Reform Commission and the Ministry of Commerce, or the MOFCOM, in June 2005, foreign investors are prohibited from investing in or operating, among others, any internet cultural operating entities and from engaging in the business of transmitting audio-visual programs through information networks.

We are a Cayman Islands company and our PRC subsidiaries, Zhuhai Duowan Technology Company Limited, or Zhuhai Duowan Technology, and Huanju Shidai Technology (Beijing) Co. Ltd., or Huanju Shidai, are each considered a wholly foreign owned enterprise. We conduct our operations in China through a series of contractual arrangements entered into among our PRC subsidiary, Huanju Shidai, our PRC consolidated affiliated entities, Guangzhou Huaduo Network Technology Limited, or Guangzhou Huaduo, and Beijing Tuda Science and Technology Company Limited, or Beijing Tuda, and Guangzhou Huaduo and Beijing Tuda's shareholders. As a result of these contractual arrangements, we exert control over our PRC consolidated affiliated entities and consolidate each of their operating results in our financial statements under U.S. GAAP. For a detailed description of these contractual arrangements, see "Corporate History and Structure."

On September 28, 2009, the GAPP, the National Copyright Administration and the National Office of Combating Pornography and Illegal Publications, jointly issued a Notice on Further Strengthening the Administration of Pre-examination and Approval of Online Games and the Examination and Approval of Imported Online Games, or Circular 13. Circular 13 restates that foreign investors are not permitted to invest in online game-operating businesses in China via wholly owned, equity joint venture or cooperative joint venture investments and expressly prohibits foreign investors from gaining control over or participating in domestic online game operators through indirect ways such as establishing other joint venture companies or entering into contractual or technical arrangements such as the variable interest entity structural arrangements we adopted. We are not aware of any companies that have adopted a corporate structure that is the same as or similar to ours having been penalized or terminated under Circular 13 since the effective date of the circular. Furthermore, we are advised by our PRC counsel, Zhong Lun Law Firm, that the enforcement of Circular 13 is still subject to

substantial uncertainty, including possible subsequent joint actions by relevant authorities in charge, such as the MOC. The Regulation on Three Provisions stipulates that the MOC is authorized to regulate the online game industry, while the GAPP is authorized to approve the publication of online games before their launch on the internet. The Interpretation on Three Provisions further provides that once an online game is launched on the internet, it will be completely under the regulation of the MOC, and that if an online game is launched on the internet without obtaining prior approval from the GAPP, the MOC, instead of the GAPP, is directly responsible for investigating the game. In the event that we, our PRC subsidiaries or PRC consolidated affiliated entities are found to be in violation of the prohibition under Circular 13, the GAPP, in conjunction with the relevant regulatory authorities in charge, may impose applicable penalties, which in the most serious cases may include suspension or revocation of relevant licenses and registrations. In addition, various media sources have recently reported that the CSRC prepared a report proposing pre-approval by a competent central government authority of offshore listings by China-based companies with variable interest entity structures, such as ours, that operate in industry sectors subject to foreign investment restrictions. However, it is unclear whether the CSRC officially issued or submitted such a report to a higher level government authority or what any such report provides, or whether any new PRC laws or regulations relating to variable interest entity structures will be adopted or what they would provide.

Based on understanding of current PRC laws, rules and regulations of our PRC legal counsel, Zhong Lun Law Firm, our current ownership structure for our business operations, the ownership structure of our PRC subsidiaries and our PRC consolidated affiliated entities, the contractual arrangements among our PRC subsidiaries, our PRC consolidated affiliated entities and their shareholders, as described in this prospectus, are in compliance with existing PRC laws, rules and regulations. However, we were further advised by Zhong Lun Law Firm that there is substantial uncertainty regarding the interpretation and application of current or future PRC laws and regulations and these laws or regulations or interpretations of these laws or regulations may change in the future. Furthermore, the relevant government authorities have broad discretion in interpreting these laws and regulations. Accordingly, we cannot assure you that PRC government authorities will not ultimately take a view contrary to the opinion of our PRC legal counsel.

If our ownership structure, contractual arrangements and businesses of our company, our PRC subsidiaries or our PRC consolidated affiliated entities are found to be in violation of any existing or future PRC laws or regulations, the relevant governmental authorities would have broad discretion in dealing with such violation, including levying fines, confiscating our income or the income of our PRC subsidiaries or PRC consolidated affiliated entities, revoking or suspending the business licenses or operating licenses of our PRC subsidiaries or PRC consolidated affiliated entities, shutting down our servers or blocking our platform, discontinuing or placing restrictions or onerous conditions on our operations, requiring us to discontinue our operations, requiring us to undergo a costly and disruptive restructuring, restricting or prohibiting our use of proceeds from this offering to finance our business and operations in China, and taking other regulatory or enforcement actions that could be harmful to our business. Any of these actions could cause significant disruption to our business operations and severely damage our reputation, which would in turn materially and adversely affect our business, financial condition and results of operations. In addition, if the imposition of any of these penalties causes us to lose the rights to direct the activities of our PRC consolidated affiliated entities or our right to receive their economic benefits, we would no longer be able to consolidate such entities. Our PRC consolidated affiliated entities contributed substantially all of our consolidated net revenues in the years ended December 31, 2009, 2010 and 2011 and the three months ended March 31, 2012.

We rely on contractual arrangements with our PRC consolidated affiliated entities and their shareholders for the operation of our business, which may not be as effective as direct ownership. If our PRC consolidated affiliated entities and their shareholders fail to perform their obligations under these contractual arrangements, we may have to resort to litigation to enforce our rights, which may be time-consuming, unpredictable, expensive and damaging to our operations and reputation.

Because of PRC restrictions on foreign ownership of internet-based businesses in China, we depend on contractual arrangements with our PRC consolidated affiliated entities in which we have no ownership interest to conduct our business. These contractual arrangements are intended to provide us with effective control over these entities and allow us to obtain economic benefits from them. Our PRC consolidated affiliated entities are owned directly by our directors, key executive officers and employees, namely Messrs. David Xueling Li, Jun Lei, Tony Bin Zhao and Jin Cao. For additional details on these ownership interests, see "—Risks Relating to Our Business—Our business depends substantially on the continuing efforts of our executive officers and key employees, and our business operations may be severely disrupted if we lose their services" and "Corporate History and Structure." However, these contractual arrangements may not be as effective in providing control as direct ownership. For example, each of our PRC consolidated affiliated entities and their shareholders could breach their contractual arrangements with us by, among other things, failing to operate our business in an acceptable manner or taking other actions that are detrimental to our interests. If we were the controlling shareholder of these PRC consolidated affiliated entities with direct ownership, we would be able to exercise our rights as shareholders to effect changes to their board of directors, which in turn could implement changes at the management and operational level. However, under the current contractual arrangements, as a legal matter, if our PRC consolidated affiliated entities or their shareholders fail to perform their obligations under these contractual arrangements, we may have to incur substantial costs to enforce such arrangements, and rely on legal remedies under PRC law, including contract remedies, which may not be sufficient or effective. If we are unable to enforce these contractual arrangements, or if we suffer significant delay or other obstacles in the process of enforcing these contractual arrangements, our business and operations could be severely disrupted, which could materially and adversely affect our results of operations and damage our reputation. See "—Risks Relating to Doing Business in China—Uncertainties in the interpretation and enforcement of Chinese laws and regulations could limit the legal protections available to you and us."

Our existing shareholders have substantial influence over our company and their interests may not be aligned with the interests of our other shareholders, which may discourage, delay or prevent a change in control of our company, which could deprive our shareholders of an opportunity to receive a premium for their securities.

Currently, our management group, including Mr. David Xueling Li, our co-founder, chief executive officer and director, Mr. Tony Bin Zhao, our director and chief technology officer, Mr. Rongjie Dong, the general manager of our online games department, and Mr. Jin Cao, the general manager of our website department and others beneficially own an aggregate of 26.7% of our outstanding shares, assuming the conversion of all of our series A, B, C-1 and C-2 preferred shares into 359,424,310 common shares. Upon the completion of this offering, they will beneficially own an aggregate of % of our outstanding shares. Messrs. Li, Zhao, Dong and Cao together hold 100% of the equity interest in each of our PRC consolidated affiliated entities, Guangzhou Huaduo and Beijing Tuda. Our management group has substantial influence over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of directors and other significant corporate actions. This concentration of ownership may discourage, delay or prevent a change in control of our company, which could deprive our shareholders of an opportunity to receive a premium for their shares as part of any contemplated sale of our company and may reduce the price of our ADSs. In addition, Messrs. Li, Zhao, Dong and Cao could violate the terms of their non-compete or employment agreements with us or their legal duties by diverting business opportunities from us, resulting in our loss of corporate opportunities. These actions may take place even if they are opposed by our other shareholders, including those who purchase ADSs in this offering. Additionally, Mr. Jun Lei, our co-founder, chairman and shareholder who will own % of our outstanding shares after the completion of this offering, is in the business of making investments

in internet companies in China. Mr. Lei currently holds direct and indirect interests in our direct competitor, iSpeak, and other entities which may have businesses that compete with us. iSpeak is owned by Mr. Lei in part through Kingsoft Corporation Limited, or Kingsoft, which is engaged in the research, development operation and distribution of online games, mobile games, casual game services and internet software. He may, in the future, acquire additional interests in businesses that directly or indirectly compete with some of our lines of business or that are our suppliers or customers. Furthermore, Mr. Lei, whether through Kingsoft or otherwise, may pursue acquisitions or make further investments in our industries which may conflict with our interests. Although after the completion of this offering, we will adopt a code of business conduct and ethics to help restrict conflicts of interest involving directors and officers, any violation of this code by our existing officers or directors such as Mr. Lei may materially and adversely affect our business operations. For more information regarding the beneficial ownership of our company by our principal shareholders, see "Principal [and Selling] Shareholders."

We may lose the ability to use and enjoy assets held by our PRC consolidated affiliated entities that are important to the operation of our business if such entities go bankrupt or become subject to a dissolution or liquidation proceeding.

As part of our contractual arrangements with our PRC consolidated affiliated entities, Guangzhou Huaduo and Beijing Tuda, such entities hold certain assets, such as patents for the proprietary technology that are essential to the operations of our platform and important to the operation of our business. If either Guangzhou Huaduo or Beijing Tuda goes bankrupt and all or part of its assets become subject to liens or rights of third party creditors, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations. If Guangzhou Huaduo or Beijing Tuda undergoes a voluntary or involuntary liquidation proceeding, the unrelated third party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could materially and adversely affect our business, financial condition and results of operations.

Our contractual arrangements with our PRC consolidated affiliated entities may result in adverse tax consequences to us.

As a result of our corporate structure and the contractual arrangements among our PRC subsidiaries, our PRC consolidated affiliated entities and their shareholders, we are effectively subject to the 5% PRC business tax and related surcharges on revenues generated by our subsidiaries from our contractual arrangements with our PRC consolidated affiliated entities. The PRC enterprise income tax law requires every enterprise in China to submit its annual enterprise income tax return together with a report on transactions with its affiliates or related parties to the relevant tax authorities. These transactions may be subject to audit or challenge by the PRC tax authorities within ten years after the taxable year during which the transactions are conducted. We may be subject to adverse tax consequences if the PRC tax authorities were to determine that the contracts between us and our PRC consolidated affiliated entities were not on an arm's length basis and therefore constitute a favorable transfer pricing arrangements. If this occurs, the PRC tax authorities could request that either of our PRC consolidated affiliated entities adjust its taxable income upward for PRC tax purposes. Such a pricing adjustment could adversely affect us by reducing expense deductions recorded by either PRC consolidated affiliated entities and thereby increasing these entities' tax liabilities, which could subject these entities to late payment fees and other penalties for the underpayment of taxes. Our consolidated net income may be materially and adversely affected if our PRC consolidated affiliated entities' tax liabilities increase or if it becomes subject to late payment fees or other penalties.

If our PRC consolidated affiliated entities fail to obtain and maintain the requisite licenses and approvals required under the complex regulatory environment for internet-based businesses in China, our business, financial condition and results of operations may be materially and adversely affected.

The internet industry in China is highly regulated. See "PRC Regulation." Guangzhou Huaduo, as our PRC consolidated affiliated entity, is required to obtain and maintain applicable licenses or approvals from different

regulatory authorities in order to provide its current services. For example, an internet information service provider shall obtain an operating license, or the ICP License, from MIIT or its local counterparts before engaging in any commercial internet information services. An online game operator must also obtain an Internet Culture Operation License from the MOC and an Internet Publishing License from the GAPP to distribute online games, in addition to filing its online games with the GAPP and the MOC. Prior to July 2010, specific approvals on online bulletin board services were also required for the provision of BBS services. Guangzhou Huaduo has obtained a valid ICP License for provision of internet and mobile network information services, an Internet Culture Operation License for online games and music products, and an Internet Publishing License for publication of online games and mobile phone games. In addition, Guangzhou Huaduo holds a valid License for Online Transmission of Audio-Visual Programs under the business classification of converging and play-on-demand service for certain kinds of internet audio-visual programs—literary, artistic and entertaining—as prescribed in the newly issued provisional categories. On October 8, 2011, Guangzhou Huaduo was granted a License for Production and Operation of Radio and TV Programs, covering the production, reproduction and publication of broadcasting plays, TV dramas, cartoons (excluding production), special subjects, special columns (excluding current political news category) and entertainment programs. These licenses are essential to the operation of our business and are generally subject to annual government review. However, we cannot assure you that we can successfully renew these licenses annually or that these licenses are sufficient to conduct all of our present or future business. For example, Guangzhou Huaduo's Internet Culture Operation License does not include license to conduct comic-related business; as a result, we were fined approximately RMB30,000 when comics were posted onto and accessible through our platform.

As we further develop and expand our video capabilities and functions, we will need to obtain additional qualifications, permits, approvals or licenses. In addition, with respect to specific services offered online, we or the service or content providers may be subject to additional separate qualifications, permits, approvals or licenses. For example, while launching a variety of online education services on our platform, we are working closely with relevant local authorities in charge, for completion of statutorily required procedures such as approvals, if any. For financial-related content offered on our channels, we are tightening our internal review of the relevant qualifications of the content providers as instructed by the competent authorities, while complying with other statutory requirements. We cannot assure you that we or the service or content providers will be granted such qualifications, permits, approvals or licenses in a timely manner or at all. Prior to the receipt of such qualifications, permits, approvals or licenses, we may be deemed as being in violation of relevant laws or regulations and be subject to penalties.

As the internet industry in China is still at an early stage of development, new laws and regulations may be adopted from time to time to address new issues that come to the authorities' attention. In the interpretation and implementation of existing and future laws and regulations governing our business activities, considerable uncertainties still exist. We cannot assure you that we will not be found in violation of any future laws and regulations or any of the laws and regulations currently in effect due to changes in the relevant authorities' interpretation of these laws and regulations. In addition, we may be required to obtain additional license or approvals, and we cannot assure you that we will be able to timely obtain or maintain all the required licenses or approvals or make all the necessary filings in the future. If we fail to obtain or maintain any of the required licenses or approvals or make the necessary filings, we may be subject to various penalties, such as confiscation of the net revenues that were generated through the unlicensed internet activities, the imposition of fines and the discontinuation or restriction of our operations. Any such penalties may disrupt our business operations and materially and adversely affect our business, financial condition and results of operations.

Implementation of the new labor laws and regulations in China may adversely affect our business and results of operations.

Pursuant to a new labor contract law that became effective in January 2008 and its implementation rules that became effective in September 2008, employers are subject to stricter requirements in terms of signing labor contracts, minimum wages, paying remuneration, determining the term of employees' probation and unilaterally terminating labor contracts. Due to the limited period since its effectiveness, and lack of detailed interpretation

rules and uniform implementation practice and possible penalties, it is uncertain as to how they it would affect our current employment policies and practices. Our employment policies and practices may violate the labor contract law or its implementation rules, and we may thus be subject to related penalties, fines or legal fees. Compliance with the labor contract law and its implementation rules may increase our operating expenses, in particular our personnel expenses. In the event that we decide to terminate some of our employees or otherwise change our employment or labor practices, the labor contract law and its implementation rules may also limit our ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations. On October 28, 2010, the Standing Committee of the National People's Congress promulgated the PRC Social Insurance Law, or the Social Insurance Law, which became effective on July 1, 2011. According to the Social Insurance Law, employees must participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance and the employers must, together with their employees or separately, pay the social insurance premiums for such employees.

We expect our labor costs to increase due to the implementation of these new laws and regulations. As the interpretation and implementation of these new laws and regulations are still evolving, we cannot assure you that our employment practice will at all times be deemed in full compliance with labor-related laws and regulations in China, which may subject us to labor disputes or government investigations. If we are deemed to have violated relevant labor laws and regulations, we could be required to provide additional compensation to our employees and our business, financial condition and results of operations could be materially and adversely affected.

Further, labor disputes, work stoppages or slowdowns at our laboratories, patient service centers or any of our clients or suppliers could significantly disrupt our daily operation or our expansion plans and have material adverse effects on our business.

Currently there is no law or regulation specifically governing virtual asset property rights and therefore it is not clear what liabilities, if any, online game operators may have for virtual assets.

While playing online games or participating on YY Client activities, players acquire and accumulate some virtual assets, such as special equipment and other accessories. Such virtual assets can be important to online game players and have monetary value and, in some cases, are sold for actual money. In practice, virtual assets can be lost for various reasons, often through unauthorized use of the game account of one user by other users and occasionally through data loss caused by a delay of network service, a network crash or hacking activities. Currently, there is no PRC law or regulation specifically governing virtual asset property rights. As a result, there is uncertainty as to who the legal owner of virtual assets is, whether and how the ownership of virtual assets is protected by law, and whether an operator of online games such as us would have any liability to game players or other interested parties (whether in contract, tort or otherwise) for loss of such virtual assets. Based on recent PRC court judgments, the courts have typically held online game operators liable for losses of virtual assets by game players, and ordered online game operators to return the lost virtual items to game players or pay damages and losses. In case of a loss of virtual assets, we may be sued by our game players or users and held liable for damages, which may negatively affect our reputation and business, financial condition and results of operations.

Compliance with the laws or regulations governing virtual currency may result in us having to obtain additional approvals or licenses or change our current business model.

The issuance and use of "virtual currency" in the PRC has been regulated since 2007 in response to the growth of the online games industry in China. In January 2007, the Ministry of Public Security, the MOC, the MIIT and the GAPP jointly issued a circular regarding online gambling which has implications for the use of virtual currency. To curtail online games that involve online gambling, as well as address concerns that virtual currency could be used for money laundering or illicit trade, the circular (a) prohibits online game operators from charging commissions in the form of virtual currency in relation to winning or losing of games; (b) requires online game operators to impose limits on use of virtual currency in guessing and betting games; (c) bans the conversion of virtual currency into real currency or property; and (d) prohibits services that enable game players

to transfer virtual currency to other players. On June 4, 2009, the MOC and the MOFCOM jointly issued a notice regarding strengthening the administration of online game virtual currency, or the Virtual Currency Notice. The MOC issued the Provisional Administrative Measures of Online Games, or the Online Game Measures, in June 2010, which provides, among other things, that virtual currency issued by online game operators may be only used to exchange its own online game products and services and may not be used to pay for the products and services of other entities.

We issue virtual currency and prepaid game tokens to game players on YY Client for them to purchase various items to be used in online games and channels, including music channels. We are in the process of adjusting the content of our platform but we cannot assure you that our adjustments will be sufficient to comply with the Virtual Currency Notice. Moreover, although we believe we do not offer online game virtual currency transaction services, we cannot assure you that the PRC regulatory authorities will not take a view contrary to ours. For example, certain virtual items we issue to users based on in-game milestones they achieve or time spent playing games are transferable and exchangeable for our virtual currency or the other virtual items we issue to users. If the PRC regulatory authorities deem such transfer or exchange to be a virtual currency transaction, then in addition to being deemed to be engaging in the issuance of virtual currency, we may also be deemed to be providing transaction platform services that enable the trading of such virtual currency. Simultaneously engaging in both of these activities is prohibited under the Virtual Currency Notice. In that event, we may be required to cease either our virtual currency issuance activities or such deemed “transaction service” activities and may be subject to certain penalties, including mandatory corrective measures and fines. The occurrence of any of the foregoing could have a material adverse effect on our business and results of operations.

In addition, the Virtual Currency Notice prohibits online game operators from setting game features that involve the direct payment of cash or virtual currency by players for the chance to win virtual items or virtual currency based on random selection through a lucky draw, wager or lottery. The notice also prohibits game operators from issuing currency to game players through means other than purchases with legal currency. It is unclear whether these restrictions would apply to certain aspects of our online games. Although we believe that we have rectified and ceased such prohibited activities and have taken adequate measures to prevent any of the above-mentioned prohibited activities, we cannot assure you that the PRC regulatory authorities will not take a view contrary to ours and deem such feature as prohibited by the Virtual Currency Notice, thereby subjecting us to penalties, including mandatory corrective measures and fines. For example, we were previously fined approximately RMB20,000 when a local authority in Guangzhou found that one of our games contained a lucky draw. The occurrence of any of the foregoing could materially and adversely affect our business and results of operations.

Non-compliance on the part of third parties with which we conduct business could restrict our ability to maintain or increase our number of users or the level of traffic to our YY platform.

Our third party game developers or other business partners may be subject to regulatory penalties or punishments because of their regulatory compliance failures, which may disrupt our business. Although we conduct a rigid review of legal formalities and certifications before entering into contractual relationship with other businesses such as third party game developers and landlords, we cannot be certain whether such third party has or will infringe any third parties’ legal rights or violate any regulatory requirements. We regularly identify irregularities or noncompliance in the business practices of any parties with whom we pursue existing or future cooperation and we cannot assure you that any of these irregularities will be corrected in a prompt and proper manner. The legal liabilities and regulatory actions on our commercial partners may affect our business activities and reputation and in turn, our results of operations. For example, according to PRC regulations, all lease agreements are required to be registered with the local housing authorities. We presently lease properties at 10 different locations in China, and the landlords of some of these properties are still completing the registration of their ownership rights or the registration of our leases with the relevant authorities. Failure to complete these required registrations may expose our landlords, lessors and us to potential monetary fines. Some of our lessors have not provided us with appropriate title certificates, which may adversely affect the validity of the leases if the lessors do not have proper title. We cannot assure you that such certificates or registration will be obtained in a

timely manner or at all, and in case of failures, we may be subject to monetary fines, have to relocate our offices and suffer economic losses.

We are now allowing providers of some online services such as online education and financial services, to establish channels on YY Client. We plan to encourage more service providers, such as recruiting agents, to establish YY channels in the future. In addition, we plan to establish a search, classification and ranking system and post advertisements relating to such service providers in the near future and derive related revenues under the relevant arrangements. These areas are all highly regulated, and the online service providers and the producers of content on YY Client are required to meet specific qualifying standards, evidenced by approvals, permits or certificates, and to comply with various requirements when conducting business. For example, financial service providers must be securities consulting institutions approved by the China Securities Regulatory Commission, or CSRC. We cannot predict if any noncompliance on the part of such commercial partners may cause potential liabilities to us and in turn disrupt our operations.

Intensified government regulation of the internet industry in China could restrict our ability to maintain or increase our user level or the level of user traffic to our YY platform.

The PRC government has, in recent years, intensified regulation on various aspects of the internet industry in China. For example, the PRC government recently adopted more stringent policies to monitor the online games industry due to adverse public reaction to perceived addiction to online games, particularly in children and minors. On April 15, 2007, eight PRC government authorities, including the GAPP, the Ministry of Education, the Ministry of Public Security and the MIIT issued a notice requiring all Chinese online game operators to adopt an "anti-fatigue system" in an effort to curb addiction to online games by minors. To help game operators identify which game players are minors, online game players in China are now required to register their names and identity card numbers before playing an online game, which information is to be submitted to and verified by the National Citizen Identity Information Center, a subordinate public institution of the Ministry of Public Security, as of October 1, 2011. These restrictions could limit our ability to increase our online game business among minors. See "PRC Regulation—Anti-fatigue Compliance System and Real-name Registration System." In order to comply with these anti-fatigue rules, we set up our system so that after three hours of playing our online games, minors only receive half of the virtual items or other in-game benefits they would otherwise earn, and after playing for more than five hours, receive no in-game benefits. Failure to implement these restrictions, if detected by the relevant government agencies, may result in fines and other penalties for us, including the shutting down of our online games operations and license revocation. Furthermore, if these restrictions were expanded to apply to adult game players in the future, our online games business could be materially and adversely affected.

In addition, in February 2007, 14 PRC regulatory authorities jointly promulgated a circular to further strengthen the oversight of internet cafes, one of the primary venues from which our platform is accessed. In recent years, a large number of unlicensed internet cafes have been closed, and the PRC government has imposed higher capital and facility requirements for the establishment of internet cafes. Governmental authorities may from time to time impose stricter requirements on internet cafes, such as customer age limits and regulated hours of operation. Since a substantial portion of our users access our platform from internet cafes, any reduction in the number, or slowdown in the growth, of internet cafes in China, or any new regulatory restrictions on their operations, could limit our ability to maintain or increase our revenues.

More stringent governmental regulations such as the ones outlined above may discourage game players from playing our games and have a material effect on our business operations.

Risks Relating to Doing Business in China

Uncertainties in the interpretation and enforcement of Chinese laws and regulations could limit the legal protections available to you and us.

The PRC legal system is based on written statutes and prior court decisions have limited value as precedents. Each of our PRC subsidiaries, Huanju Shidai and Zhuhai Duowan Technology, is a foreign-invested enterprise and is subject to laws and regulations applicable to foreign-invested enterprises as well as various Chinese laws and regulations generally applicable to companies incorporated in China. However, since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. However, since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. Furthermore, the PRC legal system is based in part on government policies and internal rules (some of which are not published in a timely manner or at all) that may have retroactive effect. As a result, we may not be aware of our violation of these policies and rules until some time after the violation. Such uncertainties, including uncertainty over the scope and effect of our contractual, property (including intellectual property) and procedural rights, could materially and adversely affect our business and impede our ability to continue our operations.

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 almost all of our customers 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 since the late 1970s 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 Chinese 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 the Chinese economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, and providing preferential treatment to particular industries or companies.

While the Chinese economy has 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 benefit the overall Chinese economy, but may also have a negative effect on us. 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 could in turn reduce the demand for our products and services and adversely affect our results of operations and financial condition.

We may be adversely affected by the complexity, uncertainties and changes in PRC regulation of internet 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 platform. Guangzhou Huaduo, our PRC consolidated affiliated entity, owns our platform due to the restriction of foreign investment in businesses providing value-added telecommunication services in China, including internet content provision services. If Guangzhou Huaduo breaches its contractual arrangements with us and no longer remains under our control, 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 and the requirement for real-name registrations. Permits, licenses or operations at some of our subsidiaries and PRC consolidated affiliated entities levels 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. See "—Risks Relating to Our Corporate Structure and Our Industry—If our PRC consolidated affiliated entities fail to obtain and maintain the requisite licenses and approvals required under the complex regulatory environment for internet-based businesses in China, our business, financial condition and results of operations may be materially and adversely affected" and "PRC Regulation." In addition, although we currently have a real-name registration system in place for our online games in strict compliance with the relevant PRC regulations, we are currently not required by PRC law to ask users for their real name and personal information when they register for an YY user account. We cannot assure you that PRC regulators would not require us to implement compulsory real-name registration on our platform in the future. In late 2011, for example, Beijing municipal government required microbloggers in China to implement real-name registration for all of their registered users. If we were required to implement real-name registration on YY, we may lose large numbers of registered user accounts for various reasons, because users may no longer maintain multiple accounts and users who dislike giving out their private information may cease to use our products and services altogether.
- The evolving PRC regulatory system for the internet industry may lead to the establishment of new regulatory agencies. For example, in May 2011, the State Council announced the establishment of a new department, the State Internet Information Office (with the involvement of the State Council Information Office, or the SCIO, the MIIT and the Ministry of Public Security). The primary role of this new agency is to facilitate the policy-making and legislative development in this field to direct and coordinate with the relevant departments in connection with online content administration and to deal with cross-ministry regulatory matters in relation to the internet industry. We are unable to determine what policies this new agency or any new agencies to be established in the future may have or how they may interpret existing laws, regulations and policies and how they may affect us. Further, new laws, regulations or policies may be promulgated or announced that will regulate internet activities, including online video and online advertising businesses. If these new laws, regulations or policies 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.

In July 2006, the MIIT issued the Notice of the Ministry of Information Industry on Intensifying the Administration of Foreign Investment in Value-added Telecommunications Services. This notice prohibits domestic telecommunication service providers from leasing, transferring or selling telecommunication business

operating licenses to any foreign investor in any form, or providing any resources, sites or facilities to any foreign investor for their illegal operation of a telecommunication business in China. According to this notice, either the holder of a value-added telecommunication business operating license or its shareholders must directly own the domain names and trademarks used by such license holders in their provision of value-added telecommunication services. The notice also requires each license holder to have the necessary facilities, including servers, for its approved business operations and to maintain such facilities in the regions covered by its license. Currently, all contracts with telecommunication carriers and other service providers to host the servers used in our business were entered into by Guangzhou Huaduo, our PRC consolidated affiliated entity, and such arrangements are in compliance with this notice. Guangzhou Huaduo also owns the related domain names and trademarks, and holds the ICP License necessary to conduct our operations in China.

In June 2010, the MOC promulgated the Provisional Administration Measures of Online Games, or the Online Game Measures, which became effective on August 1, 2010. The Online Game Measures provide that any entity engaging in online game operation activities shall obtain the Internet Culture Operation License and must meet certain requirements such as minimum registered capital. Online game developers are generally involved in the purchase of servers and bandwidth, the control and management of game data, the maintenance of game systems and certain other maintenance tasks in our operation of online games. The Guangzhou branch of the MOC has confirmed that such outsourcing and cooperation activities are not considered conducting online game operation activities, and that online game developers do not have to obtain the Internet Culture Operation License in accordance with the Online Game Measures. However, because of the limited time in which these measures have been in effect, there are still uncertainties on the MOC’s interpretation and implementation of these measures. If the MOC determines in the future that such qualifications or requirements apply to the online game developers for their involvement in the online game operations, we may have to terminate our revenue-sharing arrangements with certain unqualified online game developers and may even be subject to various penalties, which may negatively impact our results of operations and financial condition.

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. 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.

Content posted or displayed on our platform may be found objectionable by PRC regulatory authorities and may subject us to penalties and other severe consequences.

The PRC government has adopted regulations governing internet access and the distribution of information over the internet. Under these regulations, internet content providers and internet publishers are prohibited from posting or displaying over the internet content that, among other things, violates PRC laws and regulations, impairs the national dignity of China or the public interest, or is obscene, superstitious, fraudulent or defamatory. Furthermore, internet content providers are also prohibited from displaying content that may be deemed by relevant government authorities as “socially destabilizing” or leaking “state secrets” of the PRC. Failure to comply with these requirements may result in the revocation of licenses to provide internet content and other licenses, the closure of the concerned platforms and reputational harm. The operator may also be held liable for such censored information displayed on or linked to their platform. For a detailed discussion, see “PRC Regulation.”

We allow visitors to our portal websites to upload written materials, images, pictures, and other content on the forums on our websites, and also allow users to share, link to and otherwise access audio, video, games and other content from third parties through our platform. For a description of how content can be accessed on or through our rich communication social platform, and what measures we take to lessen the likelihood that we will be held liable for the nature of such content, see “Business—Our Technology,” “Business—Intellectual Property,” and “—Risks Relating to Our Business—We may be subject to intellectual property infringement

claims or other allegations, which could require us to pay substantial statutory penalties or other damages and fines, remove relevant content from our website or enter into license agreements which may not be available on commercially reasonable terms."

Since our inception, we have worked closely with relevant government authorities to monitor the content on our platform and to make the utmost effort in complying with relevant laws and regulations. However, it may not be possible to determine in all cases the types of content that could result in our liability as an internet operator, and if any of our internet content is deemed by the PRC government to violate any content restrictions, we would not be able to continue to display such content and could become subject to penalties, including confiscation of income, fines, suspension of business and revocation of required licenses, which could materially and adversely affect our business, financial condition and results of operations. We may also be subject to potential liability for any unlawful actions of our users or third party service providers on our platform or for content we distribute that is deemed inappropriate. For example, from September 2011 through June 2012, we were subject to a few warnings or fines of RMB60,000 or less for having inappropriate content on our platform. Although we corrected these non-compliances and undertook measures to prevent the recurrence of such instances, it may be difficult to determine the type of content or actions that may result in liability to us, and if we are found to be liable, we may be prevented from operating our business in China. Moreover, the costs of compliance with these regulations may continue to increase as a result of more content being uploaded or made available by an increasing number of users and third party partners and developers, which may adversely affect our results of operations.

Advertisements shown on our platform may subject us to penalties and other administrative actions.

Under PRC advertising laws and regulations, we are obligated to monitor the advertising content shown on our platform to ensure that such content is true and accurate and in full compliance with applicable laws and regulations. In addition, where a special government review is required for specific types of advertisements prior to internet posting, such as advertisements relating to pharmaceuticals, medical instruments, agrochemicals and veterinary pharmaceuticals, we are obligated to confirm that such review has been performed and approval has been obtained. Violation of these laws and regulations may subject us to penalties, including fines, confiscation of our advertising income, orders to cease dissemination of the advertisements and orders to publish an announcement correcting the misleading information. In circumstances involving serious violations by us, PRC governmental authorities may force us to terminate our advertising operations or revoke our licenses.

While we have made significant efforts to ensure that the advertisements shown on our platform are in full compliance with applicable PRC laws and regulations, we cannot assure you that all the content contained in such advertisements or offers is true and accurate as required by the advertising laws and regulations, especially given the uncertainty in the interpretation of these PRC laws and regulations. If we are found to be in violation of applicable PRC advertising laws and regulations, 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, results of operations and prospects.

Under the PRC enterprise income tax law, we may be classified as a PRC "resident enterprise," which could result in unfavorable tax consequences to us and our shareholders and have a material adverse effect on our results of operations and the value of your investment.

Under the PRC enterprise income tax law that became effective on January 1, 2008, an enterprise established outside the PRC with "de facto management bodies" within the PRC is considered a "resident enterprise" for PRC enterprise income tax purposes and is generally subject to a uniform 25% enterprise income tax rate on its worldwide income. On April 22, 2009, the State Administration of Taxation, or the SAT, issued the Notice Regarding the Determination of Chinese-Controlled Overseas Incorporated Enterprises as PRC Tax Resident Enterprise on the Basis of De Facto Management Bodies, 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. Further to SAT Circular 82, on August 3, 2011, the SAT recently

issued the Administrative Measures of Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial), or SAT Bulletin 45, to provide more guidance on the implementation of SAT Circular 82; the bulletin became effective on September 1, 2011. SAT Bulletin 45 clarified certain issues in the areas of resident status determination, post-determination administration and competent tax authorities.

According to SAT Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be considered as a PRC tax resident enterprise 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 are met: (a) the senior management and core management departments in charge of its daily operations function have their presence mainly in the PRC; (b) its financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (c) its major assets, accounting books, company seals, and minutes and files of its board and shareholders' meetings are located or kept in the PRC; and (d) more than half of the enterprise's directors or senior management with voting rights habitually reside in the PRC. SAT Bulletin 45 further clarifies the resident status determination, post-determination administration, as well as competent tax authorities. It also specifies that when provided with a copy of Chinese tax resident determination certificate from a resident Chinese controlled offshore incorporated enterprise, the payer should not withhold 10% income tax when paying the Chinese-sourced dividends, interest, royalties, etc. to the Chinese controlled offshore incorporated enterprise.

Although SAT Circular 82 and SAT Bulletin 45 only apply to offshore incorporated enterprises controlled by PRC enterprises or PRC enterprise group instead of those controlled by PRC individuals or foreigners, the determination criteria set forth therein may reflect SAT's general position on how the term "de facto management body" could be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises, individuals or foreigners.

We do not meet all of the conditions above; therefore, we believe that we should not be treated as a "resident enterprise" for PRC tax purposes even if the standards for "de facto management body" prescribed in the SAT Circular 82 are applicable to us. For example, our minutes and files of the resolutions of our board of directors and the resolutions of our shareholders are maintained outside the PRC. In addition, we are not aware of any offshore holding companies with a corporate structure similar to ours ever having been deemed to be a PRC "resident enterprise" by the PRC tax authorities.

However, it is possible that the PRC tax authorities may take a different view. If the PRC tax authorities determine that our Cayman Islands holding company is a PRC resident enterprise for PRC enterprise income tax purposes, then our world-wide income could be subject to PRC tax at a rate of 25%, which could materially reduce our net income. In addition, we will also be subject to PRC enterprise income tax reporting obligations.

Although dividends paid by one PRC tax resident to another PRC tax resident should qualify as "tax-exempt income" under the enterprise income tax law, we cannot assure you that dividends by our PRC subsidiaries to our Cayman Islands holding company will not be subject to a 10% withholding tax, as the PRC foreign exchange control authorities, which enforce the withholding tax on dividends, and the PRC tax authorities have not yet issued guidance with respect to the processing of outbound remittances to entities that are treated as resident enterprises for PRC enterprise income tax purposes.

Foreign ADS holders may also be subject to PRC withholding tax on dividends payable by us and gains realized on the sale or other disposition of ADSs or common shares, if such income is sourced from within the PRC. Although our holding company is incorporated in the Cayman Islands, it remains unclear whether dividends received and gains realized by our foreign ADS holders will be regarded as income from sources within the PRC if we are classified as a PRC resident enterprise. Any such tax will reduce the returns on your investment in our ADSs.

Finally, we face uncertainties on the reporting and consequences on private equity financing transactions and share exchange involving the transfer of shares in our company by non-resident investors. According to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises issued by the PRC State Administration of Taxation on December 10, 2009, with retroactive effect from January 1, 2008, or SAT Circular 698, where a non-resident enterprise transfers the equity interests in a PRC resident enterprise indirectly through a disposition of equity interests in an overseas holding company, or an Indirect Transfer, and such overseas holding company is located in a tax jurisdiction that: (a) has an effective tax rate less than 12.5% or (b) does not tax foreign income of its residents, the a non-resident enterprise, as the seller, shall report such Indirect Transfer to the competent tax authority of the PRC resident enterprise within 30 days of execution of the equity transfer agreement for such Indirect Transfer. The PRC tax authority will examine the true nature of the Indirect Transfer, and if the tax authority considers that the foreign investor has adopted an abusive arrangement without reasonable commercial purposes and for the purpose of avoiding or reducing PRC tax, they will disregard the existence of the overseas holding company that is used for tax planning purposes and re-characterize the Indirect Transfer. As a result, gains derived from such Indirect Transfer may be subject to PRC withholding tax at the rate of up to 10%. SAT Circular 698 also points out that when a non-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 competent tax authorities have the power to make a reasonable adjustment on the taxable income of the transaction.

If our preferential tax treatments are revoked, become unavailable or if the calculation of our tax liability is successfully challenged by the PRC tax authorities, we may be required to pay tax, interest and penalties in excess of our tax provisions, and our results of operations could be materially and adversely affected.

The Chinese government has provided various tax incentives to our subsidiaries in China. These incentives include reduced enterprise income tax rates. For example, under the PRC Enterprise Income Tax Law, or the New EIT Law, which became effective on January 1, 2008, the statutory enterprise income tax rate is 25%. However, Guangzhou Huaduo, our PRC consolidated affiliated entity in the PRC, was recognized as a high and new technology enterprise as of September 26, 2010 and, subject to the approval of and annual review by competent tax authorities in Guangdong, would be entitled to enjoy a preferential enterprise income tax rate of 15% for two years, from 2011 through 2012. Guangzhou Huaduo recorded losses in 2010 and has not benefited from such preferential tax rate. Guangzhou Huaduo has applied for and obtained the preferential tax treatment with Guangzhou State Tax Bureau, but the high and new technology enterprise qualification is only effective until September 26, 2012, and there is no guarantee that it can be successfully renewed. If Guangzhou Huaduo fails to maintain its status as a high and new technology enterprise or is not granted the renewal of its preferential tax treatment, Guangzhou Huaduo will be subject to a higher enterprise income tax rate of 25%. Any increase in the enterprise income tax rate applicable to our PRC subsidiaries or PRC consolidated affiliated entities in China, or any discontinuation or retroactive or future reduction of any of the preferential tax treatments currently enjoyed by our PRC subsidiaries or PRC consolidated affiliated entities in China, could adversely affect our business, operating results and financial condition. In addition, in the ordinary course of our business, we are subject to complex income tax and other tax regulations and significant judgment is required in the determination of a provision for income taxes. Although we believe our tax provisions are reasonable, if the PRC tax authorities successfully challenge our position and we are required to pay tax, interest and penalties in excess of our tax provisions, our results of operations and financial condition would be materially and adversely affected.

China's M&A Rules establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

Six PRC regulatory agencies promulgated regulations effective on September 8, 2006, subsequently amended, that are commonly referred to as the M&A Rules. See "PRC Regulation—New M&A Regulations and Overseas Listings." The M&A Rules establish procedures and requirements that could make some acquisitions of Chinese companies by foreign investors more time-consuming and complex, including requirements in some instances that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign

investor takes control of a Chinese domestic enterprise. We may expand our business in part by acquiring complementary businesses. Complying with the requirements of the M&A Rules to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the MOFCOM, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

PRC regulations relating to offshore investment activities by PRC residents may limit our PRC subsidiaries' ability to increase their registered capital or distribute profits to us or otherwise expose us to liability and penalties under PRC law.

The PRC State Administration of Foreign Exchange, or SAFE, promulgated regulations in October 2005 that require PRC citizens or residents to register with SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas equity financing involving a roundtrip investment whereby the offshore entity acquires or controls onshore assets or equity interests held by the PRC citizens or residents. In addition, such PRC citizens or residents must update their SAFE registrations when the offshore special purpose vehicle undergoes material events relating to increases or decreases in investment amount, transfers or exchanges of shares, mergers or divisions, long-term equity or debt investments, external guarantees, or other material events that do not involve roundtrip investments. Subsequent regulations further clarified that PRC subsidiaries of an offshore company governed by the SAFE regulations are required to coordinate and supervise the filing of SAFE registrations in a timely manner by the offshore holding company's shareholders who are PRC citizens or residents. If these shareholders fail to comply, the PRC subsidiaries are required to report to the local SAFE branches. If our shareholders who are PRC citizens or residents do not complete their registration with the local SAFE branches, our PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to us, and we may be restricted in our ability to contribute additional capital to our PRC subsidiaries. Moreover, failure to comply with the SAFE registration and amendment requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

Our PRC resident shareholders, Messrs. David Xueling Li, Tony Bin Zhao, Jin Cao and Jun Lei, had registered with the local SAFE branch in relation to our existing private placement financings by the end of 2011 as required by the SAFE regulations. However, because of uncertainty over how the SAFE regulations will be interpreted and implemented and applied to us, we cannot predict how it will affect our business operations. For example, our present and prospective PRC subsidiaries' ability to conduct foreign exchange activities, such as the remittance of dividends and foreign currency-denominated borrowings, may be subject to compliance with the SAFE regulations by our PRC resident shareholders. In addition, in some cases, we may have little control over either our present or prospective direct or indirect PRC resident shareholders or the outcome of such registration procedures. A failure by our current or future PRC resident shareholders to comply with the SAFE regulations could subject us to fines or other legal sanctions, restrict our cross-border investment activities, limit our subsidiary's ability to make distributions or pay dividends or affect our ownership structure, which could adversely affect our business and prospects.

On February 15, 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies, or the Stock Option Rules, which replaced the Application Procedures of Foreign Exchange Administration for Domestic Individuals Participating in Employee Stock Ownership Plans or Stock Option Plans of Overseas Publicly-Listed Companies issued by SAFE on March 28, 2007. Under the Stock Option Rules and other relevant rules and regulations, PRC residents who participate in stock incentive plan in an overseas publicly-listed company are required to register with SAFE or its local branches and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of such overseas publicly listed company or another qualified institution selected by such PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks

or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. We and our PRC employees who have been granted stock options, restricted shares and restricted share units will be subject to these regulations upon the completion of this offering. Failure of our PRC stock option holders, restricted shareholders or restricted share units holders to complete their SAFE registrations may subject these PRC residents to fines and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiaries, limited our PRC subsidiaries' ability to distribute dividends to us, or otherwise materially adversely affect our business.

PRC regulation of direct investment and loans by offshore holding companies to PRC entities may delay or limit us from using the proceeds of this offering to make additional capital contributions or loans to our PRC subsidiaries.

Any capital contributions or loans that we, as an offshore entity, make to our PRC subsidiaries, including from the proceeds of this offering, are subject to PRC regulations. For example, none of our loans to a PRC subsidiary can exceed the difference between its total amount of investment and its registered capital approved under relevant PRC laws, and the loans must be registered with the local branch of SAFE. Our capital contributions to our PRC subsidiaries must be approved by the MOFCOM or its local counterpart. We cannot assure you that we will be able to complete the necessary registration or obtain the necessary approval on a timely basis, or at all. If we fail to complete the necessary registration or obtain the necessary approval, our ability to make loans or equity contributions to our PRC subsidiaries may be negatively affected, which could adversely affect our PRC subsidiaries' liquidity and their ability to fund their working capital and expansion projects and meet their obligations and commitments.

Our PRC subsidiaries and PRC consolidated affiliated entities are subject to restrictions on paying dividends or making other payments to us, which may restrict our ability to satisfy our liquidity requirements.

We are a holding company incorporated in the Cayman Islands. We rely on dividends from our PRC subsidiaries as well as consulting and other fees paid to us by our PRC consolidated affiliated entities for our cash and financing requirements, such as the funds necessary to pay dividends and other cash distributions to our shareholders, including holders of our ADSs, and service any debt we may incur. Current PRC regulations permit our PRC subsidiaries to pay dividends to us only out of their accumulated profits, if any, determined in accordance with Chinese accounting standards and regulations. In addition, each of our PRC subsidiaries is required to set aside at least 10% of its accumulated profits each year, if any, to fund certain reserve funds until the total amount set aside reaches 50% of its registered capital. These reserves are not distributable as cash dividends. Since we have not achieved profitability, we are not yet required to allocate funds for such reserve funds. Furthermore, if our PRC subsidiaries and PRC consolidated affiliated entities incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments to us, which may restrict our ability to satisfy our liquidity requirements.

In addition, the New EIT Law, and its implementation rules provide that withholding tax rate of 10% will be applicable to dividends payable by Chinese companies to non-PRC-resident enterprises unless otherwise exempted or reduced according to treaties or arrangements between the PRC central government and governments of other countries or regions where the non-PRC-resident enterprises are incorporated.

Fluctuations in exchange rates could have a material adverse effect on our results of operations and the value of your investment.

The value of the RMB against the U.S. dollar and other currencies is affected by, among other things, changes in China's political and economic conditions and China's foreign exchange policies. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the RMB to the U.S. dollar, and the RMB appreciated more than 20% against the U.S. dollar over the following three years. However, the People's Bank of China regularly intervenes in the foreign exchange market to limit fluctuations in RMB exchange rates and achieve policy goals. Since reaching a high against the U.S. dollar in July 2008, the RMB has traded within a narrow range

against the U.S. dollar, remaining within 1% of its July 2008 high. As a consequence, the RMB has fluctuated significantly since July 2008 against other freely traded currencies. It is difficult to predict how long the current situation may last and when and how this relationship between the RMB and the U.S. dollar may change again.

There remains significant international pressure on the Chinese government to adopt a flexible currency policy to allow the Renminbi to appreciate against the U.S. dollar. Significant revaluation of the Renminbi may have a material adverse effect on your investment. Substantially all of our revenues and costs are denominated in RMB. Any significant revaluation of RMB may materially and adversely affect our revenues, earnings and financial position, and the value of, and any dividends payable on, our ADSs in U.S. dollars. For example, to the extent that we need to convert U.S. dollars we receive from this initial public offering into Renminbi to pay our operating expenses, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we would receive from the conversion. Conversely, a significant depreciation of the RMB against the U.S. dollar may significantly reduce the U.S. dollar equivalent of our earnings, which in turn could adversely affect the price of our ADSs.

Very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency 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 adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert RMB into foreign currency. As a result, fluctuations in exchange rates may have a material adverse effect on your investment.

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 control 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 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. Therefore, our PRC subsidiaries are able to pay dividends in foreign currencies to us without prior approval from SAFE. However, approval from or registration with appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access 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.

Recently enacted regulations in the PRC may make it more difficult for us to pursue growth through acquisitions, adversely affecting our plans to expand our business or maintain our market share.

Among other things, the M&A Rules 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 MOFCOM 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, are 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 MOFCOM, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

If the custodians or authorized users of controlling non-tangible assets of our company, including our corporate chops and seals, fail to fulfill their responsibilities, or misappropriate or misuse these assets, our business and operations could be materially and adversely affected.

Under PRC law, legal documents for corporate transactions, including contracts such as revenue-sharing contracts with online game developers which are important to our business, are executed using the chops or seal of the signing entity or with the signature of a legal representative whose designation is registered and filed with the relevant branch of the Administration of Industry and Commerce, AIC.

Although we usually utilize chops to enter into contracts, the designated legal representatives of each of our PRC subsidiaries and consolidated affiliated entities have the apparent authority to enter into contracts on behalf of such entities without chops and bind such entities. All designated legal representatives of our PRC subsidiaries and consolidated affiliated entities are members of our senior management team who have signed employment agreements with us or our PRC subsidiaries and consolidated affiliated entities under which they agree to abide by various duties they owe to us. In order to maintain the physical security of our chops and chops of our PRC entities, we generally store these items in secured locations accessible only by the authorized personnel in the legal or finance department of each of our subsidiaries and consolidated affiliated entities. Although we monitor such authorized personnel, there is no assurance such procedures will prevent all instances of abuse or negligence. Accordingly, if any of our authorized personnel misuse or misappropriate our corporate chops or seals, we could encounter difficulties in maintaining control over the relevant entities and experience significant disruption to our operations. If a designated legal representative obtains control of the chops in an effort to obtain control over any of our PRC subsidiaries or consolidated affiliated entities, we or our PRC subsidiary and consolidated affiliated entity would need to pass a new shareholder or board resolution to designate a new legal representative and we would need to take legal action to seek the return of the chops, apply for new chops with the relevant authorities, or otherwise seek legal redress for the violation of the representative's fiduciary duties to us, which could involve significant time and resources and divert management attention away from our regular business. In addition, the affected entity may not be able to recover corporate assets that are sold or transferred out of our control in the event of such a misappropriation if a transferee relies on the apparent authority of the representative and acts in good faith.

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

Our independent registered public accounting firm that issues the audit reports included in this prospectus filed with the SEC, as an auditor of companies that are traded publicly in the United States and a firm registered with the Public Company Accounting Oversight Board (United States), or PCAOB, is required by the laws of the United States to undergo regular inspections by PCAOB to assess its compliance with the laws of the United States and professional standards. Because our auditor is located in China, a jurisdiction where PCAOB is currently unable to conduct inspections without the approval of the PRC authorities, our auditor, like other independent registered public accounting firms operating in China, is currently not inspected by PCAOB.

Inspections of other firms that PCAOB has conducted outside of China have identified deficiencies in those firms' audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. The inability of PCAOB to conduct inspections of independent registered public accounting firms operating in China makes it more difficult to evaluate the effectiveness of our auditor's audit procedures or quality control procedures. As a result, investors may be deprived of the benefits of PCAOB inspections.

Risks Relating to Our ADSs and This Offering

An active trading market for our shares or our ADSs may not develop and the trading price for our ADSs may fluctuate significantly.

We have applied to list our ADSs on the [Nasdaq Global Market/NYSE]. Prior to the completion of this offering, there has been no public market for our ADSs or our common shares underlying the ADSs, and we cannot assure you that a liquid public market for our ADSs will develop. If an active public market for our ADSs does not develop following the completion of this offering, the market price and liquidity of our ADSs may be materially and adversely affected. Even if an active public market for our common shares or ADSs develops, we cannot assure you that it will continue. The initial public offering price for our ADSs will be determined by negotiation between us and the underwriters based upon several factors, and we can provide no assurance that the trading price of our ADSs after this offering will not decline below the initial public offering price. As a result, investors in our securities may experience a significant decrease in the value of their ADSs.

The trading prices of our ADSs are likely to be volatile, which could result in substantial losses to investors.

The trading prices of our ADSs are likely to be volatile and could fluctuate widely due to factors beyond our control. This may happen because of broad market and industry factors, like the performance and fluctuation in the market prices or the underperformance or deteriorating financial results of other similarly situated companies in China that have listed their securities in the United States in recent years. The securities of some of these companies have experienced significant volatility since their initial public offerings, including, in some cases, substantial price declines in the trading prices of their securities. The trading performances of these Chinese companies' securities after their offerings, including companies in internet and social networking businesses, may affect the attitudes of investors toward Chinese companies listed in the United States, which consequently may impact the trading performance of our ADSs, regardless of our actual operating performance. In addition, any negative news or perceptions about inadequate corporate governance practices or fraudulent accounting or other practices at other Chinese companies may also negatively affect the attitudes of investors towards Chinese companies in general, including us, regardless of whether we have engaged in such practices. In addition, securities markets may from time to time experience significant price and volume fluctuations that are not related to our operating performance, such as the large decline in share prices in the United States, China and other jurisdictions in late 2008, early 2009 and the second and third quarters of 2011, which may have a material adverse effect on the market price of our ADSs.

In addition to market and industry factors, the price and trading volume for our ADSs may be highly volatile for factors specific to our own operations, including the following:

- variations in our net revenues, earnings and cash flow;
- announcements of new investments, acquisitions, strategic partnerships, or joint ventures;
- announcements of new services and expansions by us or our competitors;
- changes in financial estimates by securities analysts;
- changes in the number of our registered or active users;
- failure on our part to realize monetization opportunities as expected;
- additions or departures of key personnel;
- release of lock-up or other transfer restrictions on our outstanding equity securities or sales of additional equity securities; and
- potential litigation or regulatory investigations.

Any of these factors may result in large and sudden changes in the volume and price at which our ADSs will trade.

The approval of the China Securities Regulatory Commission may be required in connection with this offering 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 CSRC, promulgated the M&A Rules, 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 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, Zhong Lun Law Firm, 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
- 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 Market/NYSE], considering that (a) our PRC subsidiaries, Huanju Shidai and Zhuhai Duowan Technology, are foreign-invested enterprises established by foreign enterprises, (b) we did not acquire any equity interest or assets of a PRC domestic company owned by PRC companies or individuals as defined under the M&A Rules and (c) there is no provision that clearly classifies the contractual arrangements among our PRC subsidiary, Huanju Shidai, our PRC consolidated affiliated entities and their respective shareholders as a transaction regulated by the M&A Rules.

However, our PRC legal counsel, Zhong Lun Law Firm, further advised us that because there has been no official interpretation or clarification of this regulation, 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 subsidiaries, or other actions that may have a material adverse effect on our business and 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.

We are an emerging growth company within the meaning of the Securities Act and may take advantage of certain reduced reporting requirements.

We are an "emerging growth company," as defined in the JOBS Act, and we may take advantage of certain exemptions from various requirements applicable to other public companies that are not emerging growth companies including, most significantly, not being required to comply with the auditor attestation requirements of Section 404 for so long as we are an emerging growth company. As a result, if we elect not to comply with such auditor attestation requirements, our investors may not have access to certain information they may deem important.

The JOBS Act also provides that an emerging growth company does not need to comply with any new or revised financial accounting standards until such date that a private company is otherwise required to comply with such new or revised accounting standards. However, we have elected to "opt out" of this provision and, as a result, we will comply with new or revised accounting standards as required when they are adopted for public companies. This decision to opt out of the extended transition period under the JOBS Act is irrevocable.

If securities or industry analysts do not publish research or reports about our business, or if they adversely change their recommendations regarding our ADSs, the market price for our ADSs and trading volume could decline.

The trading market for our ADSs will be influenced by research or reports that industry or securities analysts publish about our business. If one or more analysts who cover us downgrade our ADSs, the market price for our ADSs would likely decline. If one or more of these analysts cease to cover us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which, in turn, could cause the market price or trading volume for our ADSs to decline.

The sale or availability for sale, or perceived sale or availability for sale, of substantial amounts of our ADSs could adversely affect their market price.

Sales of substantial amounts of our ADSs in the public market after the completion of this offering, or the perception that these sales could occur, could adversely affect the market price of our ADSs and could materially impair our ability to raise capital through equity offerings in the future. There will be ADSs (equivalent to common shares) outstanding immediately after this offering, or ADSs (equivalent to common shares) if the underwriters exercise their options to purchase additional ADSs in full. The ADSs sold in this offering will be freely tradable without restriction or further registration under the Securities Act of 1933, as amended, or the Securities Act, and shares held by our existing shareholders may also be sold in the public market in the future subject to the restrictions in Rule 144 and Rule 701 under the Securities Act and the applicable lock-up agreements. In connection with this offering, we and our officers, directors and certain of our shareholders have agreed not to sell any common shares or ADSs for 180 days after the date of this prospectus without the prior written consent of the underwriters. However, the underwriters may release the securities subject to lock-up agreements from the lock-up restrictions at any time, subject to applicable regulations of the Financial Industry Regulatory Authority, Inc. In addition, common shares subject to our outstanding options as of the closing of this offering will become eligible for sale in the public market to the extent permitted by the provisions of various vesting agreements, the lock-up agreements and Rules 144 and 701 under the Securities Act. We may also issue additional options in the future which may be exercised for additional common shares. We cannot predict what effect, if any, market sales of securities held by our significant shareholders or any other shareholder or the availability of these securities for future sale will have on the market price of our ADSs. See “Underwriting” and “Shares Eligible for Future Sale” for a more detailed description of the restrictions on selling our securities after this offering.

Because the initial public offering price is substantially higher than the pro forma 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 each ADS than the corresponding amount paid by existing shareholders for their common shares. As a result, you will experience immediate and substantial dilution of approximately US$ per ADS (assuming that no outstanding options to acquire common shares are exercised). This number represents the difference between our pro forma net tangible book value per ADS of US$ as of March 31, 2012, after giving effect to this offering and the assumed initial public offering price of US$ per ADS, the midpoint of the estimated initial public offering price range set forth on the front cover of this prospectus. See “Dilution” for a more complete description of how the value of your investment in our ADSs will be diluted upon the completion of this offering.

We may be classified as a passive foreign investment company, or PFIC, for United States federal income tax purposes, which could subject United States investors in our ADSs or common shares to significant adverse United States income tax consequences.

We will be classified as a “passive foreign investment company,” or “PFIC” if, in the case of any particular taxable year, either (a) 75% or more of our gross income for such year consists of certain types of “passive”

income or (b) 50% or more of the average quarterly value of our assets (as determined on the basis of fair market value) during such year produce or are held for the production of passive income (the "asset test"). Although the law in this regard is unclear, we treat Guangzhou Huaduo and Beijing Tuda as being owned by us for United States federal income tax purposes, not only because we exercise effective control over the operation of such entities but also because we are entitled to substantially all of their economic benefits, and, as a result, we consolidate their operating results in our consolidated financial statements. Assuming that we are the owner of Guangzhou Huaduo and Beijing Tuda for United States federal income tax purposes, and based upon our current income and assets (taking into account the proceeds from this offering) and projections as to the value of our ADSs and common shares following the offering, we do not presently expect to be classified as a PFIC for the current taxable year or the foreseeable future.

While we do not expect to become a PFIC, because the value of our assets for purposes of the asset test will generally be determined by reference to the market price of our ADSs or common shares, fluctuations in the market price of our ADSs or common shares may cause us to become a PFIC for the current or subsequent taxable years. The determination of whether we will be or become a PFIC will also depend, in part, on the composition of our income and assets, which will be affected by how, and how quickly, we use our liquid assets and the cash raised in this offering. Under circumstances where we determine not to deploy significant amounts of cash for active purposes or not to treat Guangzhou Huaduo or Beijing Tuda as owned by us for United States federal income tax purposes, our risk of being classified as a PFIC may substantially increase. Because there are uncertainties in the application of the relevant rules and PFIC status is a factual determination made annually after the close of each taxable year, there can be no assurance that we will not be a PFIC for the current taxable year or any future taxable year.

If we are classified as a PFIC in any taxable year, a U.S. holder (as defined in "Taxation—Material United States Federal Income Tax Considerations") may incur significantly increased United States income tax on gain recognized on the sale or other disposition of the ADSs or common shares and on the receipt of distributions on the ADSs or common shares to the extent such gain or distribution is treated as an "excess distribution" under the United States federal income tax rules and such holders may be subject to burdensome reporting requirements. Further, if we are classified as a PFIC for any year during which a U.S. holder holds our ADSs or common shares, we generally will continue to be treated as a PFIC for all succeeding years during which such U.S. holder holds our ADSs or common shares. For more information see "Taxation—Material United States Federal Income Tax Considerations—Passive Foreign Investment Company Rules."

Our articles of association contain anti-takeover provisions that could have a material adverse effect on the rights of holders of our common shares and ADSs.

We will adopt our second amended and restated articles of association that will become effective immediately upon completion of this offering. Our new articles of association contain provisions to limit the ability of others to acquire control of our company or cause us to engage in change-of-control transactions. These provisions could have the effect of depriving our shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transaction. For example, our board of directors has the authority, without further action by our shareholders, to issue preferred shares in one or more series and to fix their designations, powers, preferences, privileges, and relative participating, optional or special rights and the qualifications, limitations or restrictions, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights associated with our common shares, in the form of ADS or otherwise. Preferred shares could be issued quickly with terms calculated to delay or prevent a change in control of our company or make removal of management more difficult. If our board of directors decides to issue preferred shares, the price of our ADSs may fall and the voting and other rights of the holders of our common shares and ADSs may be materially and adversely affected.

You may face difficulties in protecting your interests, and your ability to protect your rights through U.S. courts may be limited, because we are incorporated under Cayman Islands law.

We are a company limited by shares incorporated under the laws of the Cayman Islands. Our corporate affairs are governed by our memorandum and articles of association, the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and the common law of the Cayman Islands. The rights of shareholders to take action against the directors, actions by minority shareholders and the fiduciary responsibilities of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from the common law of England, the decisions of whose courts are of persuasive authority, but are not binding, on a court in the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities laws than the United States. Some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action in a federal court of the United States.

Unlike many jurisdictions in the United States, Cayman Islands law does not generally provide for shareholder appraisal rights on an approved arrangement and reconstruction of a company. For a discussion of significant differences between the provisions of the Corporate Law of the Cayman Islands and the law applicable to companies incorporated in the United States and their shareholders, see “Description of Share Capital—Differences in Corporate Law.” This may make it more difficult for you to assess the value of any consideration you may receive in a merger or consolidation or to require that the offeror give you additional consideration if you believe the consideration offered is insufficient. Moreover, holders of our ADSs are not entitled to appraisal rights under Cayman Islands law. ADS holders that wish to exercise their appraisal rights must convert their ADSs into our common shares by surrendering their ADSs to the depositary and paying the ADS depositary fee. See “Description of Share Capital—Differences in Corporate Law—Mergers and Similar Arrangements” for additional details.

Shareholders of Cayman Islands exempted companies like us have no general rights under Cayman Islands law to inspect corporate records or to obtain copies of lists of shareholders of these companies. Our directors have discretion under our existing articles of association to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

As a result of all of the above, public shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of the board of directors or controlling shareholders than they would as public shareholders of a company incorporated in the United States. For a discussion of significant differences between the provisions of the Companies Law of the Cayman Islands and the laws applicable to companies incorporated in the United States and their shareholders, see “Description of Share Capital—Differences in Corporate Law.”

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

We are a Cayman Islands company and all of our assets are located outside of the United States. Substantially all of our current operations are conducted in China. In addition, a significant majority of our current directors and officers are nationals and residents of countries other than the United States and a substantial portion of their assets are located outside the United States. Substantially all of the assets of these persons are located outside the United States. As a result, it may be difficult or impossible for you to bring an

action against us or against these individuals in the United States in the event that you believe that your rights have been infringed under the United States federal securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against our assets or the assets of our directors and officers.

There are uncertainties as to whether Cayman Islands courts would:

- recognize or enforce against us judgments of courts of the United States based on certain civil liability provisions of U.S. securities laws; and
- impose liabilities against us, in original actions brought in the Cayman Islands, based on certain civil liability provisions of U.S. securities laws that are penal in nature.

There is no statutory recognition in the Cayman Islands of judgments obtained in the United States, although the courts of the Cayman Islands will in certain circumstances recognize and enforce a non-penal judgment of a foreign court of competent jurisdiction without retrial on the merits. For more information regarding the relevant laws of the Cayman Islands and China, see “Enforceability of Civil Liabilities.”

We have not determined a specific use for a portion of the net proceeds from this offering, and we may use these proceeds in ways with which you may not agree and such use may not produce income on increase our ADS price.

We have not determined a specific use for a portion of the net proceeds of this offering, and our management will have considerable discretion in deciding how to apply these proceeds. You will not have the opportunity to assess whether the proceeds are being used appropriately before you make your investment decision. You must rely on the judgment of our management regarding the application of the net proceeds of this offering. We cannot assure you that the net proceeds will be used in a manner that would improve our results of operations or increase our ADS price, or that these net proceeds will be placed only in investments that generate income or appreciate in value.

The voting rights of holders of ADSs are limited by the terms of the deposit agreement, and you may not be able to exercise your right to vote your common shares.

As a holder of our ADSs, you will only be able to exercise the voting rights with respect to the underlying common shares in accordance with the provisions of the deposit agreement. Under the deposit agreement, you must vote by giving voting instructions to the depositary. Upon receipt of your voting instructions, the depositary will vote the underlying common shares in accordance with these instructions. You will not be able to directly exercise your right to vote with respect to the underlying shares unless you withdraw the shares. Under our second amended and restated memorandum and articles of association, the minimum notice period required for convening a general meeting is five days. When a general meeting is convened, you may not receive sufficient advance notice to withdraw the shares underlying your ADSs to allow you to vote with respect to any specific matter. If we ask for your instructions, the depositary will notify you of the upcoming vote and will arrange to deliver our voting materials to you. We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote your shares. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for their manner of carrying out your voting instructions. This means that you may not be able to exercise your right to vote and you may have no legal remedy if the shares underlying your ADSs are not voted as you requested.

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

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

- we have failed to timely provide the depositary with notice of meeting and related voting materials;
- we have instructed the depositary that we do not wish a discretionary proxy to be given;

- we have informed the depositary that there is substantial opposition as to a matter to be voted on at the meeting;
- a matter to be voted on at the meeting would have a material adverse impact on shareholders; or
- the voting at the meeting is to be made on a show of hands.

The effect of this discretionary proxy is that if you do not vote at shareholders' meetings, you cannot prevent our common shares underlying your ADSs from being voted, except under the circumstances described above. This may make it more difficult for shareholders to influence the management of our company. Holders of our common shares are not subject to this discretionary proxy.]

Because we do not expect to pay dividends in the foreseeable future after this offering, you must rely on price appreciation of our ADSs for return on your investment.

We currently intend to retain most, if not all, of our available funds and any future earnings after this offering to fund the development and growth of our business. As a result, we do not expect to pay any cash dividends in the foreseeable future. Therefore, you should not rely on an investment in our ADSs as a source for any future dividend income.

Our board of directors has complete discretion as to whether to distribute dividends. Even if our board of directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiary, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, the return on your investment in our ADSs will likely depend entirely upon any future price appreciation of our ADSs. There is no guarantee that our ADSs will appreciate in value after this offering or even maintain the price at which you purchased the ADSs. You may not realize a return on your investment in our ADSs and you may even lose your entire investment in our ADSs.

You may not receive dividends or other distributions on our common shares and you may not receive any value for them, if it is illegal or impractical to make them available to you.

The depositary of our ADSs has agreed to pay to you the cash dividends or other distributions it or the custodian receives on common shares or other deposited securities underlying our ADSs, after deducting its fees and expenses. You will receive these distributions in proportion to the number of common shares your ADSs represent. However, the depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any holders of ADSs. For example, it would be unlawful to make a distribution to a holder of ADSs if it consists of securities that require registration under the Securities Act but that are not properly registered or distributed under an applicable exemption from registration. The depositary may also determine that it is not feasible to distribute certain property through the mail. Additionally, the value of certain distributions may be less than the cost of mailing them. In these cases, the depositary may determine not to distribute such property. We have no obligation to register under U.S. securities laws any ADSs, common shares, rights or other securities received through such distributions. We also have no obligation to take any other action to permit the distribution of ADSs, common shares, rights or anything else to holders of ADSs. This means that you may not receive distributions we make on our common shares or any value for them if it is illegal or impractical for us to make them available to you. These restrictions may cause a material decline in the value of our ADSs.

You may not be able to participate in rights offerings and may experience dilution of your holdings.

We may, from time to time, distribute rights to our shareholders, including rights to acquire securities. Under the deposit agreement, the depositary will not distribute rights to holders of ADSs unless the distribution and sale of rights and the securities to which these rights relate are either exempt from registration under the Securities Act with respect to all holders of ADSs, or are registered under the provisions of the Securities Act. The depositary may, but is not required to, attempt to sell these undistributed rights to third parties, and may allow the rights to lapse. We may be unable to establish an exemption from registration under the Securities Act,

and we are under no obligation to file a registration statement with respect to these rights or underlying securities or to endeavor to have a registration statement declared effective. Accordingly, holders of ADSs may be unable to participate in our rights offerings and may experience dilution of their holdings as a result.

You may be subject to limitations on transfer of your ADSs.

Your ADSs are transferable on the books of the depositary. However, the depositary may close its books at any time or from time to time when it deems expedient in connection with the performance of its duties. The depositary may close its books from time to time for a number of reasons, including in connection with corporate events such as a rights offering, during which time the depositary needs to maintain an exact number of ADS holders on its books for a specified period. The depositary may also close its books in emergencies, and on weekends and public holidays. The depositary may refuse to deliver, transfer or register transfers of our ADSs generally when our share register or the books of the depositary are closed, or at any time if we or the depositary thinks that it is advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason in accordance with the terms of the deposit agreement. As a result, you may be unable to transfer your ADSs when you wish to.

We will incur increased costs as a result of being a public company, particularly after we cease to qualify as an "emerging growth company".

Upon completion of this offering, we will become a public company and expect to incur significant legal, accounting and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the Securities and Exchange Commission, or the SEC, and the [Nasdaq Global Market/NYSE], impose various requirements on the corporate governance practices of public companies. For as long as we remain an "emerging growth company" as defined in the JOBS Act, we intend to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies." Under the JOBS Act, "emerging growth companies" can delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have elected under the JOBS Act to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies.

We expect these rules and regulations to increase our legal and financial compliance costs and to make some corporate activities more time-consuming and costly. After we are no longer an "emerging growth company," we expect to incur significant expenses and devote substantial management effort toward ensuring compliance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 and the other rules and regulations of the SEC. For example, as a result of becoming a public company, we will need to increase the number of independent directors and adopt policies regarding internal controls and disclosure controls and procedures. We also expect that operating as a public company will make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. In addition, we will incur additional costs associated with our public company reporting requirements. It may also be more difficult for us to find qualified persons to serve on our board of directors or as executive officers. We are currently evaluating and monitoring developments with respect to these rules and regulations, and we cannot predict or estimate with any degree of certainty the amount of additional costs we may incur or the timing of such costs.

In the past, shareholders of a public company often brought securities class action suits against the company following periods of instability in the market price of that company's securities. If we were involved in a class action suit, it could divert a significant amount of our management's attention and other resources from our business and operations, which could harm our results of operations and require us to incur significant expenses to defend the suit. Any such class action suit, whether or not successful, could harm our reputation and restrict our ability to raise capital in the future. In addition, if a claim is successfully made against us, we may be required to pay significant damages, which could have a material adverse effect on our financial condition and results of operations.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND INDUSTRY DATA

This prospectus contains forward-looking statements that involve risks and uncertainties. All statements other than statements of historical facts are forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements.

You can identify these forward-looking statements by words or phrases such as “may,” “will,” “expect,” “anticipate,” “aim,” “estimate,” “intend,” “plan,” “believe,” “likely to” or other similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, but are not limited to, statements about:

- our growth strategies;
- our ability to retain and increase our user base and expand our product and service offerings;
- our ability to monetize our platform;
- our future business development, results of operations and financial condition;
- competition from companies in a number of industries including internet companies that provide online voice and video communications services and social networking companies;
- expected changes in our revenues and certain cost or expense items;
- our expectation regarding the use of proceeds from this offering;
- general economic and business condition in China; and
- assumptions underlying or related to any of the foregoing.

You should read thoroughly this prospectus and the documents that we refer to in this prospectus with the understanding that our actual future results may be materially different from and worse than what we expect. Other sections of this prospectus include additional factors which could adversely impact our business and financial performance. Moreover, we operate in an evolving environment. New risk factors and uncertainties emerge from time to time and it is not possible for our management to predict all risk factors and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We qualify all of our forward-looking statements by these cautionary statements.

You should not rely upon forward-looking statements as predictions of future events. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

This prospectus also contains statistical data and estimates that we obtained from industry publications and reports generated by third party providers of market intelligence, including the iResearch Report that we commissioned for the purposes of this offering. These industry publications and reports generally indicate that the information contained therein was obtained from sources believed to be reliable, but do not guarantee the accuracy and completeness of such information. Although we believe that the publications and reports are reliable, we make no representation as to the accuracy of such data.

USE OF PROCEEDS

We estimate that we will receive net proceeds from this offering of approximately US$ million, or approximately US$ million if the underwriters exercise their option to purchase additional ADSs in full, after deducting underwriting discounts and commissions and the estimated offering expenses payable by us. These estimates are based upon an assumed initial offering price of US$ per ADS, the mid-point of the range shown on the front cover page of this prospectus. A US$1.00 change in the assumed initial public offering price of US$ per ADS would, in the case of an increase, increase and, in the case of a decrease, decrease the net proceeds of this offering by US$ million, or approximately US$ million if the underwriters exercise their option to purchase additional ADSs in full, after deducting underwriting discounts and commissions and the estimated offering expenses payable by us.

The primary purposes of this offering are to create a public market for our shares for the benefit of all shareholders, retain talented employees by providing them with equity incentives and obtain additional capital. We intend to use the net proceeds received by us from this offering for the following purposes:

- US$ million to invest in our voice and video technology and infrastructure, including purchasing servers and leasing more bandwidth to support our expanding user base and further enhancing user experience;
- US$ million to expand our product development and services offerings, including through the hiring of additional research and development personnel and the further development of Mobile YY;
- US$ million to expand our sales and marketing activities, including the hiring of additional sales and marketing personnel; and
- the balance for other general corporate purposes, including working capital needs, potential acquisitions, partnerships, alliances and licensing opportunities.

[We will not receive any of the proceeds from the sale of ADSs by the selling shareholders.]

The amounts and timing of any expenditures will vary depending on the amount of cash generated by our operations, and the rate of growth, if any, of our business. Accordingly, our management will have significant flexibility in applying the net proceeds of the offering. If an unforeseen event occurs or business conditions change, we may use the proceeds of this offering differently than as described in this prospectus.

In utilizing the proceeds from this offering, we are permitted under PRC laws and regulations to provide funding to our PRC subsidiaries only through loans or capital contributions, and only if we satisfy the applicable government registration and approval requirements. We cannot assure you that we will be able to meet these requirements on a timely basis, if at all. See “Risk Factors—Risks Relating to Doing Business in China—PRC regulation of direct investment and loans by offshore holding companies to PRC entities may delay or limit us from using the proceeds of this offering to make additional capital contributions or loans to our PRC subsidiaries.”

Pending use of the net proceeds, we intend to hold our net proceeds in demand deposits or invest them in interest-bearing government securities.

DIVIDEND POLICY

We have not previously declared or paid cash dividends and we have no plan to declare or pay any dividends in the near future on our shares or ADSs. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

We are a holding company incorporated in the Cayman Islands. We rely principally on dividends from our PRC subsidiaries for our cash requirements, including any payment of dividends to our shareholders. PRC regulations may restrict the ability of our PRC subsidiaries to pay dividends to us. See "Risk Factors—Risks Relating to Our Corporate Structure and Our Industry—Our PRC subsidiaries and PRC consolidated affiliated entities are subject to restrictions on paying dividends or making other payments to us, which may restrict our ability to satisfy our liquidity requirements. " and "PRC Regulation—Regulation of Foreign Currency Exchange and Dividend Distribution."

Our board of directors has discretion as to whether to distribute dividends, subject to the approval of our shareholders and applicable laws. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant. If we pay any dividends, we will pay our ADS holders to the same extent as holders of our common shares, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. See "Description of American Depositary Shares." Cash dividends on our common shares, if any, will be paid in U.S. dollars.

CAPITALIZATION

The following table sets forth our capitalization as of March 31, 2012:

- on an actual basis;
- on a pro forma basis to reflect the automatic conversion of all of our outstanding series A, B, C-1 and C-2 preferred shares into 359,424,310 common shares immediately upon the completion of this offering; and
- on a pro forma as adjusted basis to reflect (a) the automatic conversion of all of our outstanding series A, B, C-1 and C-2 preferred shares into 359,424,310 common shares immediately upon the completion of this offering and (b) the sale of common shares in the form of ADSs by us in this offering at an assumed initial public offering price of US$ 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 (assuming the over-allotment option is not exercised).

You should read this table together with our consolidated financial statements and the related notes included elsewhere in this prospectus and the information under "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	As of March 31, 2012					
	Actual		Pro forma (Unaudited)		Pro forma as adjusted[1] (Unaudited)	
	RMB	US$	RMB	US$	RMB	US$
	(in thousands)					
Preferred Shares:						
Series A preferred shares (US$0.00001 par value; 136,100,930 shares authorized, issued and outstanding on an actual basis; and none outstanding on a pro forma or pro forma as adjusted basis as of March 31, 2012)	958,858	152,259	—	—		
Series B preferred shares (US$0.00001 par value; 102,073,860 shares authorized, issued and outstanding on an actual basis; and none outstanding on a pro forma or pro forma as adjusted basis as of March 31, 2012)	721,723	114,605	—	—		
Series C-1 preferred shares (US$0.00001 par value; 16,249,870 shares authorized, issued and outstanding on an actual basis; and none outstanding on a pro forma or pro forma as adjusted basis as of March 31, 2012)	115,378	18,321	—	—		
Series C-2 preferred shares (US$0.00001 par value; 104,999,650 shares authorized, issued and outstanding on an actual basis; and none outstanding on a pro forma or pro forma as adjusted basis as of March 31, 2012)	747,606	118,715	—	—		
Shareholders' (Deficit) Equity:						
Common shares (US$0.00001 par value; 1,022,785,225 shares authorized, 543,340,914 shares issued and outstanding as of March 31, 2012, and 902,765,224 outstanding on a pro forma basis as of March 31, 2012)	37	6	61	9		
Additional paid-in capital[2]	548,995	87,177	3,092,536	491,074		
Accumulated deficit	(2,430,083)	(385,881)	(2,430,083)	(385,881)		
Accumulated other comprehensive loss	(12,740)	(2,023)	(12,740)	(2,023)		
Total shareholders' (deficit) equity[2]	(1,893,791)	(300,721)	649,774	103,179		
Total capitalization[2]						

(1) The pro forma as adjusted information discussed above is illustrative only. Our additional paid-in capital, total shareholders' deficit and total capitalization following the completion of this offering are subject to adjustment based on the actual initial public offering price and other terms of this offering determined at pricing.

(2) Assuming the number of ADSs offered by us as set forth on the cover page of this prospectus remains the same, and after deduction of underwriting discounts and commissions and the estimated offering expenses payable by us, a US$1.00 change in the assumed initial public offering price of US$ per ADS would, in the case of an increase, increase and, in the case of a decrease, decrease each of additional paid-in capital, total shareholders' deficit and total capitalization by US$ million.

DILUTION

If you invest in our ADSs, your interest will be diluted to the extent of the difference between the initial public offering price per ADS and our net tangible book value per ADS after this offering. Dilution results from the fact that the initial public offering price per common share is substantially in excess of the book value per common share attributable to the existing shareholders for our presently outstanding common shares and holders of our outstanding series A, B, C-1 and C-2 preferred shares which will automatically convert into our common shares upon the completion of this offering.

Our net tangible book value as of March 31, 2012 was approximately US$ per common share and US$ per ADS. Net tangible book value per common share represents the amount of total tangible assets, minus the amount of total liabilities, divided by the total number of common shares outstanding. Dilution is determined by subtracting net tangible book value per common share from the assumed public offering price per common share.

Without taking into account any other changes in such net tangible book value after March 31, 2012, other than to give effect to (1) the conversion of all of our series A, B, C-1 and C-2 preferred shares into common shares, which will occur automatically upon the completion of this offering, and (2) our issuance and sale of ADSs in this offering, at an assumed initial public offering price of US$ per ADS, the mid-point of the estimated public offering price range, and after deduction of underwriting discounts and commissions and estimated offering expenses payable by us (assuming the over-allotment option is not exercised), our pro forma net tangible book value at March 31, 2012 would have been US$ per outstanding common share, including common shares underlying our outstanding ADSs, or US$ per ADS. This represents an immediate increase in net tangible book value of US$ per common share, or US$ per ADS, to existing shareholders and an immediate dilution in net tangible book value of US$ per common share, or US$ per ADS, to purchasers of ADSs in this offering.

The following table illustrates the dilution on a per common share basis assuming that the initial public offering price per common share is US$ and all ADSs are exchanged for common shares:

Assumed initial public offering price per common share	US$
Net tangible book value per common share as of March 31, 2012	US$
Pro forma net tangible book value per common share after giving effect to the automatic conversion of all of our outstanding preferred shares as of March 31, 2012	US$
Pro forma net tangible book value per common share as adjusted to give effect to the automatic conversion of all of our outstanding preferred shares and this offering as of March 31, 2012	US$
Amount of dilution in net tangible book value per common share to new investors in the offering	US$
Amount of dilution in net tangible book value per ADS to new investors in the offering	US$

A US$1.00 change in the assumed public offering price of US$ per ADS would, in the case of an increase, increase and, in the case of a decrease, decrease our pro forma net tangible book value after giving effect to the offering by US$ million, the pro forma net tangible book value per common share and per ADS after giving effect to this offering by US$ per common share and per ADS and the dilution in pro forma net tangible book value per common share and per ADS to new investors in this offering by US$ per common share and per ADS, assuming no change to the number of ADSs offered by us as set forth on the cover page of this prospectus, and after deducting underwriting discounts and commissions and estimated offering expenses. The pro forma information discussed above is illustrative only. Our net tangible book value following the completion of this offering is subject to adjustment based on the actual initial public offering price of our ADSs and other terms of this offering determined at pricing.

The following table summarizes, on a pro forma basis as of March 31, 2012, the differences between the shareholders as of March 31, 2012 and the new investors with respect to the number of common shares purchased from us, the total consideration paid and the average price per common share paid at an assumed initial public offering price of US$ per ADS before deducting estimated underwriting discounts and commissions and estimated offering expenses. The total number of common shares does not include common shares underlying the ADSs issuable upon the exercise of the option to purchase additional ADSs granted to the underwriters.

	Common Shares Purchased		Total Consideration		Average Price Per Common Share	Average Price Per ADS
	Number	Percent	Amount	Percent		
Existing shareholders						
New investors						
Total		100%		100%		

If the underwriters were to fully exercise the over-allotment option to purchase additional common shares from us, the percentage of our common shares held by existing shareholders who are directors, officers or affiliated persons would be %, and the percentage of our common shares held by new investors would be %.

A US$1.00 change in the assumed public offering price of US$ per ADS would, in the case of an increase, increase and, in the case of a decrease, decrease total consideration paid by new investors, total consideration paid by all shareholders, average price per common share and average price per ADS paid by all shareholders by US$, US$, US$ and US$, respectively, assuming the sale of ADSs at US$, the mid-point of the range set forth on the cover page of this prospectus, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

The discussion and tables above also assume no exercise of any outstanding stock options outstanding as of the date of this prospectus. As of the date of this prospectus, there were common shares issuable upon exercise of outstanding stock options at a weighted average exercise price of US$ per common share, and there were common shares available for future issuance upon the exercise of future option grants. To the extent that any of these options are exercised, there will be further dilution to new investors. As of the date of this prospectus, there were issued but unvested common shares. To the extent that any of these options are exercised and the unvested common shares become vested, there will be further dilution to new investors.

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EXCHANGE RATE INFORMATION

Our reporting currency is the Renminbi because our business is primarily conducted in China and substantially all of our revenues are denominated in Renminbi. This prospectus contains translations of Renminbi amounts into U.S. dollars at specific rates solely for the convenience of the reader. The conversion of Renminbi into U.S. dollars in this prospectus is based on the rate certified for customs purposes by the Federal Reserve Bank of New York. Unless otherwise noted, all translations from Renminbi to U.S. dollars and from U.S. dollars to Renminbi in this prospectus were made at a rate of RMB6.30 to US$1.00, the rate in effect as of March 30, 2012. We make no representation that any Renminbi or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or Renminbi, as the case may be, at any particular rate, the rates stated below, or at all. The PRC government imposes control over its foreign currency reserves in part through direct regulation of the conversion of Renminbi into foreign exchange and through restrictions on foreign trade. On July 6, 2012, the rate was RMB6.3640 to US$1.00.

The following table sets forth information concerning exchange rates between the Renminbi and the U.S. dollar for the periods indicated. These rates are provided solely for your convenience and are not necessarily the exchange rates that we used in this prospectus or will use in the preparation of our periodic reports or any other information to be provided to you.

	Certified Exchange Rate			
Period	**Period End**	**Average[(1)]**	**Low**	**High**
	(RMB per US$1.00)			
2007	7.2946	7.5806	7.8127	7.2946
2008	6.8225	6.9193	7.2946	6.7800
2009	6.8259	6.8295	6.8470	6.8176
2010	6.6000	6.7603	6.8102	6.6000
2011	6.2939	6.4475	6.6364	6.2939
2012				
January	6.3330	6.3107	6.3330	6.2940
February	6.2935	6.2997	6.3120	6.2935
March	6.2975	6.3125	6.3315	6.2975
April	6.2790	6.3043	6.3150	6.2790
May	6.3684	6.3242	6.3684	6.3052
June	6.3530	6.3633	6.3703	6.3530
July (through July 6)	6.3640	6.3551	6.3640	6.3487

Source: Federal Reserve Statistical Release

(1) Annual averages were calculated by using the average of the exchange rates on the last day of each month during the relevant year. Monthly averages are calculated by using the average of the daily rates during the relevant month.

ENFORCEABILITY OF CIVIL LIABILITIES

We were incorporated in the Cayman Islands in order to enjoy the following benefits:

- political and economic stability;
- a favorable tax system;
- the absence of exchange control or currency restrictions; and
- the availability of professional and support services.

However, certain disadvantages accompany incorporation in the Cayman Islands. These disadvantages include, but are not limited to, the following:

- the Cayman Islands has a less developed body of securities laws as compared to the United States and these securities laws provide significantly less protection to investors; and
- Cayman Islands companies may not have standing to sue before the federal courts of the United States.

Our constituent documents do not contain provisions requiring that disputes, including those arising under the securities laws of the United States, between us, our officers, directors and shareholders, be arbitrated. Under the deposit agreement with our depositary, , [any disputes arising from the deposit agreement that cannot be resolved through friendly negotiations will be resolved through arbitration at]. Moreover, under the contractual arrangements that we entered into with Beijing Tuda and Guangzhou Huaduo, any disputes arising from those contracts that cannot be resolved through friendly negotiations will be resolved through arbitration conducted through the China International Economic and Trade Arbitration Commission in Beijing or Shanghai.

Our PRC legal counsel, Zhong Lun Law Firm, has advised us that in the event that a shareholder originates an action against a company in China for disputes related to contracts or other property interests, the PRC court may accept a course of action based on the laws or the parties' express mutual agreement in contracts choosing PRC courts for dispute resolution if (a) the contract is signed and/or performed within the PRC, (b) the subject of the action is located within the PRC, (c) the company (as defendant) has seizable properties within the PRC, (d) the company has a representative organization within the PRC, or (e) other circumstances prescribed under the PRC law. The action may be initiated by a shareholder through filing a complaint with the PRC court. The PRC court will determine whether to accept the complaint in accordance with the PRC Civil Procedures Law. The shareholder may participate in the action by itself or entrust any other person or PRC legal counsel to participate on its behalf. Foreign citizens and companies will have the same rights as PRC citizens and companies in an action unless the home jurisdiction of such foreign citizens or companies restricts the rights of PRC citizens and companies.

Conyers Dill & Pearman, our legal counsel as to Cayman Islands law, has also advised us that a shareholder may commence an action against persons who have allegedly wronged the company, where the company itself has failed to enforce such claim against such persons directly. Such action is brought on the basis of a primary right of the corporation, but is asserted by a shareholder on behalf of the company commonly known as a "derivative action." Generally, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's articles of association. Civil proceedings are generally commenced by originating process (by writ or originating summons). A shareholder may commence proceedings in the Cayman Islands and may instruct an attorney to act on the shareholder's behalf. Service of proceedings on the company is effected through the delivery of the originating process at the registered office of the company. There are no particular formalities that a non-resident shareholder must comply with to initiate and commence proceedings in the Cayman Islands.

All of our operations are conducted outside the United States, and substantially all of our assets are located outside the United States. A significant majority of our directors and officers are nationals or residents of

jurisdictions other than the United States and a substantial portion of their assets are located outside the United States. As a result, it may be difficult for a shareholder to effect service of process within the United States upon these persons, or to enforce against us or them judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States. It may also be difficult for you to enforce in Cayman Islands courts judgments obtained in United States courts based on the civil liability provisions of the United States federal securities laws against us and our officers and directors.

We have appointed as our agent upon whom process may be served in any action brought against us under the securities laws of the United States.

Conyers Dill & Pearman, our legal counsel as to Cayman Islands law, and Zhong Lun Law Firm, our legal counsel as to PRC law, have advised us, respectively, that there is uncertainty as to whether the courts of the Cayman Islands and China, respectively, would:

- recognize or enforce judgments of United States courts obtained against us or our directors or officers predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States; or
- entertain original actions brought in each respective jurisdiction against us or our directors or officers predicated upon the securities laws of the United States or any state in the United States.

There is uncertainty with regard to Cayman Islands law relates to whether a judgment obtained from the United States courts under civil liability provisions of the securities laws will be determined by the courts of the Cayman Islands as penal or punitive in nature. If such a determination is made, the courts of the Cayman Islands will not recognize or enforce the judgment against a Cayman company. Because the courts of the Cayman Islands have yet to rule on whether such judgments are penal or punitive in nature, it is uncertain whether they would be enforceable in the Cayman Islands. Conyers Dill & Pearman has advised us that the courts of the Cayman Islands would recognize as a valid judgment, a final and conclusive judgment *in personam* obtained in the federal or state courts of the United States against us under which a sum of money is payable (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty) or, in certain circumstances, an *in personam* judgment for non-monetary relief, and would give a judgment based thereon provided that (a) such courts had proper jurisdiction over the parties subject to such judgment; (b) such courts did not contravene the rules of natural justice of the Cayman Islands; (c) such judgment was not obtained by fraud; (d) the enforcement of the judgment would not be contrary to the public policy of the Cayman Islands; (e) no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of the Cayman Islands; and (f) there is due compliance with the correct procedures under the laws of the Cayman Islands.

Zhong Lun Law Firm has further advised us that the recognition and enforcement of foreign judgments are provided for under PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of PRC Civil Procedures Law based either on treaties between China and the country where the judgment is rendered or on reciprocity between the jurisdictions. China does not have any treaties or other form of reciprocity with the United States or the Cayman Islands that provide for the reciprocal recognition and enforcement of foreign judgments. In addition, according to the PRC Civil Procedures Law, courts in the PRC will not enforce a foreign judgment against us or our directors and officers if they decide that the judgment violates the basic principles of PRC law or national sovereignty, security or public interest. A judgment that does not violate the basic principles of PRC law or national sovereignty, security or public interest may be recognized and enforced by a PRC court base on treaties between China and the country where the judgment is made or on principles of reciprocity between jurisdictions. However, as of the date of this prospectus, no treaty or other form of reciprocity exists between China and the United States or the Cayman Islands governing the recognition and enforcement of judgments. As a result, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered by a court in the United States or the Cayman Islands.

CORPORATE HISTORY AND STRUCTURE

We commenced operations in April 2005 with the establishment of Guangzhou Huaduo Network Technology Company Limited, or Guangzhou Huaduo, in China. Guangzhou Huaduo later became one of our PRC consolidated affiliated entities through the contractual arrangements described below.

We established Dokhi Investments Limited in the British Virgin Islands, or BVI, in July 2006 and changed its name to Duowan Limited in September 2006. In August 2006, we established Double Top Limited, which is wholly owned by Dokhi Investments Limited, in Hong Kong and changed its name to Duowan (Hong Kong) Limited in September 2006. In April 2007, we established Guangzhou Duowan Information Technology Company Limited, or Guangzhou Duowan, which was wholly owned by Duowan (Hong Kong) Limited. Guangzhou Duowan entered into a series of contractual arrangements with Guangzhou Huaduo and its shareholders, which were subsequently amended solely to reflect updated shareholder equity interests in Guangzhou Huaduo, through which Guangzhou Duowan exercised effective control over the operations of Guangzhou Huaduo.

In November 2007, we established Duowan Entertainment Corp., or Duowan BVI, in the BVI. In March 2008, we established Huanju Shidai Technology (Beijing) Company Limited, formerly known as Duowan Entertainment Information Technology (Beijing) Company Limited, or Huanju Shidai, which is wholly owned by Duowan BVI. Huanju Shidai purchased all the equity interests in Guangzhou Duowan from Duowan (Hong Kong) Limited in August 2008, and entered into a series of contractual arrangements with Guangzhou Huaduo and its shareholders through which Huanju Shidai exercises effective control over the operations of Guangzhou Huaduo. Duowan (Hong Kong) Limited was deregistered as a company and ceased to operate in May 2010.

In December 2008, Duowan BVI entered into an agreement with Morningside Technology Investments Limited and two individuals, through which Duowan BVI purchased all the equity interests in NeoTasks Inc. from Morningside Technology Investments Limited.

In March 2009, Huanju Shidai entered into an agreement with NeoTasks New Age International Media Technology (Beijing) Company Limited, or NeoTasks Beijing, through which NeoTasks Beijing was merged into Huanju Shidai. After the merger and additional capital contribution, Huanju Shidai became 96.5% held by Duowan BVI, and 3.5% held by NeoTasks Limited (formerly known as Enlight Online Entertainment Limited), a Hong Kong company, which in turn was the shareholder of NeoTasks Beijing before the merger. NeoTasks Limited is 100% owned by NeoTasks Inc., a Cayman Islands Company. In August 2009, Guangzhou Duowan was renamed Zhuhai Duowan Information Technology Company Limited.

In December 2009, Huanju Shidai entered into a series of contractual agreements with Beijing Tuda and its shareholders, which were subsequently amended solely to reflect updated shareholder equity interests in Beijing Tuda, through which agreements Huanju Shidai exercises effective control over the operations of Beijing Tuda.

In December 2010, we established Zhuhai Duowan Technology, which is 100% directly owned by Duowan BVI.

Guangzhou Huaduo currently owns the domain names of YY.com and Duowan.com. Our YY platform, including YY.com, is jointly operated by personnel from Guangzhou Huaduo and Zhuhai Duowan.

Our current holding company, YY Inc., was incorporated in July 2011 as a limited liability company in the Cayman Islands. Through a share exchange on September 6, 2011, the shareholders of Duowan BVI exchanged all of their outstanding common and preferred shares in Duowan BVI for common and preferred shares of YY Inc. on a pro rata basis. No additional consideration was paid in connection with the share exchange. As a result, Duowan BVI became a wholly owned subsidiary of YY Inc.

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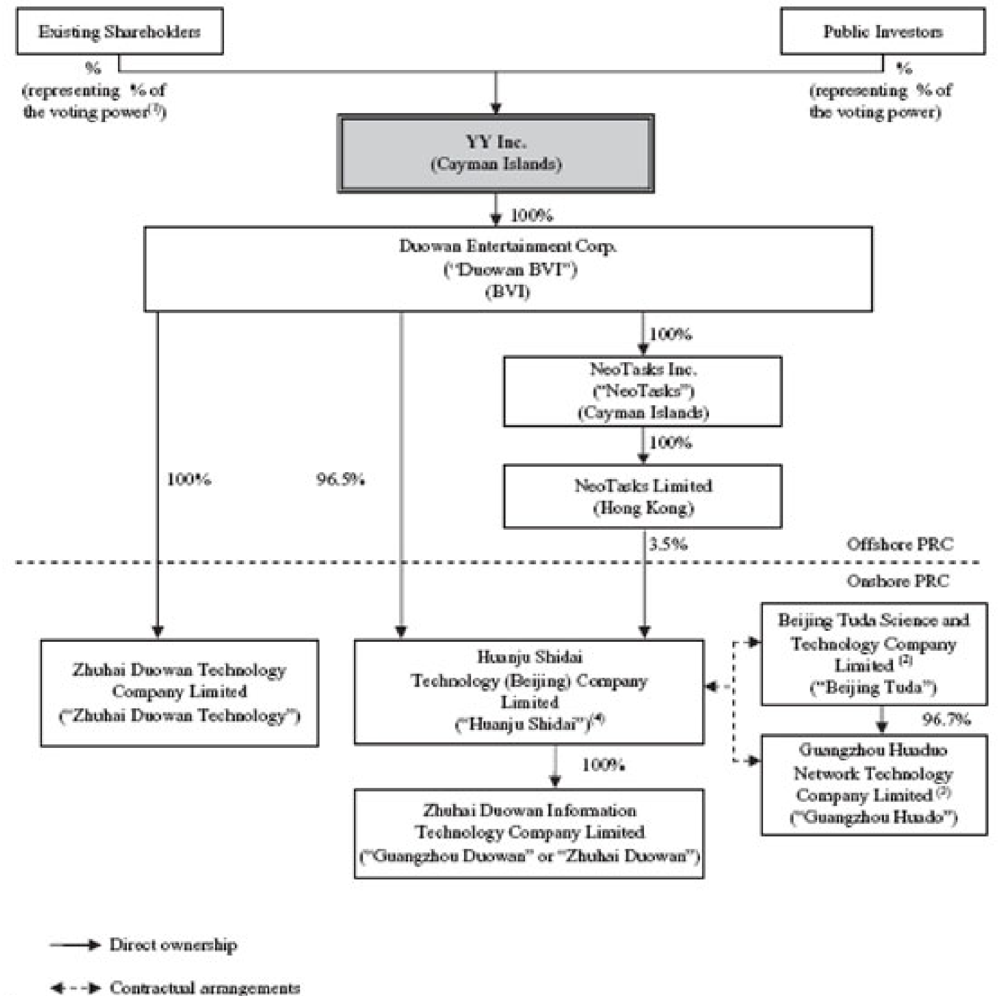
The following diagram illustrates our corporate structure upon the completion of this offering, assuming that the underwriters do not exercise their option to purchase additional shares:



(1) Upon the completion of this offering, our senior management and existing shareholders holding more than 5% of our outstanding shares will own an aggregate of % of the total voting power of our outstanding shares.

(2) Beijing Tuda is our PRC consolidated affiliated entity. Mr. David Xueling Li, our co-founder, chief executive officer and director, Mr. Tony Bin Zhao, our chief technology officer, and Mr. Jin Cao, the general manager of our website department, own 97.7%, 1.5% and 0.8% of Beijing Tuda's equity interests, respectively.

(3) Guangzhou Huaduo is our PRC consolidated affiliated entity. Mr. David Xueling Li, Mr. Jun Lei, our co-founder and chairman, Mr. Tony Bin Zhao, Mr. Jin Cao and Beijing Tuda own approximately 1.7%, 1.5%, 0.1%, 0.1% and 96.6% of Guangzhou Huaduo's equity interests, respectively.

(4) Formerly known as Duowan Entertainment Information Technology (Beijing) Company Limited.

Contractual Arrangements with Beijing Tuda

The following is a summary of the currently effective contracts among our subsidiary, Huanju Shidai, our PRC consolidated affiliated entity, Beijing Tuda, and the shareholders of Beijing Tuda.

Agreements that transfer economic benefits to us

Exclusive Business Cooperation Agreement

Under the exclusive business cooperation agreement between Huanju Shidai and Beijing Tuda, as amended, Huanju Shidai has the exclusive right to provide to Beijing Tuda technology support, business support and consulting services related to Beijing Tuda's business, the scope of which is to be determined by Huanju Shidai from time to time. Huanju Shidai owns the exclusive intellectual property rights created as a result of the performance of this agreement. The service fee payable by Beijing Tuda to Huanju Shidai is up to 100% of the net profit of Beijing Tuda, and the timing and amount of the fee payments shall be determined at the sole discretion of Huanju Shidai. The term of this agreement will expire in 2039 and may be extended with Huanju Shidai's written confirmation prior to the expiration date. Huanju Shidai has sole discretion to terminate the agreement at any time by providing 30 days' prior written notice to Beijing Tuda, while neither Beijing Tuda nor its shareholders are entitled to terminate the agreement.

Exclusive Technology Support and Technology Services Agreement

Under the exclusive technology support and technology services agreement between Huanju Shidai and Beijing Tuda, as amended, Huanju Shidai has the exclusive right to provide to Beijing Tuda technology support and technology services related to all technologies needed for its business. Huanju Shidai owns the exclusive intellectual property rights created as a result of the performance of this agreement. The service fee payable by Beijing Tuda to Huanju Shidai is 10% of Beijing Tuda's gross revenues. The term of this agreement will expire in 2029 and may be extended with Huanju Shidai's written confirmation prior to the expiration date. Huanju Shidai has sole discretion to terminate the agreement at any time by providing 30 days' prior written notice to Beijing Tuda, while neither Beijing Tuda nor its shareholders are entitled to terminate the agreement.

Agreements that provide us effective control over Beijing Tuda

Powers of Attorney

Under the irrevocable powers of attorney executed by each shareholder of Beijing Tuda, each such shareholder appointed Huanju Shidai as its attorney-in-fact to exercise such shareholders' rights in Beijing Tuda, including, without limitation, the power to vote on its behalf on all matters of Beijing Tuda requiring shareholder approval under PRC laws and regulations and the articles of association of Beijing Tuda. Each power of attorney will remain in force until the shareholder ceases to hold any equity interest in Beijing Tuda.

Exclusive Option Agreement

Under the exclusive option agreement between Huanju Shidai, each of the shareholders of Beijing Tuda and Beijing Tuda, each of the shareholders irrevocably granted Huanju Shidai or its designated representative(s) an exclusive option to purchase, to the extent permitted under PRC law, all or part of his or its equity interests in Beijing Tuda. Huanju Shidai or its designated representative(s) have sole discretion as to when to exercise such options, either in part or in full. Without Huanju Shidai's prior written consent, Beijing Tuda's shareholders shall not sell, transfer, mortgage or otherwise dispose their equity interests in Beijing Tuda. The term of this agreement is ten years and may be extended at Huanju Shidai's sole discretion.

Equity Interest Pledge Agreement

Under the equity interest pledge agreement between Huanju Shidai and the shareholders of Beijing Tuda, the shareholders of Beijing Tuda have pledged all of their equity interests in Beijing Tuda to Huanju Shidai to guarantee the performance by Beijing Tuda and its shareholders' performance of their respective obligations under the exclusive business cooperation agreement, exclusive option agreement, exclusive technology support and technology services agreement and powers of attorney. If Beijing Tuda or its shareholders breach their contractual obligations under those agreements, Huanju Shidai, as the pledgee, will be entitled to certain rights, including the right to sell the pledged equity interests. This pledge became effective on the date the pledged equity interests were registered with the competent administration for industry and commerce and will remain effective until the pledgors are no longer the shareholders of Beijing Tuda.

Contractual Arrangements with Guangzhou Huaduo

The following is a summary of the currently effective contracts among Huanju Shidai, Guangzhou Huaduo and the shareholders of Guangzhou Huaduo.

Agreements that transfer economic benefits to us

Exclusive Business Cooperation Agreement

Under the exclusive business cooperation agreement between Huanju Shidai and Guangzhou Huaduo, as amended, Huanju Shidai has the exclusive right to provide to Guangzhou Huaduo technology support, business support and consulting services related to Guangzhou Huaduo's business, the scope of which is to be determined by Huanju Shidai from time to time. Huanju Shidai owns the exclusive intellectual property rights created as a result of the performance of this agreement. The service fee payable by Guangzhou Huaduo to Huanju Shidai is up to 100% of the net profit of Guangzhou Huaduo, and the timing and amount of the fee payments will be determined at the sole discretion of Huanju Shidai. The term of this agreement will expire in 2038 and may be extended with Huanju Shidai's written confirmation prior to the expiration date. Huanju Shidai has sole discretion to terminate the agreement at any time by providing 30 days' prior written notice to Guangzhou Huaduo, while neither Guangzhou Huaduo nor its shareholders are entitled to terminate the agreement.

Exclusive Technology Support and Technology Services Agreement

Under the exclusive technology support and technology services agreement between Huanju Shidai and Guangzhou Huaduo, as amended, Huanju Shidai has the exclusive right to provide to Guangzhou Huaduo technology support and technology services related to all technologies needed for its business. Huanju Shidai owns the exclusive intellectual property rights created as a result of the performance of this agreement. The service fee payable by Guangzhou Huaduo to Huanju Shidai is 10% of Guangzhou Huaduo's gross revenues. The term of this agreement will expire in 2028 and may be extended with Huanju Shidai's written confirmation prior to the expiration date. Huanju Shidai has sole discretion to terminate the agreement at any time by providing 30 days' prior written notice to Guangzhou Huaduo, while neither Guangzhou Huaduo nor its shareholders are entitled to terminate the agreement.

Agreements that provide us effective control over Guangzhou Huaduo

Powers of Attorney

Under the irrevocable powers of attorney executed by each shareholder of Guangzhou Huaduo, each such shareholder appointed Huanju Shidai as its attorney-in-fact to exercise such shareholders' rights in Guangzhou Huaduo, including, without limitation, the power to vote on its behalf on all matters of Guangzhou Huaduo requiring shareholder approval under PRC laws and regulations and the articles of association of Guangzhou Huaduo. Each power of attorney will remain in force until the shareholder ceases to hold any equity interest in Guangzhou Huaduo.

Exclusive Option Agreement

Under the exclusive option agreement between Huanju Shidai, each of the shareholders of Guangzhou Huaduo and Guangzhou Huaduo, each of the shareholders irrevocably granted Huanju Shidai or its designated representative(s) an exclusive option to purchase, to the extent permitted under PRC law, all or part of his or its equity interests in Guangzhou Huaduo. Huanju Shidai or its designated representative(s) have sole discretion as to when to exercise such options, either in part or in full. Without Huanju Shidai's prior written consent, Guangzhou Huaduo's shareholders shall not sell, transfer, mortgage or otherwise dispose their equity interests in Guangzhou Huaduo. The term of this agreement is ten years and may be extended at Huanju Shidai's sole discretion.

Equity Interest Pledge Agreement

Under the equity interest pledge agreement between Huanju Shidai and the shareholders of Guangzhou Huaduo, the shareholders of Guangzhou Huaduo have pledged all of their equity interests in Guangzhou Huaduo to Huanju Shidai to guarantee the performance by Guangzhou Huaduo and its shareholders' performance of their respective obligations under the exclusive business cooperation agreement, exclusive option agreement, exclusive technology support and technology services agreement and powers of attorney. If Guangzhou Huaduo and/or its shareholders breach their contractual obligations under those agreements, Huanju Shidai, as the pledgee, will be entitled to certain rights, including the right to sell the pledged equity interests. The pledge became effective on the date the pledged equity interests were registered with the competent administration for industry and commerce and will remain effective until the pledgors are no longer the shareholders of Guangzhou Huaduo.

In the opinion of our PRC legal counsel:

- the ownership structures of our PRC consolidated affiliated entities and our PRC subsidiaries in China, both currently and after giving effect to this offering, comply with all existing PRC laws and regulations; and
- the contractual arrangements among Huanju Shidai, Guangzhou Huaduo and its shareholders and the contractual arrangements among Huanju Shidai, Beijing Tuda and its shareholders governed by PRC law are valid, binding and enforceable, and will not result in any violation of PRC laws or regulations currently in effect.
- each of our PRC subsidiaries and each of our PRC consolidated affiliated entities has all necessary corporate power and authority to conduct its business as described in its business scope under its business license. The business licenses of each of our PRC subsidiaries and each of our PRC consolidated affiliated entities are in full force and effect. Each of our PRC subsidiaries and each of our PRC consolidated affiliated entities is capable of suing and being sued and may be the subject of any legal proceedings in PRC courts. To the best of our PRC legal counsel's knowledge after due inquiries, none of our PRC subsidiaries, PRC consolidated affiliated entities or their respective assets is entitled to any immunity, on the grounds of sovereignty, from any action, suit or other legal proceedings; or from enforcement, execution or attachment.

We have been advised by our PRC legal counsel, however, that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules. Accordingly, the PRC regulatory authorities may take a view that is contrary to the above opinion of our PRC legal counsel. We have been further advised by our PRC legal counsel that if the PRC government finds that the agreements that establish the structure for operating our internet-based business do not comply with PRC government restrictions on foreign investment in the aforesaid business we engage in, we could be subject to severe penalties including being prohibited from continuing operations. See "Risk Factors—Risks Relating to Our Corporate Structure and Our Industry—If the PRC government finds that the structure we have adopted for our business operations does not comply with PRC laws and regulations, or if these laws or regulations or interpretations of existing laws or regulations change in the future, we could be subject to severe penalties, including the shutting down of our platform and our business operations."

SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated statements of operations data for the years ended December 31, 2009, 2010 and 2011 and the selected balance sheet data as of December 31, 2010 and 2011 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. Our consolidated financial statements are prepared and presented in accordance with U.S. GAAP. The selected consolidated statements of operations data for the three months ended March 31, 2011 and 2012 and the selected consolidated balance sheet data as of March 31, 2012 have been derived from our unaudited consolidated financial statements included elsewhere in this prospectus. The unaudited consolidated financial statements have been prepared 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 historical results for any period are not necessarily indicative of results to be expected for any future period. You should read the following selected 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.

	For the Year Ended December 31,				For the Three Months Ended March 31,		
	2009	2010	2011		2011	2012	
	RMB	RMB	RMB	US$	RMB	RMB	US$
					(Unaudited)		
	(in thousands, except for share, per share and per ADS data)						
Selected Consolidated Statements of Operations Data:							
Internet value-added service							
—Online game	12,976	86,316	165,933	26,380	34,479	68,806	10,926
—YY Music	—	—	52,854	8,403	40	33,763	5,361
—Others	853	1,282	13,589	2,161	686	13,427	2,132
Online advertising	18,881	40,740	87,279	13,876	12,152	20,667	3,282
Total net revenues	32,710	128,338	319,665	50,820	47,357	136,663	21,701
Cost of revenues[1]	(28,849)	(110,062)	(182,699)	(29,046)	(37,237)	(68,954)	(10,949)
Gross profit	3,861	18,276	136,956	21,774	10,120	67,709	10,752
Operating expenses[1]:							
Research and development expenses	(12,597)	(49,219)	(106,804)	(16,980)	(21,172)	(36,719)	(5,831)
Sales and marketing expenses	(4,951)	(12,363)	(13,381)	(2,127)	(3,722)	(2,046)	(325)
General and administrative expenses	(32,878)	(192,222)	(118,241)	(18,798)	(28,210)	(25,330)	(4,022)
Total operating expenses	(50,426)	(253,804)	(238,426)	(37,905)	(53,104)	(64,095)	(10,178)
Operating (loss) income	(46,565)	(235,528)	(99,488)	(15,816)	(42,984)	4,256	676
(Loss) income before income tax expenses	(46,534)	(236,023)	(80,455)	(12,791)	(42,295)	7,215	1,146
Net (loss) income attributable to YY Inc.	(47,116)	(238,857)	(83,156)	(13,221)	(42,927)	3,521	559
Weighted average number of common shares used in calculating:							
Basic	407,613,328	406,304,672	485,883,845	485,883,845	455,553,104	533,084,719	533,084,719
Diluted	407,613,328	406,304,672	485,883,845	485,883,845	455,553,104	533,084,719	533,084,719
Net loss per share:							
Basic	(0.81)	(5.04)	(0.63)	(0.10)	(0.23)	(0.11)	(0.02)
Diluted	(0.81)	(5.04)	(0.63)	(0.10)	(0.23)	(0.11)	(0.02)
Loss per ADS[2]:							
Basic							
Diluted							

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(1) Share-based compensation was allocated in cost of revenues and operating expenses as follows:

	For the Year Ended December 31,				For the Three Months Ended March 31,		
	2009	2010	2011		2011	2012	
	RMB	RMB	RMB	US$	RMB	RMB (Unaudited)	US$
	(in thousands)						
Cost of revenues	5,269	31,709	15,449	2,456	4,408	2,171	345
Research and development expenses	2,475	21,627	31,672	5,035	6,624	9,641	1,531
Sales and marketing expenses	194	1,499	1,336	212	315	248	39
General and administrative expenses	28,544	182,101	86,544	13,759	22,983	15,473	2,457
Total	36,482	236,936	135,001	21,462	34,330	27,533	4,372

(2) Each ADS represents common shares.

	As of December 31,				As of March 31,					
	2009	2010	2011		2012					
	RMB	RMB	RMB	US$	RMB	US$	RMB	US$	RMB	US$
	Actual	Actual	Actual	Actual	Actual	Actual	Pro forma[1] (Unaudited)	Pro forma[1] (Unaudited)	Pro forma as adjusted[2] (Unaudited)	Pro forma as adjusted[2] (Unaudited)
	(in thousands)									
Selected Consolidated Balance Sheet Data:										
Cash and cash equivalents	106,427	83,683	128,891	20,491	172,266	27,355	172,266	27,355		
Total assets	131,003	158,767	745,426	118,510	793,561	126,012	793,561	126,012		
Total current liabilities	52,757	253,001	125,737	19,990	142,527	22,633	142,527	22,633		
Total mezzanine equity	448,418	2,257,271	2,480,934	394,425	2,543,565	403,900	—	—		
Accumulated deficits	(370,045)	(2,350,448)	(2,433,604)	(386,900)	(2,430,083)	(385,881)	(2,430,083)	(385,881)		
Total shareholders' (deficits) equity	(370,172)	(2,351,505)	(1,861,693)	(295,976)	(1,893,791)	(300,721)	649,774	103,179		

(1) The unaudited consolidated balance sheet data as of March 31, 2012 on a pro forma basis reflect the automatic conversion of all of our outstanding series A, B, C-1 and C-2 preferred shares into 359,424,310 common shares immediately upon the completion of this offering.

(2) The unaudited consolidated balance sheet data as of March 31, 2012 on a pro forma as adjusted basis reflect (a) the automatic conversion of all of our outstanding series A, B, C-1 and C-2 preferred shares into 359,424,310 common shares immediately upon the completion of this offering; and (b) the sale of common shares in the form of ADSs by us in this offering at an assumed initial public offering price of US$ 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.

Non-GAAP Financial Measure

Adjusted Net Loss or Income

To provide investors with additional information about our financial results, we disclose within this prospectus adjusted net loss or income, a non-GAAP financial measure. We have provided below a reconciliation between adjusted net loss or income and net loss or income, the most directly comparable GAAP financial measure.

We have included adjusted net loss or income in this prospectus because it is a key measure we use to evaluate our operating performance, generate future operating plans and make strategic decisions for the allocation of capital. Accordingly, we believe that adjusted net loss or income provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our

management and board of directors. While we believe that this non-GAAP financial measure is useful in evaluating our business, this information should be considered as supplemental in nature and is not meant as a substitute for the related financial information prepared in accordance with GAAP.

The following table presents a reconciliation between adjusted net loss or income and net (loss)/income, the most directly comparable GAAP financial measure.

	For the year Ended December 31,				For the Three Months Ended March 31,		
	2009	2010	2011		2011	2012	
	RMB	RMB	RMB	US$	RMB (Unaudited)	RMB (Unaudited)	US$ (Unaudited)
				(in thousands)			
Reconciliation of Net Loss or Income to Adjusted Net Loss or Income:							
Net (loss) income	(47,116)	(238,857)	(83,156)	(13,221)	(42,927)	3,521	559
Share-based compensation	(36,482)	(236,936)	(135,001)	(21,462)	(34,330)	(27,533)	(4,372)
Adjusted net (loss) income	(10,634)	(1,921)	51,845	8,241	(8,597)	31,054	4,931

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the section headed "Selected Consolidated Financial Data" and our consolidated financial statements and the related notes included elsewhere in this prospectus. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this prospectus.

Overview

YY is a revolutionary rich communication social platform. YY Client, our core product launched in China in July 2008, has attracted 328.9 million registered user accounts as of May 31, 2012, and had 62.7 million monthly active users in May 2012. YY recorded a maximum of 9.0 million peak concurrent users in May 2012. Users spent an aggregate of 121.4 billion voice minutes on YY Client in the first three months of 2012.

We derive our revenues primarily from IVAS and online advertising. We derived 42.3%, 68.3%, 72.7% and 84.9% of our total net revenues from IVAS in 2009, 2010, 2011 and the three months ended March 31, 2012, respectively, with online advertising accounting for the remainder of our revenues. Revenues from IVAS are primarily generated through online games, YY Music and other services on our platform. Online advertising revenues are primarily generated from sales of different forms of advertising on Duowan.com. We expect to derive an increasing portion of our revenues from IVAS in the future. This trend may pose new challenges to us, including, for example, the need to develop more popular products and services in response to user demand. IVAS revenues depend on the popularity of the online games on our platform and the growth of other types of channels or activities for which IVAS are available, such as YY Music.

We began our operations in 2005 by launching Duowan.com, a popular online web portal hosting game media content. We have grown significantly in recent years, developing and introducing YY Client in 2008 and making YY Client available for mobile users through Mobile YY in December 2010. We believe that we will be able to further expand our existing user base and to capitalize on our large and highly engaged user base and our open platform by exploring additional monetization opportunities. Our total net revenues increased from RMB32.7 million in 2009 to RMB128.3 million in 2010 and to RMB319.7 million (US$50.8 million) in 2011, representing a CAGR of 212.6% from 2009 to 2011. For the three months ended March 31, 2012, our total net revenues grew to RMB136.7 million (US$ 21.7 million), representing a 188.4% increase from RMB47.4 million for the three months ended March 31, 2011. We had net losses of RMB47.1 million, RMB238.9 million and RMB83.2 million (US$13.2 million) in 2009, 2010 and 2011, respectively, and in the three months ended March 31, 2012, we had a net income of RMB3.5 million (US$ 0.6 million). Our adjusted net loss, a non-GAAP measure, decreased from RMB10.6 million in 2009 to RMB1.9 million in 2010, and in 2011, we had an adjusted net income of RMB51.8 million (US$8.2 million). In the three months ended March 31, 2012, our adjusted net income amounted to RMB31.1 million (US$4.9 million) compared to an adjusted net loss of RMB8.6 million in the same period in 2011. Our adjusted net loss or income excludes non-cash share-based compensation expenses. For information regarding adjusted net loss or income and a reconciliation of each to net loss or net income, see "Prospectus Summary—Our Summary Consolidated Financial Data—Non-GAAP Financial Measure" on page 12.

Our results of operations are subject to certain seasonal fluctuations. For example, the number of online users tend to be lower during school holidays and certain parts of the school year, and advertising revenues tend

to be lower during the Chinese New Year season, which negatively affects our cash flow for those periods. However, such seasonal fluctuations are relatively brief and predictable and have not posed any significant operational and financial challenges to our business. See "—Seasonality" for additional details regarding the effects of seasonality on our cash flow, operating performance and financial results.

Selected Statement of Operations Items

Revenues

In the years ended December 31, 2009, 2010 and 2011 and the three months ended March 31, 2012, we had derived our revenues primarily from IVAS and online advertising. Our IVAS revenues are primarily comprised of revenues from the paying users of online games, YY Music and, to a lesser degree, our membership subscriptions. Our online advertising revenues primarily consist of revenues from the sale of online advertising in various formats primarily on our Duowan.com online portal. We expect that from 2012 onward, an increasing portion of our revenues will be derived from non-game IVAS revenues, including revenues from in-channel virtual items sold on YY Client, such as virtual flowers and gifts for use in various channels, as well as other new online products and services that we recently launched or expect to offer in the future. Our historical revenues are not indicative of future revenues because they do not reflect the continuing, expanding monetization of our platform and the costs associated with such monetization. For example, we expect that revenues we receive from the membership program we launched in October 2011, which grants users enhanced privileges for monthly subscription fees, will increase in the future. The following table sets forth the principal components of our total net revenues by amount and as a percentage of our total net revenues for the periods presented.

	For the Year Ended December 31,							For the Three Months Ended March 31,				
	2009		2010		2011			2011		2012		
	RMB	% of total revenues	RMB	% of total revenues	RMB	US$	% of total revenues	RMB	% of total revenues	RMB	US$	% of total revenues
	(in thousands, except for percentages)											
Total net revenues:[(1)]												
IVAS:												
Online games	12,976	39.7	86,316	67.3	165,933	26,380	51.9	34,479	72.8	68,806	10,926	50.3
YY Music	—	—	—	—	52,854	8,403	16.5	40	0.1	33,763	5,361	24.7
Others	853	2.6	1,282	1.0	13,589	2,161	4.3	686	1.4	13,427	2,132	9.8
Online advertising	18,881	57.7	40,740	31.7	87,279	13,876	27.3	12,152	25.7	20,667	3,282	15.1
Total	32,710	100.0	128,338	100.0	319,655	50,820	100.0	47,357	100.0	136,663	21,701	100.0

(1) Revenues are presented net of rebates and discounts.

IVAS revenues. We generate revenues from (i) the sales of virtual items under the offering of web games developed by us or by third parties under revenue-sharing arrangements on YY Client, (ii) the sale of in-channel virtual items to be used on YY Music and (iii) other revenues, including membership subscription fees. Users play online games and access channels free of charge, but are charged for purchases of virtual items which can be used in online games or YY channels.

The most significant factors that directly affect our IVAS revenues include:

- *The number of paying users.* The number of our paying users increased from approximately 31,000 in July 2009, the first month in which we began tracking paying user numbers, to 50,000 in December 2009, 70,000 in December 2010, 357,000 in December 2011 and decreased slightly to 330,000 in March 2012. We had approximately 1.4 million paying users in the full year 2011 and 751,000 in the first three months of 2012. We calculate the number of paying users during a given period as the cumulative number of registered user accounts that have purchased virtual items or other products and services on YY Client at least once during the relevant period. We were able to achieve an increase in paying users primarily due to (a) a significant increase in the number of active users due to the

increasing popularity of YY Client, and (b) an increase in the number of virtual items we offer, which in turn resulted from the increased number of online games we host and our launch of virtual items for sale on YY Music in March 2011. We expect that the number of our paying users will continue to grow in the future as we expand our services and products offerings and further monetize our existing platform. The number of our registered user accounts, paying or active users overstates the number of unique individual users we have, however. See "Risk Factors—Risks Relating to Our Business—The respective number of our registered user accounts, active users and paying users overstates the numbers of unique individuals who register to use our products and services. Such overstatement may lead to an inaccurate evaluation of our business operations by our management and by investors, and may cause advertisers to reduce the amount spent on advertising with us, which may materially and adversely affect on our reputation, business and results of operations."

- *The average revenue per paying user, or ARPU.* Our ARPU for IVAS was approximately RMB177.9, RMB164.3 (US$26.1) and RMB154.4 (US$24.5) in 2010 and 2011 and the three months ended March 31, 2012, respectively. ARPU is calculated by dividing our total revenues from IVAS during a given period by the number of paying users for that period. As we begin to generate revenues from an increasing variety of IVAS, our ARPU may fluctuate from period to period due to the mix of IVAS purchased by our paying users. The changes in ARPU are primarily the result of (a) an increase in the number of virtual items available on our platform, (b) an increase in the average price of the virtual items that can be purchased for use in our channels, (c) the launch of YY Music in March 2011, which has a lower ARPU when compared to online games, (d) the launch of our membership program, which currently charges a relatively low membership fee of RMB20.0 per month, in October 2011. We had approximately 158,000 members in our membership program as of December 31, 2011 and approximately 268,000 members as of May 31, 2012.

The number of paying users for each year typically increases as the number of active users increases. The number of our monthly active users increased from 35.4 million in December 2010 to 53.4 million in December 2011 to 55.8 million monthly active users in March 2012. Meanwhile, ARPU fluctuated during that period because of our launch of new online games, our effective promotion of commercially successful games and our launch of YY Music, offset by the fact that, at times, our paying user numbers grew faster than our revenues primarily due to the lower ARPU of paying users for YY Music and our membership program.

Other significant factors that directly or indirectly affect our IVAS revenues include:

- our ability to offer new and attractive products and services that allow us to monetize our platform;
- our ability to attract and retain a large user base;
- the terms of our arrangements with third party game developers and service providers as well as performers and channel owners on YY Music; and
- competition in China's online games and other IVAS markets.

We historically derived a significant portion of our revenues from a limited number of popular online games, primarily through selling in-game virtual items for these games. For example, Dandan Tang, one of our most popular online games, contributed 62.8%, 46.5% and 19.3% of our online game revenues and 42.3%, 24.2% and 9.7% of our total revenues in 2010, 2011 and in the three months ended March 31, 2012, respectively. A majority of our popular online games are developed by third party game developers under revenue-sharing arrangements that typically last one to two years. Due to the fact that our large user base makes us a desirable platform for game developers to launch and operate their games, we believe we will continue to retain existing and attract additional online game developers.

We expect an increasing portion of our revenues from IVAS will continue to be derived from the sales of non-game virtual items and services as we capitalize on monetization opportunities. For example, our revenues from virtual items sold on YY Music increased from 16.5% of total revenues for the year ended December 31, 2011 to 24.7% of total revenues for the three months ended March 31, 2012; we expect that such revenues will represent an increasingly larger portion of our revenues in the future. In addition, we expect that a large portion of our IVAS revenues will continue to be derived from online games generated from third party online game developers in the future, as we do not intend to further internally develop any additional online games. However, in the future, we expect to derive a lower percent of our revenues from online games as a whole, as we expect to monetize other non-game aspects of the YY platform, such as YY Music and our membership program. We launched our membership program in October 2011 and generated revenues from membership subscription fees of RMB10.6 million (US$1.7 million) in the three months ended March 31, 2012.

Online advertising revenues. We offer a wide range of online advertising formats and solutions. We enter into advertising contracts with third party advertising agencies as well as with advertisers directly. Advertisers pay to place advertisements on Duowan.com in different formats over a particular period of time. Such formats include banners, text-links, videos, logos, and buttons. Advertisements on Duowan.com are charged primarily on the basis of duration with pricing variations depending on the size and the prominence of the locations for these advertisements, and advertising contracts establish the advertising services to be provided and the prices for such services. In 2009, 2010 and 2011 and the three months ended March 31, 2012, a vast majority of our online advertising revenues were derived from pay-for-time arrangements under which we charge advertisers depending on the duration of display for an advertisement or a series of advertisements.

The most significant factors that directly affect our online advertising revenues include:

- *The number of advertisers that use our online advertising services.* The number of advertisers that use our online advertising services increased from 105 in 2009 to 120 in 2010 to 140 in 2011 and 60 in the three months ended March 31, 2012. We calculate the number of advertisers during a given period as the number of advertisers to whom we have delivered advertising services during that period. An advertiser to whom we deliver services more than once in a period is counted as one advertiser for that period.
- *The average revenues per advertiser.* Our average revenues per advertiser increased from approximately RMB180,000 in 2009 to RMB340,000 in 2010 to RMB623,000 (US$99,000) in 2011 and amounted to RMB345,000 (US$55,000) in the three months ended March 31, 2012. The amount of average advertising spend per advertiser is the result of our total advertising revenues during a given period divided by the number of advertisers for that period.

The number of our advertisers and the average spending per advertiser are in turn driven by the increase in the number of unique visitors to Duowan.com, because larger visitor numbers indicate better advertising reach for advertisers, which leads to increased use of Duowan.com by advertisers. The number of average daily unique visitors to Duowan.com increased from approximately 4.5 million in December 2009 to 5.5 million in December 2010, 9.9 million in December 2011 and 12.4 million in March 2012. In May 2012, we had 17.0 million average daily unique visitors to Duowan.com.

Other significant factors that directly or indirectly affect our online advertising revenues include the following:

- acceptance by advertisers of online advertising in general as an effective marketing channel;
- advertisers’ total online advertising budgets;
- our ability to attract new advertisers and retain existing advertisers;
- our ability to continue providing innovative advertising solutions which enable advertisers to reach their target customers; and
- changes in government regulations or policies affecting the internet and online advertising industries.

Cost of Revenues

Cost of revenues consists primarily of (i) bandwidth costs, (ii) share-based compensation, (iii) salary and welfare, (iv) business tax and surcharges, (v) depreciation and amortization, (vi) payment handling costs and (vii) YY Music activities costs. In the future, we anticipate that YY Music activities costs, which primarily consist of commission offered to popular performers and channel owners in different YY Music channels, will contribute significantly to our cost of revenues. We expect that our cost of revenues will increase in absolute amount as we further grow our user base and expand our revenue-generating services.

Bandwidth costs. Our bandwidth costs increased from RMB8.5 million in 2009 to RMB32.5 million in 2010 and to RMB75.1 million (US$11.9 million) in 2011, and increased from RMB16.4 million in the three months ended March 31, 2011 to RMB29.5 million (US$ 4.7 million) in the same period in 2012. We expect bandwidth costs to increase as our user base continues to expand and as YY Music and other video-related services become more popular in the future.

Share-based compensation. Our share-based compensation allocated to the cost of revenues increased from RMB5.3 million in 2009 to RMB31.7 million in 2010 and to RMB15.4 million (US$2.5 million) in 2011, and decreased from RMB4.4 million in the three months ended March 31, 2011 to RMB2.2 million (US$0.3 million) in the same period in 2012. The share-based compensation expenses increased significantly in 2010 primarily due to a charge caused by re-measurement of our liability-classified share-based compensation awards. In 2011, the share-based compensation expenses decreased as compared to 2010 due to the liability-classified share-based compensation awards being changed to equity-classified in late 2011 and certain awards granted to Mr. David Xueling Li, our chief executive officer, that vested in 2010, but increased as compared to 2009 due to the expansion of our business and the distribution of options, restricted shares and restricted share units to recruit and retain talents for our company. We expect share-based compensation to generally increase as we continue to expand and seek to recruit and retain key employees.

Salary and welfare. Our salary and welfare costs increased from RMB6.9 million in 2009 to RMB23.5 million in 2010 and to RMB33.4 million (US$5.3 million) in 2011, and increased from RMB7.9 million in the three months ended March 31, 2011 to RMB9.8 million (US$1.6 million) in the same period in 2012. We expect our salary and welfare costs to increase as we continue to hire additional employees in line with the expansion of our business.

Business tax and surcharges. Our business tax and surcharges increased from RMB2.3 million in 2009 to RMB7.2 million in 2010 and to RMB16.5 million (US$2.6 million) in 2011, and increased from RMB2.2 million in the three months ended March 31, 2011 to RMB6.2 million (US$1.0 million) in the same period in 2012. We expect our business tax and surcharges to increase as our total revenues continue to grow.

Depreciation and amortization. Our depreciation and amortization increased from RMB2.3 million in 2009 to RMB4.3 million in 2010 to RMB12.0 million (US$1.9 million) in 2011, and increased from RMB2.3 million in the three months ended March 31, 2011 to RMB5.0 million (US$0.8 million) in the same period in 2012. We expect depreciation and amortization to increase as we continue to expand our operations and purchase servers and other equipment or intangibles directly related to the operating of our platform and business.

Payment handling costs. Our payment handling costs increased from RMB1.7 million in 2009 to RMB6.8 million in 2010 and to RMB9.3 million (US$1.5 million) in 2011, and increased from RMB2.5 million in the three months ended March 31, 2011 to RMB3.7 million (US$0.6 million) in the same period in 2012. We expect payment handling costs to increase as we continue to grow our paying users and expand our paid service offerings.

YY Music activities costs. Our YY Music activities costs, which primarily consisted of the portion of the commission offered to performers and channel owners in different YY Music channels, amounted to RMB6.8

million (US$1.1 million) and RMB7.9 million (US$1.3 million) in 2011 and the three months ended March 31, 2012, respectively. We expect YY Music activities costs to increase as we continue to expand our YY Music service and product offerings and grow our paying users for YY Music.

Operating Expenses

Our operating expenses consist of (i) research and development expenses, (ii) sales and marketing expenses and (iii) general and administrative expenses. The following table sets forth the components of our operating expenses for the periods indicated, both in absolute amounts and as percentages of our total net revenues.

	For the Year Ended December 31,							For the Three Months Ended March 31,				
	2009		2010		2011			2011		2012		
	RMB	% of total net revenues	RMB	% of total net revenues	RMB	US$	% of total revenues	RMB	% of total revenues	RMB	US$	% of total revenues
	(in thousands, except for percentages)											
Operating expenses:												
Research and development expenses	12,597	38.5	49,219	38.4	106,804	16,980	33.4	21,172	44.7	36,719	5,831	26.9
Sales and marketing expenses	4,951	15.1	12,363	9.6	13,381	2,127	4.2	3,722	7.9	2,046	325	1.5
General and administrative expenses	32,878	100.5	192,222	149.8	118,241	18,798	37.0	28,210	59.6	25,330	4,022	18.5
Total operating expenses	50,426	154.2	253,804	197.8	238,426	37,905	74.6	53,104	112.1	64,095	10,178	46.9

Research and Development Expenses

Research and development expenses consist primarily of salaries and benefits for research and development personnel and rental and depreciation of office premise and servers utilized by the research and development personnel. Research and development expenses generally increased in the past three years ended December 31, 2011 and the three months ended March 31, 2012, due to the need for additional research and development personnel to accommodate the rapid growth of our business. We expect our research and development expenses in absolute amount to increase as we intend to hire additional research and development personnel to, among other things, develop new series of applications for our platform, improve technology infrastructure to further enhance user experience, and further develop enhanced features for Mobile YY to reach more users.

Sales and Marketing Expenses

Sales and marketing expenses consist primarily of salaries, benefits and commissions for our sales and marketing personnel, share-based compensation expenses and advertising and promotion expenses. Our sales and marketing expenses generally increased over the past three years ended December 31, 2011 and the three months ended March 31, 2012, primarily reflecting increased commissions for our sales and marketing personnel as our advertising revenues increased and increased efforts to serve and maintain close relations with an increasing number of advertisers. We expect that our sales and marketing expenses will increase in absolute amount in the near term as we expect to increase commission for our sales and marketing personnel due to increased advertising demand and, to a lesser extent, the hiring of additional sales and marketing personnel.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries and benefits, including share-based compensation for our general and administrative personnel, professional service fees, legal expenses and other administrative expenses. Our general and administrative expenses generally increased over the past three years ended December 31, 2011 and the three months ended March 31, 2012 as our business expanded, primarily due

to the hiring of additional management and administrative staff and increase in share-based compensation expenses. We expect our general and administrative expenses to increase in the future as our business grows and we incur increased costs related to complying with our reporting obligations under the U.S. securities laws as a public company.

Share-based Compensation Expenses

Our operating expenses include share-based compensation expenses as follows:

	For the Year Ended December 31,				For the Three Months Ended March 31,		
	2009	2010	2011		2011	2012	
	RMB	RMB	RMB	US$	RMB	RMB	US$
			(in thousands)				
Research and development expenses	2,475	21,627	31,672	5,035	6,624	9,641	1,531
Sales and marketing expenses	194	1,499	1,336	212	315	248	39
General and administrative expenses	28,544	182,101	86,544	13,759	22,983	15,473	2,457
Total	31,213	205,227	119,552	19,006	29,922	25,362	4,027

We grant stock-based award such as, but not limited to, share options, restricted shares, restricted share units and warrants to eligible employees, officers, directors, and non-employee consultants. Awards granted to employees, officers, and directors are initially accounted for as equity-classified awards, which are measured at the grant date fair value of the award and are recognized using the graded vesting method, net of estimated forfeiture rates, over the requisite service period, which is generally the vesting period. Awards granted to non-employees are initially measured at fair value on the grant date and periodically re-measured thereafter until the earlier of the performance commitment date or the date the service is completed and recognized over the period in which the service is provided.

As a result of repurchases of certain awards offered in 2009 and in 2011, certain initially equity-classified employee and non-employee awards have been reclassified as a liability-classified awards, as these awards were deemed to have a substantive cash settlement feature. These awards are re-measured at the end of each reporting period until either the substantive cash settlement is terminated or the holder of the awards is exposed to the market value fluctuation of the underlying shares for a reasonable period of time (at least six months), or the awards are settled, cancelled or expire unexercised.

On September 15, 2011, our board of directors resolved not to undertake any repurchases of vested or unvested share-based compensation awards, except under those conditions specified in the relevant award scheme and grant documents. Accordingly, the classification of the liability-classified awards were changed to being equity-classified, and the related liability was reclassified as additional paid-in capital on the modification date. After the awards were changed to equity-classified awards, they were measured based on the fair value of the awards on September 15, 2011, and the expenses to be recognized over the remaining requisite service period are calculated using the graded vesting attribution method.

Taxation

Cayman Islands

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or after execution brought within the jurisdiction of, the Cayman Islands. There are no exchange control regulations or currency restrictions in the Cayman Islands.

Pursuant to Section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, we have obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to us or our operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on our shares, debentures or other obligations.

The undertaking for us is for a period of twenty years from August 2, 2011.

British Virgin Islands

As Duowan BVI is a BVI business company subject to the provisions of the BVI Business Companies Act, it is exempt from all provisions of the Income Tax Act of the BVI (including with respect to all dividends, interests, rents, royalties, compensation and other amounts payable by us to persons who are not persons resident in the BVI).

Capital gains realized with respect to any shares, debt obligations or other securities of a company by persons who are not persons resident in the BVI are also exempt from all provisions of the Income Tax Act of the BVI.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in the BVI with respect to any shares, debt obligations or other securities of us, save for interest payable to or for the benefit of an individual resident in the European Union.

Hong Kong

No Hong Kong profits tax has been provided as we have no assessable profit arising in Hong Kong.

PRC

Current taxation primarily represented the provision for a state and local corporate income tax, or EIT, for subsidiaries and VIEs operating in the PRC. Prior to January 1, 2008, companies established in the PRC were generally subject to EIT at statutory rates of 30% and 3% respectively. On March 16, 2007, the PRC National People's Congress promulgated the New EIT Law, which became effective on January 1, 2008. These subsidiaries and VIEs are subject to new EIT on their taxable income as reported in their respective statutory financial statements adjusted in accordance with the relevant tax laws and regulations in the PRC. All our PRC entities are subject to EIT at a rate of 25%, with the exception of any preferential treatments they may receive, such as the 15% preferential tax rate that Guangzhou Huaduo can enjoy for the years from 2011 to 2012 due to its qualification as a high and new technology enterprise.

According to a policy promulgated by the state tax bureau of the PRC and effective from 2008 onwards, enterprises engaged in research and development activities are entitled to claim 150% of the research and development expenses so incurred in a year as tax deductible expenses in determining its tax assessable profits for that year, or Super Deduction. Guangzhou Huaduo has claimed such Super Deduction in ascertaining its tax assessable profits for 2009, 2010 and 2011 and the three months ended March 31, 2012, and Zhuhai Duowan claimed such Super Deduction in ascertaining its tax assessable profits for the year of 2011 and the three months ended March 31, 2012.

In addition, according to the New EIT Law and its implementation rules, foreign enterprises, which have no establishment or place in the PRC but derive dividends, interest, rents, royalties and other income (including capital gains) from sources in the PRC shall be subject to PRC withholding tax, or WHT, at 10% (a further

reduced WHT rate may be available according to the applicable double tax treaty or arrangement). The 10% WHT is applicable to any dividends to be distributed from Huanju Shidai to our company out of any profits of Beijing Duowan and its subsidiaries derived after January 1, 2008. We do not have any present plan to pay out the retained earnings in the PRC subsidiaries and PRC consolidated affiliated entities in the foreseeable future. We currently intend to retain our available funds and any future earnings to operate and expand our business. Accordingly, no such WHT has been accrued.

Our PRC subsidiaries and PRC consolidated affiliated entities are subject to business taxes and related surcharges. Revenues from IVAS are taxed at a rate of 3.3%, while advertising revenues are taxed at 8.5%. Business taxes and related surcharges during 2009, 2010 and 2011 and the three months ended March 31, 2012 were RMB2.3 million, RMB7.2 million, RMB16.5 million (US$2.6 million) and RMB6.2 million (US$1.0 million), respectively.

For more information on PRC tax regulations, see "PRC Regulation— Regulation on Tax."

Seasonality

Our results of operations are subject to seasonal fluctuations. For example, the number of online users tends to be lower during school holidays and during certain parts of the school year, and advertising revenues tend to be lower during the Chinese New Year season. The Chinese New Year season is a less attractive period for online advertisers in the PRC due to the relative lower number of people online during this period as more people are engaging in offline, traditional family-related activities. These fluctuations result in lower revenues and negatively affect our cash flow for the relevant periods. However, seasonal fluctuations have not posed material operational and financial challenges to us, as such periods tend to be brief and predictable, allowing us to adjust the working shifts of our staff and re-allocate resources to reduce costs ahead of time.

Internal Control Over Financial Reporting

We and our auditors, an independent registered public accounting firm, in connection with the preparation and external audit of our consolidated financial statements for the years ended December 31, 2009, 2010 and 2011, noted two material weaknesses in our internal control over financial reporting. A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected. The material weaknesses identified are: (a) a lack of accounting resources for fulfilling U.S. GAAP and SEC reporting requirements, and (b) a lack of 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 for purposes of identifying and reporting material weaknesses, significant deficiencies and control deficiencies in our internal control over financial reporting as we and they will be required to do once we become a public company. We believe it is possible that, had we performed a formal assessment of our internal control over financial reporting or had our independent registered public accounting firm performed an audit of our internal control over financial reporting, additional control deficiencies may have been identified.

Following the identification of the material weaknesses, we undertook certain remedial steps to address them. For example, in August 2011, we appointed a new chief financial officer to lead our accounting and financial reporting department. Our new chief financial officer has extensive financial reporting experience and work experience involving U.S. GAAP and SEC financial reporting and was previously the chief financial officer of an NYSE-listed company. In addition, we hired additional accounting staff with U.S. GAAP experience and extensive accounting work experience, including additional internal audit professionals to serve internal audit functions, and intend to hire additional similarly qualified personnel in the future, including those with U.S.-listed company experience, U.S. CPA certificate or experience working in a Big Four international accounting

firm. We may also outsource certain audit functions to external accounting consultants. We also intend to provide our accounting staff with regular U.S. GAAP training, develop and implement a full set of accounting policies and financial reporting procedures, including a formal asset safeguard policy, to continually meet updated U.S. GAAP requirements and our reporting obligations as an U.S.-listed company. We expect that these accounting policies and financial reporting procedures will be carried out by a qualified supporting staff overseen by our chief financial officer, who will be responsible for the final results and the quality of implementation. Moreover, we engaged a third party consultant to assist us to improve our internal control procedures and help us design and implement the relevant policies for complying with the Sarbanes-Oxley Act of 2002. We intend to establish an independent audit committee to supervise the above measures; we have identified several qualified individuals with extensive U.S. GAAP and U.S.-listed company experience and intend to appoint one to serve as a financial expert and chairman of our audit committee. We expect to complete the measures above as soon as practicable and we will continue to implement measures to remedy our internal control deficiencies in order to meet the deadline imposed under Section 404 of the Sarbanes-Oxley Act. However, the implementation of these measures may not fully address the material weakness in our internal control over financial reporting, and we cannot yet conclude that they have been fully remedied.

The process of designing and implementing an effective financial reporting system is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to expend significant resources to maintain a financial reporting system that is adequate to satisfy our reporting obligations. See “Risk Factors—Risks Relating to Our Business—If we fail to implement and maintain an effective system of internal controls, we may be unable to accurately report our results of operations or prevent fraud or fail to meet our reporting obligations, and investor confidence and the market price of our ADSs may be materially and adversely affected.”

Results of Operations

The following table sets forth a summary of our consolidated results of operations for the periods indicated. Our business has grown rapidly since our inception. Our limited operating history makes it difficult to predict future operating results. We believe that period-to-period comparisons of results of operations should not be relied upon as indicative of future performance.

	For the Year Ended December 31,							For the Three Months Ended March 31,				
	2009		2010		2011			2011		2012		
	RMB	% of total net revenues	RMB	% of total net revenues	RMB	US$	% of total revenues	RMB	% of total revenues	RMB	US$	% of total revenues
	(in thousands, except for percentages)											
Total net revenues[1]	32,710	100.0	128,338	100.0	319,655	50,820	100.0	47,357	100.0	136,663	21,701	100.0
IVAS:												
Online game	12,976	39.7	86,316	67.3	165,933	26,380	51.9	34,479	72.8	68,806	10,926	50.3
YY Music	—	—	—	—	52,854	8,403	16.5	40	0.1	33,763	5,361	24.7
Others	853	2.6	1,282	1.0	13,589	2,161	4.3	686	1.4	13,427	2,132	9.8
Online advertising	18,881	57.7	40,740	31.7	87,279	13,876	27.3	12,152	25.7	20,667	3,282	15.1
Cost of revenues	(28,849)	(88.2)	(110,062)	(85.8)	(182,699)	(29,046)	(57.2)	(37,237)	(78.6)	(68,954)	(10,949)	(50.5)
Gross profit	3,861	11.8	18,276	14.2	136,956	21,774	42.8	10,120	21.4	67,709	10,752	49.5
Operating expenses												
Research and development expenses	(12,597)	(38.5)	(49,219)	(38.4)	(106,804)	(16,980)	(33.4)	(21,172)	(44.7)	(36,719)	(5,831)	(26.9)
Sales and marketing expenses	(4,951)	(15.1)	(12,363)	(9.6)	(13,381)	(2,127)	(4.2)	(3,722)	(7.9)	(2,046)	(325)	(1.5)
General and administrative expenses	(32,878)	(100.5)	(192,222)	(149.8)	(118,241)	(18,798)	(37.0)	(28,210)	(59.6)	(25,330)	(4,022)	(18.5)
Total operating expenses	(50,426)	(154.2)	(253,804)	(197.8)	(238,426)	(37,905)	(74.6)	(53,104)	(112.1)	(64,095)	(10,178)	(46.9)
Government grants	—	—	—	—	1,982	315	0.6	—	—	642	102	0.5
Operating (loss) Income	(46,565)	(142.4)	(235,528)	(183.5)	(99,488)	(15,816)	(31.1)	(42,984)	(90.8)	4,256	676	3.1
Foreign currency exchange (loss) gain, net	(15)	(0.0)	(551)	(0.4)	14,143	2,248	4.4	205	0.4	472	75	0.3
Interest income	46	0.1	56	0.0	4,890	777	1.5	484	1.0	2,487	395	1.8
(Loss) income before income tax expenses	(46,534)	(142.3)	(236,023)	(183.9)	(80,455)	(12,791)	(25.2)	(42,295)	(89.3)	7,215	1,146	5.3
Income tax expenses	(391)	(1.2)	(2,322)	(1.8)	(1,343)	(214)	(0.4)	(434)	(0.9)	(3,429)	(545)	(2.5)
(Loss) income before loss in equity method investments, net of income taxes	(46,925)	(143.5)	(238,345)	(185.7)	(81,798)	(13,005)	(25.6)	(42,729)	(90.2)	3,786	601	2.8
Losses in equity method investment, net of income taxes	(191)	(0.6)	(512)	(0.4)	(1,358)	(216)	(0.4)	(198)	(0.4)	(265)	(42)	(0.2)
Net (loss) income attributable to YY Inc.	(47,116)	(144.0)	(238,857)	(186.1)	(83,156)	(13,221)	(26.0)	(42,927)	(90.6)	3,521	559	2.6

(1) Net of rebates and discounts.

Three Months Ended March 31, 2012 Compared to Three Months Ended March 31, 2011

Net Revenues. Our net revenues increased by 188.4% from RMB47.4 million in the three months ended March 31, 2011 to RMB136.7 million (US$21.7 million) in the three months ended March 31, 2012. This

increase was primarily due to increases in our online game revenues and the increased contribution of revenues from YY Music, which was officially launched in March 2011 as well as our membership program, which was launched in October 2011, and to a lesser extent, an increase in our online advertising revenues.

IVAS revenues. Our IVAS revenues, which consisted of revenues from online games and YY Music as well as other sources, increased by 229.5% from RMB35.2 million in the three months ended March 31, 2011 to RMB116.0 million (US$ 18.4 million) in the same period in 2012. The overall increase primarily reflected an increase in the number of paying users and, to a lesser extent, an increase in ARPU. Our number of paying users increased from approximately 245,000 for the three months ended March 31, 2011 to 751,000 for the three months ended March 31, 2012. This increase in paying users was attributable to (i) a significant increase in the number of monthly active users from 41.8 million in March 2011 to 55.8 million in March 2012, (ii) an increase in the number of online games we operated and therefore the volume of new virtual items a user may purchase and (iii) the official launch and increasing popularity of YY Music and the introduction of our membership program. Our ARPU for IVAS increased from RMB143.9 for the three months ended March 31, 2011 to RMB154.4 (US$24.5) for the three months ended March 31, 2012.

Revenues from online games increased by 99.4% from RMB34.5 million in the three months ended March 31, 2011 to RMB68.8 million (US$10.9 million) in the same period in 2012. The number of online games we hosted increased from 25 as of March 31, 2011 to 50 as of March 31, 2012. Our paying users for online games increased from approximately 217,000 for the three months ended March 31, 2011 to 327,000 for the three months ended March 31, 2012.

Revenues from YY Music, which was officially launched in March 2011, increased from RMB40,000 for the three months ended March 31, 2011 to RMB33.8 million (US$5.4 million) for the three months ended March 31, 2012. In addition to the increase in paying users and ARPU, the increase in YY Music IVAS revenues was also due to the increasing popularity of YY Music since its official launch. Our paying users for YY Music increased from approximately 97,000 for the three months ended June 30, 2011 to 230,000 for the three months ended March 31, 2012.

Other revenues, which primarily consisted of membership subscription fees, increased by 1,814.3% from RMB0.7 million in the three months ended March 31, 2011 to RMB13.4 million (US$2.1 million) in the three months ended March 31, 2012. This increase was primarily attributable to an increase in the number of users who subscribed to our membership program and paid the monthly subscription fee; we had approximately 212,000 such members as of March 31, 2012.

Online advertising revenues. Our online advertising revenues increased by 69.7% from RMB12.2 million in the three months ended March 31, 2011 to RMB20.7 million (US$3.3 million) in the same period in 2012. This increase was primarily attributable to an increase in the average revenue per advertiser which increased from approximately RMB253,000 in the three months ended March 31, 2011 to RMB345,000 (US$55,000) in the same period in 2012. This increase was partly driven by (a) the increase in the number of our average daily unique visitors to Duowan.com from 7.8 million in March 2011 to 12.4 million in March 2012, making online advertising on Duowan.com more attractive to a larger number of online game developers as an effective way to market games to a larger audience, (b) an increase in the average prices for our advertising slots due to Duowan.com's increasing popularity, and (c) the effective efforts of our sales and marketing team in promoting advertising on Duowan.com.

Cost of Revenues. Our cost of revenues increased by 85.5% from RMB37.2 million in the three months ended March 31, 2011 to RMB69.0 million (US$10.9 million) in the same period in 2012. The increase in our cost of revenues was due in large part to increases in bandwidth costs, which increased by 79.9% from RMB16.4 million in the three months ended March 31, 2011 to RMB29.5 million (US$4.7 million) in the same period in 2012 and an increase in our YY Music activities costs. The increase in bandwidth costs was primarily due to (i) an increase in the amount of bandwidth required since we provided video functionality to an increasing number of our channels in the three months ended March 31, 2012 and (ii) an increase in the number of monthly

active users on YY Client from approximately 41.8 million in March 2011 to 55.8 million in March 2012. Our YY Music activities costs, primarily consisting of the portion of revenues shared with performers and channel owners in different YY Music channels, amounted to RMB7.9 million (US$1.3 million) in the three months ended March 31, 2012 as our IVAS revenues from the sale of virtual items on YY Music channels increased. In addition, salary and welfare costs increased from RMB7.9 million in the three months ended March 31, 2011 to RMB9.8 million (US$1.6 million) in the same period in 2012, mainly due to our hiring of additional employees to serve our rapidly expanding user base. Payment handling costs increased from RMB2.5 million in the three months ended March 31, 2011 to RMB3.7 million (US$0.6 million) in the same period in 2012, primarily because of the higher IVAS sales and an increase in the number of users paying through third party payment channels.

Operating Expenses. Our operating expenses increased by 20.7% from RMB53.1 million in the three months ended March 31, 2011 to RMB64.1 million (US$10.2 million) in the same period in 2012, primarily due to an increase in research and development expenses, which reflected the general growth of our business operations, partially offset by a decrease in share-based compensation expenses.

Research and development expenses. Our research and development expenses increased by 73.1% from RMB21.2 million in the three months ended March 31, 2011 to RMB36.7 million (US$5.8 million) in the same period in 2012. This increase was primarily due to a significant increase in salaries and other benefits for research and development personnel, which was in turn mainly driven by an increase in our research and development staff, especially engineers, from 255 as of March 31, 2011 to 514 as of March 31, 2012. In addition, share-based compensation allocated to research and development expenses increased from RMB6.6 million in the three months ended March 31, 2011 to RMB9.6 million (US$1.5 million) in the same period in 2012.

Sales and marketing expenses. Our sales and marketing expenses decreased by 45.9% from RMB3.7 million in the three months ended March 31, 2011 to RMB2.0 million (US$0.3 million) in the same period in 2012. This decrease was primarily due to the fact that in the three months ended March 31, 2011, we conducted a one-time publicity campaign on a third party website; we did not subsequently conduct similar publicity campaigns, leading to a decrease in our sales and marketing expenses. Share-based compensation allocated to sales and marketing expenses decreased from RMB315,000 in the three months ended March 31, 2011 to RMB248,000 (US$39,000) in the three months ended March 31, 2012.

General and administrative expenses. Our general and administrative expenses decreased by 10.3% from RMB28.2 million in the three months ended March 31, 2011 to RMB25.3 million (US$4.0 million) in the same period in 2012. This decrease was primarily due to a lower amount of share-based compensation expenses being allocated to general and administrative expenses from RMB23.0 million in the three months ended March 31, 2011 to RMB15.5 million (US$2.5 million) in the three months ended March 31, 2012.

Foreign Currency Exchange Gains. Our net foreign currency exchange gains increased from RMB205,000 in the three months ended March 31, 2011 to RMB472,000 (US$75,000) in the same period in 2012. This increase was primarily due to the fact that we converted our proceeds from the issuance of common shares to Tiger Global Six YY Holdings from U.S. dollars into Renminbi and the fact that the value of the Renminbi appreciated against the U.S. dollar during that period.

Interest Income. Our interest income increased from RMB484,000 in the three months ended March 31, 2011 to RMB2.5 million (US$0.4 million) in the same period in 2012. This increase was primarily due to higher levels of cash on hand, partly as a result of depositing the proceeds from the issuance of common shares to Tiger Global Six YY Holdings into various bank accounts.

Income Tax Expenses. We recorded income tax expenses of RMB434,000 in the three months ended March 31, 2011 compared to RMB3.4 million (US$0.5 million) in the same period in 2012. This increase was primarily due to the higher revenues recorded by certain of our PRC subsidiaries.

Net Income. As a result of the foregoing, we had a net income of RMB3.5 million (US$0.6 million) in the three months ended March 31, 2012 as compared to a net loss of RMB42.9 million in the same period in 2011.

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Net Revenues. Our net revenues increased by 149.2% from RMB128.3 million in 2010 to RMB319.7 million (US$50.8 million) in 2011. This increase was due to increases in both our online advertising revenues and online game revenues and the contribution of revenues from YY Music, which was officially launched in March 2011.

IVAS revenues. Our IVAS revenues, which consisted of revenues from online games and YY Music as well as other sources, increased significantly from RMB87.6 million in 2010 to RMB232.4 million (US$36.9 million) in 2011. The overall increase primarily reflected an increase in the number of paying users which partly led to a decrease in ARPU. The number of our paying users increased from approximately 492,000 in the year ended December 31, 2010 to 1.4 million in the year ended December 31, 2011. This increase in paying users was attributable to (i) a significant increase in the number of monthly active users from 35.4 million in December 2010 to 53.4 million in December 2011, (ii) an increase in the number of online games we operated from 2010 to 2011 and (iii) the official launch and increasing popularity of YY Music and the introduction of our membership program. Our ARPU for IVAS users decreased from RMB177.9 in 2010 to RMB164.3 (US$26.1) in 2011, primarily driven by the increase in the number of paying users which grew at a rate faster than the IVAS revenues for the period primarily due to the launch of YY Music in March 2011 and our membership program in October 2011, the latter of which charges a relatively low membership fee of RMB20.0 per month and partly offset by the increasing average price we charged for virtual items in 2011.

Revenues from online games increased significantly from RMB86.3 million in 2010 to RMB165.9 million (US$26.4 million) in 2011. The number of online games we hosted increased from 23 as of December 31, 2010 to 45 as of December 31, 2011, raising the volume of new virtual items available for purchase. Our number of paying users for online games increased from approximately 492,000 for the year ended December 31, 2010 to 871,000 for the year ended December 31, 2011.

Revenues from YY Music, which was launched in March 2011 and became increasingly popular during the year, amounted to RMB52.9 million (US$8.4 million) for 2011. Our paying users for YY Music amounted to approximately 225,000 for the fourth quarter of 2011.

Other revenues, which primarily consisted of membership subscription fees and other services, increased significantly from RMB1.3 million in 2010 to RMB13.6 million (US$2.2 million) in 2011. This increase was primarily attributable to the launching of our membership program in October 2011 and other services.

Online advertising revenues. Our online advertising revenues increased by 114.5% from RMB40.7 million in 2010 to RMB87.3 million (US$13.9 million) in 2011. This increase was primarily attributable to an increase in the average revenue per advertiser and, to a lesser extent, an increase in the number of advertisers. The average revenue per advertiser increased from RMB340,000 in 2010 to RMB623,000 (US$99,000) in 2011, and the number of our advertisers increased from 120 in 2010 to 140 in 2011. These increases were partly driven by (a) the increase in the number of our average daily unique visitors to Duowan.com from 5.5 million in December 2010 to 9.9 million in December 2011, making online advertising on Duowan.com more attractive to a larger number of online game developers as an effective way for them to market their games to a larger audience, and (b) the effective efforts of our sales and marketing team to acquire new advertisers and promote our advertising services to existing advertisers.

Cost of Revenues. Our cost of revenues increased by 66.0% from RMB110.1 million in 2010 to RMB182.7 million (US$29.0 million). The increase in our cost of revenues was due in large part to increases in bandwidth costs, which increased by 131.1% from RMB32.5 million in 2010 to RMB75.1 million (US$11.9 million) in 2011. The increase in bandwidth costs reflected an increase in the number of monthly active users on YY Client from approximately 35.4 million in December 2010 to 53.4 million in December 2011. In addition, salary and

welfare costs increased from RMB23.5 million in 2010 to RMB33.4 million (US$5.3 million) in 2011, mainly due to our hiring of additional employees to serve our rapidly expanding user base. Share-based compensation, as allocated to cost of revenues, decreased from RMB31.7 million in 2010 to RMB15.4 million (US$2.5 million) in 2011. Payment handling costs increased from RMB6.8 million in 2010 to RMB9.3 million (US$1.5 million) in 2011, primarily because our users purchased more virtual items through third party payment channels. The increase in our cost of revenues was also attributable to the YY Music activities costs of RMB6.8 million (US$1.1 million) we incurred in the year of 2011.

Operating Expenses. Our operating expenses decreased by 6.1% from RMB253.8 million in 2010 to RMB238.4 million (US$37.9 million), primarily due to a decrease in general and administrative expenses, partly offset by increases in research and development expenses and sales and marketing expenses, which reflected the general growth of our business operations and the significant share-based compensation expenses we incurred.

Research and development expenses. Our research and development expenses increased by 117.1% from RMB49.2 million in 2010 to RMB106.8 million (US$17.0 million) in 2011. This increase was primarily due to a significant increase in salaries and other benefits for research and development personnel, which was in turn mainly due to an increase in our research and development staff headcount from 194 as of December 31, 2010 to 401 as of December 31, 2011. In addition, share-based compensation allocated to research and development expenses increased from RMB21.6 million in 2010 to RMB31.7 million (US$5.0 million) in 2011.

Sales and marketing expenses. Our sales and marketing expenses increased by 8.1% from RMB12.4 million in 2010 to RMB13.4 million (US$2.1 million) in 2011. This increase was primarily due to a significant increase in salaries, commissions and other benefits for our sales and marketing personnel, partly offset by a decrease in share-based compensations allocated to sales and marketing expenses from RMB1.5 million in 2010 to RMB1.3 million (US$0.2 million) in 2011.

General and administrative expenses. Our general and administrative expenses decreased by 38.5% from RMB192.2 million in 2010 to RMB118.2 million (US$18.8 million) in 2011. This decrease was primarily due to a significant decrease in share-based compensation expenses allocated to general and administrative expenses, from RMB182.1 million in 2010 to RMB86.5 million (US$13.8 million) in 2011.

Foreign Currency Exchange (Losses) Gains. We had a net foreign currency exchange loss of RMB551,000 in 2010 and a net foreign currency exchange gain of RMB14.1 million (US$2.2 million) in 2011. This increase was primarily due to the fact that we converted approximately US$75.0 million of the proceeds from the issuance of common shares to Tiger Global Six YY Holdings from U.S. dollars into Renminbi and the fact that the value of the Renminbi rose against the U.S. dollar during 2011.

Interest Income. Our interest income increased from RMB56,000 in 2010 to RMB4.9 million (US$777,000) in 2011. This increase was primarily due to higher levels of short-term deposits as a result of additional cash received from of our issuance of common shares to Tiger Global Six YY Holdings during 2011.

Income Tax Expenses. We had income tax expenses of RMB2.3 million in 2010 and RMB1.3 million (US$214,000) in 2011, respectively. This decrease was primarily due to the fact that our deferred income tax benefits increased in 2011; Zhuhai Duowan claimed 150% of its research and development expenses for the year in assessing its tax assessable profits in 2011, in line with a policy promulgated by the State Tax Bureau of the PRC for enterprises engaged in research and development activities.

Net Loss. As a result of the foregoing, our net loss decreased from RMB238.9 million in 2010 to RMB83.2 million (US$13.2 million) in 2011.

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Net Revenues. Our net revenues increased by 292.4% from RMB32.7 million in 2009 to RMB128.3 million in 2010. This increase was due to increases in both our online advertising revenues and online game revenues.

IVAS revenues. Our IVAS revenues, which primarily consisted of revenues from online games, increased significantly from RMB13.8 million in 2009 to RMB87.6 million in 2010. Revenues from IVAS from online games increased by 563.8% from RMB13.0 million in 2009 to RMB86.3 million in 2010, reflecting primarily an increase in the number of our paying users and, to a lesser extent, an increase in ARPU. The number of our paying users increased from approximately 147,000 in the six months ended December 31, 2009 to 492,000 in the year ended December 31, 2010. This increase in paying users was attributable to (a) a significant increase in the number of monthly active users from 16.2 million in January 2010 to 35.4 million in December 2010, and (b) an increase in the number of online games we operated from the end of 2009 to the end of 2010, from 13 to 23, raising the volume of new virtual items a user may purchase. Our ARPU for IVAS increased to RMB177.9 in 2010, primarily driven by the increasing average price we charged for virtual items in 2010.

Online advertising revenues. Our online advertising revenues increased by 115.3% from RMB18.9 million in 2009 to RMB40.7 million in 2010. This increase was attributable to the increase in the number of advertisers and an increase in the average revenue per advertiser. The number of our advertisers increased from 105 in 2009 to 120 in 2010, and the average revenue per advertiser increased from RMB180,000 in 2009 to RMB340,000 in 2010. These increases were partly driven by (a) the increase in the number of our average daily unique visitors to Duowan.com from 4.5 million in December 2009 to 5.5 million in December 2010, making online advertising on Duowan.com more attractive to a larger number of online game developers as an effective way for them to market their games to a larger audience, and (b) the effective efforts of our sales and marketing team to acquire new advertisers and promote our advertising services to existing advertisers.

Cost of Revenues. Our cost of revenues increased by 282.3% from RMB28.8 million in 2009 to RMB110.1 million in 2010. The increase in our cost of revenues was due in large part to increases in bandwidth costs, which increased by 282.4% from RMB8.5 million in 2009 to RMB32.5 million in 2010. The increase in bandwidth costs reflected an increase in the number of monthly active users on YY Client from approximately 16.2 million in January 2010 to 35.4 million in December 2010. In addition, salary and welfare costs increased from RMB6.9 million in 2009 to RMB23.5 million in 2010, mainly due to our hiring of additional employees to serve our rapidly expanding user base. Share-based compensation, as allocated to cost of revenues, increased from RMB5.3 million in 2009 to RMB31.7 million in 2010. Payment handling costs increased from RMB1.7 million in 2009 to RMB6.8 million in 2010, primarily because our users purchased more virtual items through third party payment channels.

Operating Expenses. Our operating expenses increased by 403.6% from RMB50.4 million in 2009 to RMB253.8 million in 2010, primarily due to increases in research and development, general and administrative expenses as well as sales and marketing expenses, which reflected the general growth of our business operations and the significant share-based compensation expenses we incurred.

Research and development expenses. Our research and development expenses increased by 290.5% from RMB12.6 million in 2009 to RMB49.2 million in 2010. This increase was primarily due to a significant increase in salaries and other benefits for research and development personnel, which was in turn mainly due to an increase in our research and development staff headcount from 100 as of December 31, 2009 to 194 as of December 31, 2010. In addition, share-based compensation allocated to research and development expenses increased significantly from RMB2.5 million in 2009 to RMB21.6 million in 2010.

Sales and marketing expenses. Our sales and marketing expenses increased by 148.0% from RMB5.0 million in 2009 to RMB12.4 million in 2010. This increase was primarily due to a significant increase in salaries, commissions and other benefits for our sales and marketing personnel. Share-based compensations

allocated to sales and marketing expenses increased from RMB0.2 million in 2009 to RMB1.5 million in 2010.

General and administrative expenses. Our general and administrative expenses increased by 484.2% from RMB32.9 million in 2009 to RMB192.2 million in 2010. This increase was primarily due to a significant increase in share-based compensation expenses, from RMB28.5 million in 2009 to RMB182.1 million in 2010, and, to a lesser extent, an increase in salaries and other benefits for our management team and other employees.

Foreign Currency Exchange Losses. Our net foreign currency exchange losses increased from RMB15,000 in 2009 to RMB551,000 in 2010. This increase was primarily due to the conversion of proceeds from our Series C-1 and C-2 preferred shares financing from U.S. dollars into RMB and the fact that the value of the RMB rose against the U.S. dollar during 2010.

Interest Income. Our interest income increased from RMB46,000 in 2009 to RMB56,000 in 2010. This increase was primarily due to additional cash received as a result of our series C preferred shares financing during the year.

Income Tax Expenses. We had income tax expenses of RMB0.4 million in 2009 and RMB2.3 million in 2010. This change was primarily due to higher levels of revenues in certain of our PRC subsidiaries and PRC affiliated entities, such as Zhuhai Daren Computer Technology Company, or Zhuhai Daren.

Net Loss. As a result of the foregoing, our net loss increased from RMB47.1 million in 2009 to RMB238.9 million in 2010.

Selected Quarterly Results of Operations

The following table presents our unaudited consolidated results of operations for the eight quarters in the period from April 1, 2010 to March 31, 2012. You should read the following table in conjunction with our audited and unaudited consolidated financial statements and related notes included elsewhere in this prospectus. We have prepared the unaudited condensed consolidated quarterly financial information on the same basis as our audited consolidated financial statements. This unaudited quarterly consolidated financial information includes all adjustments, consisting only of normal and recurring adjustments, that we consider necessary for a fair representation of our financial position and operating results for the quarters presented.

	For the Three Months Ended							
	June 30, 2010	September 30, 2010	December 31, 2010	March 31, 2011	June 30, 2011	September 30, 2011	December 31, 2011	March 31, 2012
	(Unaudited) *(in thousands of RMB, except for share, per share and per ADS data)*							
Internet value-added service								
—Online game	19,797	26,127	27,149	34,479	37,200	41,689	52,565	68,806
—YY Music	—	—	—	40	9,605	17,794	25,415	33,763
—Others	282	366	396	686	1,283	3,041	8,579	13,427
Online advertising	8,104	11,709	15,240	12,152	23,315	25,437	26,375	20,667
Total net revenues	28,183	38,202	42,785	47,357	71,403	87,961	112,934	136,663
Cost of revenues[(1)]	(23,779)	(29,973)	(39,921)	(37,237)	(41,112)	(48,354)	(55,996)	(68,954)
Gross profit	4,404	8,229	2,864	10,120	30,291	39,607	56,938	67,709
Operating expenses[(1)]								
Research and development expenses	(9,413)	(13,932)	(18,123)	(21,172)	(22,044)	(30,893)	(32,695)	(36,719)
Sales and marketing expenses	(2,890)	(3,452)	(2,996)	(3,722)	(4,194)	(2,706)	(2,759)	(2,046)
General and administrative expenses	(36,618)	(51,307)	(79,053)	(28,210)	(30,955)	(29,610)	(29,466)	(25,330)
Total operating expenses	(48,921)	(68,691)	(100,172)	(53,104)	(57,193)	(63,209)	(64,920)	(64,095)
Government grants	—	—	—	—	—	—	1,982	642
Operating (loss) income	(44,517)	(60,462)	(97,308)	(42,984)	(26,902)	(23,602)	(6,000)	4,256
(Loss) income before income tax expenses	(44,511)	(60,484)	(97,795)	(42,295)	(22,229)	(16,115)	184	7,215
Net (loss) income attributable to YY Inc.	(45,180)	(61,313)	(99,472)	(42,927)	(25,708)	(18,546)	4,025	3,521

(1) Share-based compensation was allocated in cost of revenues and operating expenses as follows:

	For the Three Months Ended							
	June 30, 2010	September 30, 2010	December 31, 2010	March 31, 2011	June 30, 2011	September 30, 2011	December 31, 2011	March 31, 2012
	(Unaudited) *(in thousands of RMB)*							
Cost of revenues	6,066	8,566	13,076	4,408	4,832	3,533	2,676	2,171
Research and development expenses	4,138	5,843	8,917	6,624	7,263	9,754	8,031	9,641
Sales and marketing expenses	287	405	619	315	345	364	312	248
General and administrative expenses	34,838	49,197	75,088	22,983	25,198	20,867	17,496	15,473
Total:	45,329	64,011	97,700	34,330	37,638	34,518	28,515	27,533

The following table sets forth our historical unaudited consolidated selected quarterly results of operations for the periods indicated, as a percentage of total net revenues.

	For the Three Months Ended							
	June 30, 2010	September 30, 2010	December 31, 2010	March 31, 2011	June 30, 2011	September 30, 2011	December 31, 2011	March 31, 2012
	(Unaudited)							
Internet value-added service								
—Online game	70.2	68.4	63.5	72.8	52.1	47.4	46.5	50.3
—YY Music	—	—	—	0.1	13.5	20.2	22.5	24.7
—Others	1.0	1.0	0.9	1.4	1.8	3.5	7.6	9.8
Online advertising	28.8	30.7	35.6	25.7	32.7	28.9	23.4	15.1
Total net revenues	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Cost of revenues	(84.4)	(78.5)	(93.3)	(78.6)	(57.6)	(55.0)	(49.6)	(50.5)
Gross profit	15.6	21.5	6.7	21.4	42.4	45.0	50.4	49.5
Operating expenses								
Research and development expenses	(33.4)	(36.5)	(42.4)	(44.7)	(30.9)	(35.1)	(29.0)	(26.9)
Sales and marketing expenses	(10.3)	(9.0)	(7.0)	(7.9)	(5.9)	(3.1)	(2.4)	(1.5)
General and administrative expenses	(129.9)	(134.3)	(184.8)	(59.6)	(43.4)	(33.7)	(26.1)	(18.5)
Total operating expenses	(173.6)	(179.8)	(234.1)	(112.1)	(80.1)	(71.9)	(57.5)	(46.9)
Government grants	—	—	—	—	—	—	1.8	0.5
Operating (loss) income	(158.0)	(158.3)	(227.4)	(90.8)	(37.7)	(26.8)	(5.3)	3.1
(Loss) income before income tax expenses	(157.9)	(158.3)	(228.6)	(89.3)	(31.1)	(18.3)	0.2	5.3
Net (loss) income attributable to YY Inc.	(160.3)	(160.5)	(232.5)	(90.6)	(36.0)	(21.1)	3.6	2.6

Liquidity and Capital Resources

Cash Flows and Working Capital

To date, we have financed our operations primarily through private placements of preferred and common shares to investors as well as cash flows from operations. See "Description of Share Capital—History of Securities Issuances." As of March 31, 2012, we had RMB172.3 million (US$27.4 million) in cash and cash equivalents and RMB458.5 million (US$72.8 million) in short term deposits. We expect to require cash to fund our ongoing operational needs, particularly our bandwidth costs, salaries and benefits and potential acquisitions or strategic investments. We believe that our cash and the anticipated cash flow from operations will be sufficient to meet our anticipated cash needs for the next 12 months. However, we may require additional cash resources due to changing business conditions or other future developments, including any investments or acquisitions we may decide to selectively pursue. If our existing cash resources are insufficient to meet our requirements, we may seek to sell equity or equity-linked securities, debt securities or borrow from banks.

The following table sets forth a summary of our cash flows for the periods indicated:

	For the Year Ended December 31,				For the Three Months Ended March 31,		
	2009	2010	2011		2011	2012	
	RMB	RMB	RMB	US$	RMB	RMB	US$
				(in thousands)			
Net cash (used in) provided by operating activities	(4,476)	16,228	99,817	15,868	(1,895)	53,413	8,482
Net cash used in investing activities	(4,509)	(33,576)	(528,357)	(83,999)	(274,848)	(10,066)	(1,598)
Net cash provided by (used in) financing activities	74,629	(3,138)	477,882	75,975	328,132	—	—
Net increase (decrease) in cash and cash equivalents	65,644	(20,486)	49,342	7,844	51,389	43,347	6,884
Cash and cash equivalents at the beginning of the year period	40,797	106,427	83,683	13,304	83,683	128,891	20,467
Effect of exchange rates change on cash and cash equivalents	(14)	(2,258)	(4,134)	(657)	(1,515)	28	4
Cash and cash equivalents at the end of the year period	106,427	83,683	128,891	20,491	133,557	172,266	27,355

Operating Activities

Net cash used in or generated from operating activities consists primarily of our net loss mitigated by non-cash adjustments, such as share-based compensation, impairment of intangible asset, loss on disposal of property and equipment, deferred taxes and depreciation of property and equipment, and adjusted by changes in operating assets and liabilities, such as accounts receivable and accrued liabilities, account payables and other payables.

Net cash provided by operating activities for the three months ended March 31, 2012 was approximately RMB53.4 million (US$8.5 million), primarily resulting from RMB191.1 million (US$30.4 million) of cash revenues we received from the sale of IVAS and advertisements, partially offset by our employee salaries and welfare payment of RMB55.4 million (US$8.8 million), our sales-related direct costs of RMB36.5 million (US$5.8 million), which mainly consisted of distributions under arrangements with performers and channel owners on YY Music, payment collection costs, business taxes and content and promotion expenditures for our portals, our payments for server maintenance and data center leases of RMB29.0 million (US$4.6 million) and our general operating costs of RMB21.6 million (US$3.4 million).

Net cash provided by operating activities for the year ended December 31, 2011 was approximately RMB99.8 million (US$15.9 million), primarily resulting from RMB395.8 million (US$62.9 million) of cash revenues we received from the sale of IVAS and advertisements, partially offset by our employee salaries and welfare payment of RMB118.2 million (US$18.8 million), our payments for server maintenance and data center leases of RMB71.4 million (US$11.3 million) and our general operating costs of RMB106.7 million (US$16.9 million).

Net cash provided by operating activities for the year ended December 31, 2010 was approximately RMB16.2 million, primarily resulting from RMB151.0 million cash revenues we received from the sale of IVAS and advertisements, partially offset by our employee salaries and welfare payment of RMB55.7 million, our payments for server maintenance and data center leases of RMB29.8 million, our general operating costs of RMB28.8 million, our costs relating to office leases and water and power of RMB6.1 million, our general office expenses and miscellaneous costs of RMB5.7 million, and our tax payments of RMB5.1 million.

Net cash used in operating activities for the year ended December 31, 2009 was approximately RMB4.5 million, primarily resulting from our employee salaries and welfare payment of RMB18.0 million, our payments for server maintenance and data center leases of RMB8.2 million, our general operating costs of RMB6.1 million, our general office expenses and miscellaneous costs of RMB3.3 million, our costs relating to office leases and water and power of RMB2.1 million, and our tax payments of RMB2.0 million, partially offset by RMB36.5 million cash revenues we received from the sale of IVAS and advertisements.

Investing Activities

Net cash used in investing activities largely reflects purchases of property and equipment in connection with the expansion and upgrade of our technology infrastructure, purchases of intangibles assets and our equity investments in privately-held companies, such as associated game developers with whom we jointly operate online web games and or an online communications company which can increase our capacity for data delivery.

Net cash used in investing activities amounted to RMB10.1 million (US$1.6 million) in the three months ended March 31, 2012. Net cash used in investing activities primarily resulted from the placement of short-term deposits of RMB165.9 million (US$26.3 million), consideration of RMB11.7 million (US$1.9 million) paid in connection with an acquisition, and payments of RMB11.6 million (US$1.8 million) for the purchase of property and equipment, which mainly consisted of the purchase of servers to serve our expanded user base and, to a lesser extent, the purchase of office furniture and other office set-up related costs, partially offset by the maturity of term deposits in various banks in the amount of RMB180.0 million (US$28.6 million).

Net cash used in investing activities amounted to RMB528.4 million (US$84.0 million) in the year ended December 31, 2011. Net cash used in investing activities primarily resulted from the placement of short-term deposits of RMB872.4 million (US$138.7 million), payments of RMB47.0 million (US$7.5 million) for the purchase of property and equipment, which mainly consisted of the purchase of servers to serve our expanded user base and, to a lesser extent, the purchase of office furniture and other office set-up related costs, and equity investments of RMB4.5 million associated with the purchase of a minority equity interest in Zhuhai JinShan KuaiKuai Technology Co., Ltd., a company which provides online game technological research services in China, and Shenzhen Yingpeng Information Technology Company Limited, a company which provides mobile internet related content in China, partly offset by the maturity of term deposits in various banks in the amount of RMB399.7 million (US$63.5 million).

Net cash used in investing activities amounted to RMB33.6 million in 2010, primarily attributable to the acquisition of property and equipment in the amount of RMB14.7 million and the purchase of intangible assets in the amount of RMB13.5 million. The acquisition of property and equipment mainly consisted of the purchase of servers to serve our expanded user base and, to a lesser extent, the purchase of office furniture and other office set-up related costs. The purchase of intangible assets primarily represented the purchase of domain names in preparation for the continued expansion of our platform.

Net cash used in investing activities amounted to RMB4.5 million in 2009, primarily attributable to the acquisition of property and equipment in the amount of RMB5.9 million and investments under the equity method in the amount of RMB1.0 million due to our acquisition of Zhuhai Daren, partially offset by the maturity of term deposits in various banks in the amount of RMB1.5 million and the repayment of a loan to a related party of RMB1.0 million. The repayment of the loan to a related party was due to the fact that we extended a RMB1.0 million loan to Zhuhai Daren in advance of the completion of our investment therein, treating the loan as a receivable. The loan was later repaid. The acquisition of property and equipment primarily related to the purchase of servers to serve an expanded user base.

Financing Activities

Net cash provided by financing activities amounted to nil in the three months ended March 31, 2012.

Net cash provided by financing activities was RMB477.9 million (US$76.0 million) in the year ended December 31, 2011, primarily attributable to proceeds from the issuance of common shares to Tiger Global Six YY Holdings, net of issuance costs, of RMB489.0 million (US$77.7 million), partially offset by our repurchase of share options in the amount of RMB11.1 million (US$1.8 million).

Net cash used in financing activities amounted to RMB3.1 million in 2010, primarily attributable to our repurchase of share options in the amount of RMB2.6 million in January 2010.

Net cash provided by financing activities amounted to RMB74.6 million in 2009, primarily attributable to proceeds from issuance of preferred shares in the amount of RMB80.3 million, partially offset by our repurchase of shares and warrants in the amount of RMB5.7 million.

Capital Expenditures

We made capital expenditures of RMB6.5 million, RMB34.9 million and RMB41.6 million (US$6.6 million) in 2009, 2010 and 2011, respectively. We incurred capital expenditure of approximately RMB 24.1 million (US$3.8 million) for the three months ended March 31, 2012. Our capital expenditures are primarily used to purchase computers, servers, office furniture and other equipment. As we expand, we may move to larger offices and purchase additional office furniture and other equipment.

Contractual Obligations and Capital Commitments

The following table sets forth our contractual obligations as of December 31, 2011:

	Payment Due by Period				
	Total	Less than 1 year	1-2 years	2-3 years	More than 3 years
	(in thousands of RMB)				
Operating lease obligations[1]	50,833	10,987	12,448	13,561	13,837

(1) Operating lease obligations refer to the lease of bandwidth and offices under operating lease agreements, where a significant portion of the risks and rewards of ownership are retained by the lessor. Payments made under operating leases are charged to the consolidated statements of operations on a straight-line basis over the period of the lease, including any free lease periods.

Our operating lease obligations increased from December 31, 2011 to March 31, 2012 primarily because we entered into new leases for expanded office space. In the three months ended March 31, 2012, we incurred capital commitments amounting to RMB5.2 million (US$0.8 million) for leasehold improvements which were contracted but not yet reflected in our financial statements.

Off-Balance Sheet Commitments and Arrangements

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholder's equity or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or product development services with us.

Inflation

Since our inception, inflation in China has not materially impacted our results of operations. According to the National Bureau of Statistics of China, the change of consumer price index, or CPI, in China was (0.7)%, 3.3% and 5.4% in 2009, 2010 and 2011, respectively. The CPI rose by 3.8% in the first three months of 2012 compared to the same period in 2011. Although we have not in the past been materially affected by inflation since our inception, we can provide no assurance that we will not be affected in the future by higher rates of inflation in China.

Quantitative and Qualitative Disclosure about Market Risk

Foreign Exchange Risk

The revenues and expenses of our subsidiaries and PRC consolidated affiliated entities are generally denominated in RMB and their assets and liabilities are denominated in RMB. Our financing activities are denominated in U.S. dollars.

To date, we have not entered into hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. Although our exposure to foreign exchange risks is generally limited, the value of your investment in our ADSs will be affected by the exchange rate between the U.S. dollar and the RMB because the value of our business is effectively denominated in RMB, while our ADSs will be traded in U.S. dollars.

The RMB is not freely convertible into foreign currencies. Remittances of foreign currencies into the PRC and exchange of foreign currencies into RMB require approval by foreign exchange administrative authorities and certain supporting documentation. The State Administration for Foreign Exchange, under the authority of the People's Bank of China, controls the conversion of RMB into other currencies.

The value of the RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. The conversion of RMB into foreign currencies, including U.S. dollars, has been based on rates set by the People's Bank of China. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the RMB to the U.S. dollar. Under the revised policy, the RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy resulted in a more than 20% appreciation of the RMB against the U.S. dollar in the following three years. Since July 2008, however, the RMB has traded within a narrow range against the U.S. dollar. As a consequence, the RMB has fluctuated significantly since July 2008 against other freely traded currencies, in tandem with the U.S. dollar. On June 20, 2010, the People's Bank of China announced that the PRC government would further reform the Renminbi exchange rate regime and increase the flexibility of the exchange rate. It is difficult to predict how this new policy may impact the Renminbi exchange rate. To the extent that we need to convert U.S. dollars we receive from this offering into RMB for our operations, appreciation of the RMB against the U.S. dollar would have an adverse effect on the RMB amount we receive from the conversion. Conversely, if we decide to convert the RMB into U.S. dollars for the purpose of making payments for dividends on our common shares or ADSs or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amounts available to us.

Interest Risk

Our exposure to interest rate risk primarily relates to the interest income generated by excess cash, which is mostly held in interest-bearing bank deposits. Interest-earning instruments carry a degree of interest rate risk. We have not been exposed to, nor do we anticipate being exposed to, material risks due to changes in market interest rates. However, our future interest income may fall short of expectations due to changes in market interest rates.

Critical Accounting Policies

We prepare our financial statements in conformity with U.S. GAAP, which requires us to make estimates and assumptions that affect our reporting of, among other things, assets and liabilities, revenues and expenses. We regularly evaluate these estimates and assumptions based on the most recently available information, our own historical experiences and other factors that we believe to be relevant under the circumstances. Since our financial reporting process inherently relies on the use of estimates and assumptions, our actual results could differ from these estimates. This is especially true with some accounting policies that require higher degrees of judgment than others in their application. We consider the policies discussed below to be critical to an understanding of our audited consolidated financial statements because they involve the greatest reliance on our management's judgment.

Revenue Recognition and Deferred Revenue

We generate revenues from IVAS and online advertising. Revenues from IVAS are generated based on the revenue-sharing with game developers for direct purchase and conversion of game tokens, sales of virtual items in online games, YY Music and other channels, and membership subscription fees, as well as other IVAS. Online advertising revenues are primarily generated from sales of different forms of advertising on Duowan.com. Revenue is recognized when persuasive evidence of an arrangement exists, service has been rendered, the price is fixed or determinable and collection is reasonably assured. Revenue is deferred until these criteria are met as describe below.

In October 2009, the Financial Accounting Standards Board (the "FASB") issued a new guidance to address the accounting for multiple-deliverable arrangements. This new guidance is effective prospectively in fiscal years beginning upon or after June 15, 2010, and early adoption is permitted. We have elected early adoption of this new guidance through a retrospective application to all revenue arrangements for all periods presented in our financial statements included elsewhere in this prospectus.

IVAS

We offer our IVAS on our platform, including online games, YY Music and membership. Users can play online games and participate in YY Music through our platform free of charge, but they are charged when they purchase virtual items. In addition, users who subscribe to our membership program pay monthly fees in order to enjoy certain functions and privileges unavailable to other users. We operate a virtual currency system under which our users can directly purchase our virtual currency, game tokens and virtual items on YY Client's online community channels or pay membership subscription fees via third-party payment systems, including payments using mobile phones and internet debit/credit card payments. Our virtual currency can be used to (a) convert into game tokens that can be used to purchase virtual items in online games, (b) purchase virtual items in channels on YY Client, or (c) pay monthly membership subscription fees. Virtual currency sold but not yet consumed by the users is recorded as "advances from users" and, upon being converted or used, is recognized as revenue according to the respective prescribed revenue recognition policies addressed below:

Online games

Users play online games on our website free of charge but they are charged for purchases of in-game virtual items including consumable and perpetual items, which can be utilized in the online games to enhance their

game-playing experience. Consumable items represent virtual items that can be consumed by a specific user within a specified period of time. Perpetual items represent virtual items that are accessible to the user's account over the life of the online game. Almost all of these online games can be accessed and played by users on our platform without downloading separate software.

We recognize revenues when recognition criteria defined under U.S. GAAP are satisfied. For purposes of determining when the service has been provided, we have determined that there is an implied obligation for us to the paying user to continue providing access to the games such that the users can utilize the virtual items purchased by game tokens. Game players need to log on and access the games through our platform because their virtual currency, game tokens, virtual items, and game history are specific to our game accounts and are non-transferable to other platforms. To purchase in-game virtual items, our users can either charge their game accounts by purchasing game tokens, or virtual currency from our platform, which are convertible into game tokens based on a predetermined exchange rate agreed among us and the relevant game developers. To purchase virtual items for YY client channel activities, our users can consume their virtual currency directly.

The proceeds from the purchase of our virtual currency is recorded as an "advance from users," representing prepayments received from users in the form of our virtual currency but not yet consumed or converted into game specific tokens. Upon the conversion into a game token from our virtual currency or upon the direct purchase of a game token, whichever is applicable, the proceeds will be shared between us and the relevant game developer based on a predetermined contractual ratio. Our portion, net of the game developer's proceeds, is recorded as deferred revenue and amortized according to the prescribed revenue recognition policies described below. Game tokens are non-refundable and non-exchangeable among different games. Users typically do not convert our virtual currency into game tokens or purchase game tokens unless they soon plan to purchase in-game virtual items.

We generate revenues from offering online games developed by both third parties and by ourselves. The majority of online game revenues have been derived from third party developed games.

—Third party developed games

Under contracts signed between us and the respective game developers, revenues from the sale or conversion of game tokens to be used for the purchase of in-game virtual items derived from online games developed by third parties are shared between us and the game developers based on a pre-agreed ratio for each game. These revenue-sharing arrangements typically last for a range of one year to two years.

The third party developed games under non-exclusive licensing contracts are maintained and updated by the game developers. We mainly provide access to the platform and limited after-sale services to the game players. The determination of whether to record these revenues using the gross or net method is based on an assessment of various factors; the primary factors are whether we act as the principal in offering services to the game players or as agent in the transaction, and the specific requirements of each contract. We determined that for third party developed games, the third party game developers are the principal given that the game developers design and develop the game services offered, have reasonable latitude to establish prices of game tokens, and are responsible for maintaining and upgrading the game content and virtual items. Accordingly, we record online game revenue net of the pre-agreed portion of revenue sharing with the game developers.

Given that third party developed games are managed and administered by the third party game developers, we do not have access to the data on the consumption details such as when a game token is spent on the virtual items or the types of virtual items (consumable or perpetual items) purchased by each individual game player. However, we maintain historical data on the timing of the conversion of our virtual currency into game-specific tokens and the amount of game tokens purchased. We believe that our performance for, and obligation to, the game developers correspond to the game developers' services to the users. We have adopted a policy to recognize revenues relating to game tokens for third party developed games over the estimated user relationship

with us on a game-by-game basis, which are approximately three to six months for the periods presented. Future usage patterns may differ from historical usage patterns and therefore the estimated user relationship with us may change in the future.

When we launch a new game, we estimate the user relationship based on other similar types of games in the market until the new game establishes its own history. We also consider the game's profile, attributes, target audience, and its appeal to players of different demographic groups in estimating the user relationship period.

The estimated user relationship period is based on data collected from those users who have acquired game tokens. To estimate the period of the user relationship, we maintain a software system that captures the following information for each user: (a) the frequency that users log into each game via our platform, and (b) the amount and the timing of when users charge or convert his or her game tokens. We estimate the user relationship period for a particular game to be (1) the date a player purchases or converts from virtual currency to a game token through 2) the date we estimate the user plays the game for the last time. This computation is completed on a user by user basis. Then, the results for all analyzed users are averaged to determine one estimated user relationship period for each game. Each month's in-game payments are recognized over the end user relationship period calculated for that game.

To estimate the date the user plays the game for the last time, we selected all paying users that logged on during a particular month and continue to track these users log on behavior over at least a six month period to determine if each user is "active" or "inactive," which is determined based on a review of the period of inactivity or idle period from the user's last log-on. We observe the behavior of these users to see whether they subsequently return to a game based on different inactive periods (e.g. not logging on) of one month, two months, three months and so forth. The percentage of users calculated that do not log back on is estimated to be the probability that users will not return to the game after a certain period of inactivity.

We consider a paying player to be inactive once he or she has reached a period of inactivity for which it is probable (defined as at least 80%) that a player will not return to a specific game. We believe that using an 80% threshold for the likelihood that a player will not return to a game is a reasonable estimate that achieves the magnitude of "probable" under the threshold described in ASC 450 *Contingencies.* We have consistently applied this threshold to our analysis. Based on our assessment, the inactive period ranges generally from one to three months depending on the game.

The consideration of user relationship with each online game is based on our best estimate that takes into account all known and relevant information at the time of assessment. We assess the estimated user relationships on a quarterly basis. Any adjustments arising from changes in user relationship as a result of new information will be accounted as a change in accounting estimate in accordance with ASC 250 Accounting Changes and Error Corrections.

—Self-developed games

Revenues derived from our self-developed games are recorded on a gross basis as we act as a principal to fulfill all obligations. We do not maintain information on consumption details of in-game virtual items, and only have limited information related to the frequency of log-ons for our two self-developed games. Given that certain historical data is not available, we use the user relationship of third party games with similar popularity, gaming experience and sales to determine the estimated period of the user relationship for our self-developed games. The estimated lives of the user relationships of our self-developed games are approximately four months for the periods presented.

YY Music

YY Music's revenues consist of sales of virtual items to be used on YY Client's music channels. Users can use their virtual currency to purchase virtual items to show their support to the performers. We operate the YY platform and offer virtual items in music channels. All virtual items sold on YY Music are consumable immediately and are recognized as revenue immediately upon purchase, as we have no further obligations. The revenue stream derived from YY Music began in 2011.

Other revenue

Other revenue mainly represents revenue from membership subscription fees, technical support fees, server rental income and revenue from the sale of other items on the YY platform. We launched our membership program where members can receive enhanced user privileges when using YY Client. The membership fee is collected up-front from each member. The receipt of membership fees is initially recorded as deferred revenue, and revenue is recognized ratably over the period of the membership subscription. Server rental income is recognized on a straight-line basis over the rental period.

Advertising revenues

Advertising revenues are derived principally from advertising arrangements where the advertisers pay to place their advertisements on Duowan.com in different formats over a particular period of time. Such formats generally include but are not limited to banners, text-links, videos, logos, and buttons. Advertisements on our website are generally charged on the basis of duration, and advertising contracts are signed to establish the fixed price and the advertising services to be provided. Where collectability is reasonably assured, advertising revenues from advertising contracts are recognized ratably over the contract period of display.

We enter into advertising contracts with third party advertising agencies, as well as with advertisers directly. A typical contract term would range from one to three months. Both third party advertising agencies and direct advertisers are generally billed at the end of the display period and payments are due usually within six months.

Where our customers purchase multiple advertising spaces with different display periods in the same contract, we allocate the total consideration to the various advertising elements based on relative selling price and recognize revenue for the different elements over their respective display periods. We determine the fair values of different advertising elements based on our best estimate of selling prices of each advertisement within the contract, taking into consideration our standard price list and historical discounts granted. We recognize revenue on the elements delivered and defer the recognition of revenue for the fair value of the undelivered elements until the remaining obligations have been satisfied. Where all of the elements within an arrangement are delivered uniformly over the agreement period, the revenues are recognized on a straight line basis over the contract period.

Transactions with third party advertising agencies

For contracts entered into with third party advertising agencies, the third party advertising agencies will in turn sell the advertising services to advertisers. Revenue is recognized ratably over the contractual period of display based on the following criteria:

- there is persuasive evidence that an arrangement exists—we enter into framework and execution agreements with the advertising agencies, specifying price, advertising content, format and timing;
- price is fixed or determinable—the price charged to the advertising agencies are specified in the agreements, including relevant discount and rebate rates;
- services are rendered—we recognize revenue ratably as the elements are delivered over the contract period of display; and
- collectability is reasonably assured—we assess the credit history of each advertising agency before entering into any framework and execution agreements. If the collectability from the agencies is assessed is not reasonably assured, we recognize revenue only when the cash is received and all the other revenue criteria are met.

We provide sales incentives in the forms of discounts and rebates to third party advertising agencies based on purchase volume. As the advertising agencies are viewed as the customers in these transactions, revenue is recognized based on the price charged to the agencies, net of sales incentives provided to the agencies. Sales incentives are estimated and recorded at the time of revenue recognition based on the contracted rebate rates and estimated sales volume based on historical experience.

Transactions with advertisers

We also enter into advertisement contracts directly with advertisers. Under these contracts, similar to transactions with third party advertising agencies, we recognize revenue ratably as the advertising services purchased from us are delivered over the periods of display specified by the relevant contracts. The terms and conditions, including price, are fixed according to the relevant advertising contract. We also perform a credit assessment of all advertisers prior to entering into contracts. Revenue is recognized based on the amount charged to the advertisers, net of discounts.

Advances from users and deferred revenue

Advances from users are prepayments from users for our virtual currency that are not yet consumed or converted into game tokens, and upon the consumption or conversion, are amortized according to the prescribed revenue recognition policies. Deferred revenue primarily consists of those unamortized game tokens in relation to the portion of game tokens retained by us or the sale of virtual items where there is still an implied obligation to be provided by us and will be recognized as revenue when all of the revenue recognition criteria are met. Deferred revenue also consists of upfront membership fees received and recognized ratably over the period of the membership subscription.

Share-based compensation

We awarded a number of share-based compensation to our employees and non-employees (such as consultants), which include share options, restricted shares and restricted share units granted to employees and non-employees, share-based awards granted to our chief executive officer and chairman and share-based awards granted in relation to our acquisition of NeoTasks Inc. The details of these share-based awards and the respective terms and conditions are described in "Share-based compensation" in note 18 to our audited consolidated financial statements for the years ended December 31, 2009, 2010 and 2011 and in note 14 to our unaudited interim condensed consolidated financial statements for three months ended March 31, 2011 and March 31, 2012, which are included elsewhere in this prospectus.

Share options

Options were initially accounted for as equity-classified awards because there are no explicit repurchase rights specified in the award documents and the number of shares of our common shares issued under these awards are fixed and determined at the time of grants. All options to employees and non-employees are measured based on the grant date fair value of the award and recognized as compensation expense based on the graded-vesting method, net of estimated forfeitures, over the requisite service period, with a corresponding impact reflected in additional paid-in capital. The options to non-employees are re-measured at each reporting date using the fair value as at each period end. The compensation expense is recognized using the graded-vesting method.

Nevertheless, a number of our outstanding employee share-based awards relating to stock options granted to employees and non-employees, or the Pre-2009 Scheme Options, prior to the adoption of our 2009 Scheme had been subject to past practices of repurchases in conjunction with our preferred shares and common share issuance made to our shareholders and investors, details of which are described in "Share-based compensation' in note 18 to our audited consolidated financial statements which are included elsewhere in this prospectus.

Upon the negotiation and occurrence of our repurchase of certain outstanding share-based awards in November 2009, the details of which are set out in "Share-based compensation" in note 18 to our audited consolidated financial statements which are included elsewhere in this prospectus, we considered it probable for holders of the Pre-2009 Scheme Options to develop an expectation that we might continue to repurchase their vested options in the future. As a result, such past practices result in a constructive obligation of ours. Such initially equity-classified awards were considered to have been tainted and they began to be reflected as a stock compensation liability on our consolidated balance sheets, commencing on the date when the definitive agreement on the repurchase was reached with the respective holders of the instruments in 2009. In the case of any future repurchases, the repurchase price of these awards would be determined by our board of directors with reference to valuation results regarding the fair value of our common shares prevailing at the time of repurchase and therefore it was not determinable until the date of repurchase.

We continued to amortize share-based compensation expenses for those awards expected to vest on a graded-vesting basis over the requisite service period. We re-measured the fair value of the awards at the end of each reporting period until either the repurchase rights were exercised or the holders were exposed to the market value of the shares for a reasonable period of time of at least six months, or the awards were settled, cancelled or expire unexercised.

On September 15, 2011, we determined not to undertake any repurchases of vested or unvested share-based compensation awards, except under those conditions specified in the relevant award scheme and grant documents. In addition, any proposed repurchase of vested or unvested share-based compensation awards should be approved by the majority votes of the board of directors. Our intention was specifically communicated to all employees. All employees with vested or unvested awards also confirmed their understanding and agreement through written confirmation. Accordingly, the classification of the liability-classified awards was changed to become equity-classified.

The following table sets forth certain information regarding the share options granted to our employees in 2009, with the share and per share information presented to give retroactive effect to a 1:490 share split in December 2009.

Grant Date	Common Shares Underlying Options Granted	Exercise Price Per Common Share (US$)	Fair Value Per Option as of the Grant Date (US$)	Fair Value Per Common Shares as of the Grant Date (US$)	Type of Valuation	Intrinsic Value Per Option on Grant Date[1] (US$)
January 1, 2009	8,499,050	0.0067	0.0297	0.0351	Retrospective	0.0284

(1) The intrinsic value in the table above represents the pre-tax intrinsic value (the difference between the estimated fair value of our common shares on the grant date and the exercise price).

We engaged an independent third party appraiser to assist us in our determination of the fair value of our share options as of each grant date and each re-measurement date. However, our management is ultimately responsible for such determination.

In determining the value of share options, we have used the binomial option pricing model to determine the fair value of equity-classified awards and liability-classified awards. Under this option pricing model, certain assumptions are required. Changes in these assumptions could significantly affect the fair value of share options and hence the amount of compensation expense we recognized in our consolidated financial statements.

The key assumptions used in valuation of the options for grant date and re-measurement date fair values in 2009, 2010 and 2011 and the three months ended March 31, 2012 are summarized in the following table:

	Years Ended December 31,			Three Months Ended March 31,
	2009	2010	2011	2012
Risk-free interest rate[1]	2.81% - 3.61%	3.01% - 3.78%	3.34% - 4.01%	3.27%
Exercise multiple[2] (times)	2.2	2.2	2.2	2.2
Expected term[3] (years)	8 - 10	7 - 9	6 - 8	5.75
Expected volatility[4]	62.50% - 68.85%	54.60% - 61.25%	53.06% - 55.34%	55.46%
Expected dividend yield[5]	—	—	—	—

(1) The risk-free interest rate of periods within the contractual life of the share option is based on the China Government Bond yield as at the valuation dates.
(2) The exercise-multiple is an assumption about early exercise behavior or patterns based on stock-price appreciation rather than the time that has elapsed since the grant date. It represents the expected ratio of stock price to exercise price at the time of exercise.
(3) The expected term is the contract life of the option.
(4) Expected volatility is estimated based on the average of historical volatilities of the comparable companies in the same industry as at the valuation dates.
(5) Neither Duowan BVI nor us has a history or the expectation of paying dividends on its common shares. The expected dividend yield was estimated based on our expected dividend policy over the expected term of the option.

Share-based award for our acquisition of NeoTasks

In December 2008, in connection with the acquisition of NeoTasks, we issued warrants to purchase 17,915,380 common shares and 8,957,690 common shares of our company to two founders of NeoTasks with a service condition of three years. In October 2009, our board approved the request of these warrant holders to exercise their warrants to acquire 26,873,070 restricted shares that were subject to a restricted share agreement with the same rights and vesting conditions as the original warrant grants.

These share-based awards were initially accounted for as equity-classified awards because there are no explicit repurchase rights specified in the award documents and the number of shares of our common shares issued under these awards are fixed and determined at the time of grants.

We recognize the value of the portion of the warrants/restricted shares that we ultimately expect to vest as expense over the requisite service periods in our consolidated statements of operations on a graded-vesting basis.

However, a number of our outstanding warrants/restricted shares had been subject to practices of repurchases in conjunction with our preferred share and common share issuance made to our shareholders and investors, details of which are described in “Share-based compensation” in note 18 to our audited consolidated financial statements which are included elsewhere in this prospectus.

Upon the negotiation and occurrence of the latest repurchase of outstanding share-based awards in 2009, we considered that it is probable that holders may develop an expectation that we might continue to repurchase their vested warrants in the future. As a result, such past practices result in a constructive obligation of ours. Such initially equity-classified awards were considered to have been tainted and they began to be reflected as a stock compensation liability on our consolidated balance sheet, commencing on the date when the definitive agreement on the First Repurchase was reached with the respective holders of the instruments.

We continued to amortize share-based compensation expense for those awards expected to vest on a graded-vesting basis over the requisite service period. We re-measured the fair value of the awards at the end of each reporting period until either the repurchase rights are exercised or the holders are exposed to the market value of the shares for a reasonable period of time (at least six months), or the awards are settled, cancelled or expire unexercised.

The fair value of warrants/restricted shares was based on the fair value of our underlying common shares on the grant date and re-measurement date.

Restricted shares

Restricted shares issued to our employees are measured based on the grant date fair value of the award and recognized as compensation expense based on the graded-vesting method, net of estimated forfeitures, over the requisite service period, with a corresponding impact reflected in additional paid-in capital. The fair value of restricted shares was based on the fair value of our underlying common shares on the grant date.

We account for restricted shares issued to non-employees are measured at fair value at the date the services are completed. These awards are re-measured at each reporting date using the fair value as at each period end until the measurement date. The compensation expenses is recognized using the graded vesting method.

We are required to estimate forfeiture at the time of grant and revise those estimated in subsequent periods if actual forfeitures differ from those estimates. Historical data was used to estimate pre-vesting forfeitures and record share-based compensation expenses only for those awards that we expect to vest.

The following table sets forth certain information regarding the restricted shares granted to our employees and non-employees at different dates in 2009, 2010 and 2011 and the three months ended March 31, 2012 with share and per share information presented to give retroactive effect to a 1:490 share split.

Grant Date	Restricted Shares Granted	Fair Value Per Common Share as of the Grant Date (US$)	Type/Methodology of Valuation
January 1, 2010	23,686,542	0.1590	Retrospective/ GTM(1)
February 1, 2010	4,257,335	0.1875	Retrospective/ GTM(1)
April 1, 2010	2,000,000	0.2721	Retrospective/ GTM(1)
July 1, 2010	20,060,000	0.4666	Retrospective/ GTM(1)
October 1, 2010	500,000	0.6988	Retrospective/ GTM(1)
January 1, 2011	10,846,800	0.9362	Retrospective/ Backsolve(2)

(1) GTM denotes the guideline transaction method under the market approach based on the enterprise value to revenue multiples of our own equity transactions close to the valuation date.

(2) Backsolve denotes the back solve method under the market approach based on our own equity transactions as of the valuation date.

Restricted share units

Restricted share units issued to our employees are measured based on the grant date fair value of the award and recognized as compensation expense based on the graded-vesting method, net of estimated forfeitures, over the requisite service period, with a corresponding impact reflected in additional paid-in capital. The fair value of restricted shares was based on the fair value of our underlying common shares on the grant date.

We are required to estimate forfeiture at the time of grant and to revise those estimates in subsequent periods if actual forfeitures differ with those estimates. Historical data was used to estimate pre-vesting forfeitures and record share-based compensation expenses only for those awards that we expect to vest.

The following table sets forth certain information regarding the restricted share units granted to our employees in 2011 and the three months ended March 31, 2012 with share and per share information.

Grant Date	Restricted Share Units Granted	Fair Value Per Common Share as of the Grant Date (US$)	Type/Methodology of Valuation
September 16, 2011	9,097,000	1.0630	Contemporaneous/ DCF(1)
January 1, 2012	1,668,000	1.0869	Contemporaneous/ DCF(1)
March 31, 2012	6,597,921	1.1153	Contemporaneous/ DCF(1)

(1) DCF denotes the discounted cash flow method under the income approach which explicitly recognizes that the business enterprise value as of the valuation date is developed by discounting future net cash flow to the present value at a rate that reflects both the current return requirements of the market and the risks inherent in the specific investment.

Share-based awards granted to chief executive officer and chairman

On February 23, 2010, Mr. David Xueling Li and Mr. Jun Lei, our co-founder, chairman and director, were granted 13,369,813 and 29,678,483 restricted shares, which vested immediately and over a four-year period (50% after the second anniversary and 25% each year thereafter), respectively. These restricted shares are subject to a performance condition which relates to the number of peak concurrent users on YY Client. Such performance condition was met as of December 31, 2010.

We recognized these awards as employee share-based compensation Awards using fair value of the awards on the grant date. The compensation expense for the restricted shares held by Mr. David Xueling Li was fully

recognized and the compensation expense for the restricted shares held by Mr. Jun Lei was recognized over the requisite service period using the graded vesting method.

The fair value of the share-based awards above was determined at the respective grant dates by us with the assistance of an independent valuation company.

Common share value

Given that we issued common shares and warrants to Tiger, an independent investor, in January 2011, we used the Backsolve Method based on our own share transactions to determine the fair value of our equity as of January 1, 2011. Among the valuation methodologies, the Backsolve Method is the most objective indicator of the enterprise value at the development stage like our company in January 2011. In view of the fast growing number of registered user accounts, with relatively fixed staff costs and network expenses, we judged it is reasonable to assume that our business enterprise value would increase in line with our growing revenue. For valuation dates in 2010, as there was no share transactions with investor in 2010, we could not adopt the Backsolve Method. Instead, we adopted the Guideline Transaction Method under the market approach and applied the implied business enterprise value to revenue multiples based on the increase in the business enterprise value between our series C financing in November 2009 and the warrants issued to Tiger in January 2011 over the increase in corresponding 12-month trailing revenues, to the 12-month trailing revenue, to determine the fair value of our equity in 2010. The income approach—discounted cash flow method, or DCF—was also used in preparing a business enterprise value analysis of our company as of January 1, 2008, September 16, 2011, January 1, 2012 and March 31, 2012 and for the beneficial conversion feature assessments as of June 1, 2008, August 1, 2008 and November 1, 2009.

The determination of the fair value of our common shares requires complex and subjective judgments to be made regarding our projected financial and operating results, our unique business risks, the liquidity of our shares and our operating history and prospects at the time of each grant. Had our management used different assumptions and estimates, the resulting fair value of our common shares and the resulting share-based compensation expenses could have been different.

We believe that the determinations of the fair market value of our common shares were fair and reasonable at the times they were made. Our board of directors' methodologies, approaches and assumptions consistent with the American Institute of Certified Public Accountants Practice Guide, *Valuation of Private-Held-Company Equity Securities Issued as Compensation*, or the AICPA Practice Guide.

More details are described in "—Fair value of our common shares."

Acquisition

We apply the purchase method of accounting to account for our acquisitions. We determine the acquisition date based on the date at which all required licenses are transferred to us and we obtained control of the acquiree.

Purchase consideration generally consists of cash, contingent consideration and equity securities. In estimating the fair value of equity compensation, we consider both income and market approach and selected the methodology that is most indicative of our fair value in an orderly transaction between market participants as of the measurement date. Under the market approach, we utilize publicly-traded comparable company information to determine the revenue and earnings multiples that are used to value our equity securities. Under the income approach, we determine the fair value of our equity securities based on the estimated future cash flow discounted by an estimated weighted-average cost of capital, which reflects the overall level of inherent risk and the rate of return an outside investor would expect to earn. We base the cash flow projections on forecasted cash flows derived from the most recent annual financial forecast using a terminal value based on the perpetuity growth model.

The identifiable assets acquired and liabilities and contingent liabilities assumed in a business acquisition are measured initially at the fair value at the acquisition date. The excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill.

We are responsible for determining the fair value of the equity issued, assets acquired, liabilities assumed and intangibles identified as of the relevant acquisition date. Post-acquisition expenses are charged to general and administrative expenses directly.

Goodwill

Goodwill represents the amount by which the cost of acquired net assets in a business acquisition exceeds the fair value of the net identifiable assets on the date of purchase. Goodwill is carried at cost less accumulated impairment losses. Goodwill is allocated to the reporting units that are expected to benefit from the business combination in which the goodwill arises for the purpose of impairment testing. If the carrying value of the reporting unit exceeds its fair value, an impairment loss is recorded to the extent that the carrying value of goodwill exceeds its fair value. We have determined that the reporting units for testing goodwill impairment are the operating segments that constitute a business for which discrete financial information is available and for which management regularly reviews the operating results.

We estimate the fair value of our reporting units using discounted cash flow valuation models. There are inherent limitations in any estimation technique and a minor change in the assumption could result in a significant change in its estimate of fair value, thereby increasing or decreasing the amounts of our consolidated assets, shareholders' equity and net income or loss.

We perform an impairment test on October 1 of each year or whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. No impairment loss is recognized for all periods presented.

Intangible assets

Intangible assets that are acquired in business acquisitions are recognized apart from goodwill if the intangible assets arise from contractual or other legal rights, or are separately identifiable if the intangible assets do not arise from contractual or other legal rights.

The costs of determinable-lived intangible assets are amortized to expense over their estimated life and stated at cost (fair value at acquisition) less accumulated amortization. The value of indefinite-lived intangible assets is not amortized, but tested for impairment annually on October 1 of each year, or whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. We reassess indefinite-lived intangible assets at each reporting period to determine whether events or circumstances continue to support an indefinite useful life.

Impairment of long-lived assets and intangible assets

The carrying amounts of long-lived assets and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is evaluated by a comparison of the carrying amount of assets to future undiscounted net cash flows expected to be generated by the assets. Such assets are considered to be impaired if the sum of the expected undiscounted cash flow is less than carrying amount of the assets. The impairment to be recognized is measured by the amount by which the carrying amounts of the assets exceed the fair value of the assets. No impairment of long-lived assets and intangible assets was recognized for any of the periods presented.

Taxation and uncertain tax positions

Current income tax is provided on the basis of income for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes. In accordance with the regulations of the relevant tax jurisdictions, deferred income taxes are accounted for using the liability approach which requires the recognition of income taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in our financial statements or tax returns. Deferred income taxes are determined based on the differences between the financial reporting and tax basis of assets and liabilities and are measured using the currently enacted tax rates and laws. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the consolidated statements of operations in the period that includes the enactment date.

We currently have deferred tax assets resulting from net operating loss carryforwards and deductible temporary differences, all of which are available to reduce future tax payable in our significant tax jurisdictions. The largest component of our deferred assets are the temporary differences generated by our PRC subsidiary and VIE due to recognition of the deferred revenue. In assessing whether such deferred tax assets can be realized in the future, we need to make judgments and estimates on the ability of each of our PRC subsidiary and VIE to generate taxable income in the future years. To the extent that we believe it is more likely than not that some portion or the entire amount of deferred tax assets will not be realized, we established a total valuation allowance to offset the deferred tax assets. As of December 31, 2009, 2010 and 2011 and March 31, 2012, a total valuation allowance of RMB4.7 million, RMB8.1 million, RMB1.9 million (US$0.3 million) and RMB2.1 million (US$0.3 million), respectively, was recognized against deferred tax assets. If we subsequently determine that all or a portion of the temporary differences are more like than not to be realized, the valuation allowance will be released, which will result in a tax benefit in our consolidated statements of operations.

We adopted the guidance on accounting for uncertainty in income taxes on January 1, 2008. The guidance prescribes a more likely than not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Guidance was also provided on derecognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods, and income tax disclosures. Significant judgment is required in evaluating our uncertain tax positions and determining the relevant provision for income taxes. We did not have any adjustment to the opening balance of retained earnings as of January 1, 2008 as a result of the implementation of the guidance. We had no interest and penalties associated with tax positions for the years ended December 31, 2009, 2010 and 2011 and the three months ended March 31, 2012. As of December 31, 2009, 2010 and 2011 and March 31, 2012, we had no significant unrecognized uncertain tax positions.

Foreign currency

We use RMB as our reporting currency. The functional currency of our company, incorporated in the Cayman Islands, and our subsidiaries incorporated in the British Virgin Islands and Hong Kong is U.S. dollars, while the functional currency of the other entities is RMB. In the consolidated financial statements, the financial information of our company and our subsidiaries which use U.S. dollars as their functional currency have been translated into Renminbi. Assets and liabilities are translated at the exchange rates on the balance sheet date, equity amounts are translated at historical exchange rates, and revenues, expenses, gains and losses are translated using the average rate for the year. Translation adjustments arising from these are reported as foreign currency translation adjustments and are shown as a component of other comprehensive income or loss in the statement of shareholders’ equity and comprehensive income.

Foreign currency transactions denominated in currencies other than functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are re-measured at the applicable rates of exchange in effect at that date. Foreign exchange gains and losses resulting from the settlement of such

transactions and from re-measurement at year-end are recognized in foreign currency exchange gain/loss, net in the consolidated statement of operations.

Fair value of our common shares

In determining the fair values of our common shares as of each award grant date, three generally accepted approaches to value were considered: cost, market and income approaches. While useful for certain purposes, the cost approach is generally not considered applicable to the valuation of a company as a going concern, as it does not capture the future earning potential of the business. The comparability of the financial metrics of comparable companies in our industry and thus the relevance of the market approach based on guideline companies method were also considered low because our target market and stage of development were different from those of the publicly listed companies in the same industry. In view of the above, we determined that the income approach is the most appropriate method to derive the fair values of our common shares for valuation dates with no equity transaction close to the award grant date. In case we have own equity transactions close to the award grant date, guideline transaction method of the market approach or backsolve method were adopted. In addition, we took into consideration the guidance prescribed by the American Institute of Certified Public Accountants Audit and Accounting Practice Aid, Valuation of Privately-Held-Company Equity Securities Issued as Compensation, or the Practice Aid.

We are a private company with no quoted market prices for our common shares. We have therefore estimated, with assistance from an independent valuation firm, the fair value of our common shares at certain dates in 2010 and 2011 and the three months ended March 31, 2012 for the following purposes:

(a) to determine the fair value of our common shares at the date of the grant and re-purchase date of a share-based compensation award as one of the inputs into determining the fair value of the award as of the grant date or the re-purchase date;

(b) to determine the fair value of warrants issued to Tiger Global Six YY Holdings as of the issuance date and re-measurement date; and

(c) to determine the fair value of our common shares at the date of the grant of restricted shares and restricted share units as one of the inputs into determining the fair value of the award as of the grant date.

The following table sets forth the fair values of our common shares estimated from July 1, 2010 to the date of this prospectus:

Date	Fair Value of Common Shares (US$ per share)	Type/Methodology of Valuation	Purpose of Valuation
July 1, 2010	0.4666	Retrospective/GTM[1]	(a)
October 1, 2010	0.6988	Retrospective/GTM[1]	(a)
January 1, 2011	0.9362	Retrospective/Backsolve[2]	(b)
May 1, 2011	0.9952	Retrospective/GTM[1]	(a)
September 16, 2011	1.0630	Contemporaneous/DCF[3]	(c)
January 1, 2012	1.0869	Contemporaneous/DCF[3]	(c)
March 31, 2012	1.1153	Contemporaneous/DCF[3]	(c)

(1) GTM denotes guideline transaction method under market approach based on the enterprise value to revenue multiples of our own equity transactions close to the valuation date.

(2) Backsolve denotes the back solve method under market approach based on our own equity transactions as of the valuation date.

(3) DCF denotes the discounted cash flow method under the income approach which explicitly recognizes that the business enterprise value as of the valuation date is developed by discounting future net cash flow to the present value at a rate that reflects both the current return requirements of the market and the risks inherent in the specific investment.

When estimating the fair value of the common shares, our management considered a number of factors, including the result of an independent third party appraisal and the equity transactions conducted by our company, while taking into account standard valuation methods and the achievement of certain events. We obtained a retrospective valuation instead of a contemporaneous valuation for valuation dates prior to August 2011 by an unrelated valuation specialist because, at that time, our financial and other resources were mainly focused on our research and development efforts.

Due to the changing environment in which we are operating, a number of assumptions were established in deriving the fair value of our common shares. These assumptions include: there will be no major changes in the existing political, legal, fiscal and economic conditions in China; there will be no major changes in the current taxation law in China; exchange rates and interest rates will not differ materially from those presently prevailing; the availability of finance will not be a constraint on the future growth of our operations; we will retain and have competent management, key personnel, and technical staff to support our ongoing operations; and industry trends and market conditions for related industries will not deviate significantly from economic forecasts.

Equity value as of September 16, 2011, January 1, 2012, March 31, 2012

Valuation of common equity as of September 16, 2011, January 1, 2012 and March 31, 2012 are based on the income approach—discounted cashflow analysis. The income approach involves applying appropriate discount rates to estimated cash flows that are subject to a number of assumptions. These assumptions include: (i) no material changes in the existing political, legal, fiscal and economic conditions in China; (ii) our ability to recruit and retain competent management, key personnel and technical staff to support our ongoing operations; (iii) exchange rates and interest rates will not differ materially from those presently prevailing; (iv) the availability of financing will not be a constraint on the future growth of our operation; and (v) industry trends and market conditions for related industries will not deviate significantly from economic forecasts. These assumptions are inherently uncertain and subjective.

The risks associated with achieving an estimated cash flow were assessed in selecting the appropriate discount rates. The discount rates were based on the estimated market required rate of return for investing in our company, or weighted average cost of capital, or WACC, which was derived using the capital asset pricing model, a method that market participants commonly use to price securities. The change in WACC was the combined result of the changes in risk-free interest rate, industry-average correlative relative volatility coefficient beta, equity risk premium, size of our company, scale of our business and our ability in achieving forecast projections.

A discount for lack of marketability, or DLOM, was also applied to reflect the fact there is no ready public market for our shares as we are a closely held private company. DLOM was quantified using the Black-Scholes option pricing model. Under this option-pricing method, the cost of the put option, which can hedge the price change before the privately held shares can be sold, was considered as a basis to determine the DLOM. This option pricing method is one of the methods commonly used in estimating DLOM as it can take into consideration factors such as timing of a liquidity event (such as an initial public offering) and estimated volatility of equity securities. The farther the valuation date is from an expected liquidity event, the higher the put option value and thus the higher the implied DLOM. The lower the DLOM used for the valuation, the higher the determined fair value of the common shares.

The discount rates and DLOM used are provided as follows:

Valuation dates	WACC	DLOM
September 16, 2011	16.5%	15.0%
January 1, 2012	16.0%	15.0%
March 31, 2012	16.0%	15.0%

Equity value as of January 1, 2011

We issued common shares and warrants to Tiger, an independent investor, in January 2011. We adopted the Backsolve Method to determine the equity value of our company by matching the sum of fair value of common shares issued and warrants granted to Tiger with the consideration of US$50.0 million.

Equity value as of July 1, 2010, October 1, 2010 and May 1, 2011

During the year 2010, we mainly focused on raising peak concurrent user levels and exploring new revenue sources related to YY such as virtual items sold in music channels created by YY users. Hence, we did not prepare financial projections. Since our operating costs such as staff costs and network expenses are relatively fixed in nature, we judged it reasonable to assume that our increase in business enterprise value was in a linear relationship with the increase in revenue. As such, a linear relationship of around 41 times, devised from the increase of business enterprise value between series C financing as of November 1, 2009 and the warrants issued to Tiger as of January 2011 over the increase of corresponding 12-month trailing revenues, was applied to the 12-month trailing revenue as of the valuation date to estimate the business enterprise value and hence equity value as of each valuation date stated in this section. We adopted the GTM for these valuation dates.

Allocation of equity value

Our equity values determined at the respective valuation dates based on the above assumptions were allocated between the preferred shares and common shares using the option pricing model taking into account the guidance prescribed by the AICPA Audit and Accounting Practice Aid "Valuation of Privately-Held-Company Equity Securities Issued as Compensation." We have taken into consideration estimates of the anticipated timing of a potential liquidity event, such as an initial public offering, and estimates of the volatility of our equity securities. The anticipated timing is based on the plans of our board and management. The estimated volatility was derived by referring to the average annualized standard deviation of the share prices of listed comparable companies for the historical period matching with the terms of the options. Estimating the volatility of the share price of a privately held company is complex because there is no readily available market for the shares. The volatility of our shares was estimated based on the historical volatility of the shares of comparable listed companies. Had we used different estimates of volatility, the allocations between preferred and common shares would have been different.

Changes in fair values

Below are descriptions of how the fair values of our common shares changed in the past 12 months prior to the date of this prospectus.

The determined fair value of our common shares increased from US$1.0630 per share as of September 16, 2011 to US$1.0869 per share as of January 1, 2012. We believe this is primarily because of our ability to generate cash, substantially driven by:

- The increasing popularity of YY as reflected in the sharp increase in registered user accounts from 232 million to 266 million over this 3.5 months period;
- Our high quality voice-enabled services and robust server technology having further driven peak concurrent users and monthly active users to reach a new high during this period; and
- A change in WACC from 16.5% to 16.0% as a result of decrease in risk-free rate.

The increase in the fair value of our common shares, from US$1.0869 per share as of January 1, 2012 to US$1.1153 per share as of March 31, 2012, is primarily because our ability to generate cash increased, substantially driven by:

- The increasing popularity of YY as reflected in the sharp increase in registered user accounts from 266 million to 302 million over this three-month period; and
- Our peak concurrent users keep growing and our monthly active users having grown as a result of the high quality of our services and technology.

Fair value of our series A, B, C-1 and C-2 preferred shares

In addition to our common shares, we have also determined the fair value of the series A, B, C-1 and C-2 preferred shares with the assistance of an independent valuation agency, the result of which is used to determine the amount of redemption values as well as the amortization of the associated beneficial conversion feature. Consistent with common shares discussed above, the determination of the fair value of our series A, B, C-1 and C-2 preferred shares requires complex and subjective judgments to be made regarding our projected financial and operating results, our unique business risks, the liquidity of these shares and our operating history and prospects at the time of valuation.

Recently Issued Accounting Pronouncements

In May 2011, the FASB issued Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs, an accounting standard update which amended the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. We adopted this standard effective in the first quarter of 2012 with no material impact on our consolidated financial statements and disclosures.

In June 2011, the FASB issued an accounting standards update on the presentation of comprehensive income under which the option to present the components of other comprehensive income as part of the statement of shareholders' equity has been eliminated. We adopted this standard effective in the first quarter of 2012. The standard requires other comprehensive income be presented as part of a single continuous statement of comprehensive income or in a statement of other comprehensive income immediately following the statement of operations. Reclassification adjustments from other comprehensive income to net income must be presented on the face of the financial statements. This standard must be retrospectively applied to all reporting periods presented in financial reports issued after the effective date. The new accounting guidance is effective for interim and annual periods beginning after December 15, 2011. We intend to provide the required financial reporting presentation upon the effective date of this standard. The adoption of this guidance will change the presentation of our financial statement but will not affect the calculation of net income, comprehensive income or earnings per share.

In August 2011, the FASB approved changes to the goodwill impairment guidance that is intended to reduce the cost and complexity of the annual impairment test. The changes will provide entities an option to perform a "qualitative" assessment to determine whether further impairment testing (i.e. step 2) is necessary. If an entity believes, as a result of its qualitative assessment, that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is required. Otherwise, no further testing is required. The final standard was issued in September 2011. The changes will be effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011 and earlier adoption is permitted.

In December 2011, the FASB issued a further authoritative pronouncement, Accounting Standard Updated, or ASU2011-12, Deferral of the Effective Date for Amendments to the Presentation of Reclassification of Items

Out of Accumulated Other Comprehensive Income in ASU2011-05, Presentation of Comprehensive Income. Under the amendments in ASU 2011-05, entities are required to present reclassification adjustments and the effect of those reclassification adjustments on the face of the financial statements where net income is presented, by component of net income, and on the face of the financial statements where other comprehensive income is presented, by component of other comprehensive income. In addition, the amendments in ASU 2011-05 require that reclassification adjustments be presented in interim financial periods. The amendments supersede changes to those paragraphs in ASU2011-05 that pertain to how, when, and where reclassification adjustments are presented. Due to the time required to properly make such a reassessment and to evaluate alternative presentation formats, the Board decided that it is necessary to reinstate the requirements for the presentation of reclassifications out of accumulated other comprehensive income that were in place before the issuance of ASU2011-05. The amendments in this ASU are effective for public entities for fiscal years, and interim periods within those years, beginning after December 15, 2011. We adopted this standard effective in the first quarter of 2012.

In December 2011, the FASB issued an authoritative pronouncement on disclosures about offsetting assets and liabilities. Under this pronouncement, entities are required to disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. This scope would include derivatives, sale and repurchase agreements and reverse sale and repurchase agreements, and securities borrowing and securities lending arrangements. An entity is required to apply the amendments for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. An entity should provide the disclosures required by those amendments retrospectively for all comparative periods presented. This pronouncement is not expected to have a material impact on our financial position, results of operations or cash flows.

BUSINESS

Overview

YY is a revolutionary rich communication social platform that engages users in real-time online group activities through voice, text and video. YY Client, our core product launched in China in July 2008, has attracted 328.9 million registered user accounts as of May 31, 2012 and had 62.7 million monthly active users in May 2012.

People are social creatures with a fundamental desire to connect, interact and communicate with each other. YY empowers users to create and organize groups of varying sizes to discover and participate in a wide range of online activities, including online games, karaoke, music concerts and education. We believe that our proprietary technology infrastructure was the first to support simultaneous communications among hundreds of thousands of concurrent users in a single channel. YY's scale, social features and high quality voice and video make it popular among internet users in China, as evidenced by the 9.0 million peak concurrent users on YY in May 2012 and 121.4 billion voice minutes that users spent on YY Client in the first three months in 2012.

Our platform consists of YY Client, the YY.com and Duowan.com web portals and Mobile YY. YY Client is our PC-based software that provides real-time access to user-created online activities groups, which we refer to as channels. Although online communication tools such as instant messenger and social networking services existed when we introduced YY Client in July 2008, these tools and services were confined to text or limited-scale voice or video communications. YY Client has transformed online social communications by enabling large-scale group activities through our platform. In 2011, we held an approximate 84.2% market share in the real-time online group voice communications market in China in terms of cumulative user time spent, according to the iResearch Report. On average, each active user spent approximately 56.3 hours on YY Client in May 2012. YY Client is available for free download from YY.com, our online portal and guide to channels, events and content available across our platform. We also operate Duowan.com, the No. 2 game media website in China that provides access to and interactive resources for online games as measured in terms of monthly unique visitors in the three months ended March 31, 2012, according to iResearch. To increase the accessibility and usage of YY Client, we introduced our mobile application, Mobile YY, in December 2010.

Delivering a superior user experience is our core focus, and it relies on our proprietary technology and industry know-how. A single YY channel can have from only a handful to hundreds of thousands of concurrent users. YY enables users to continually create new channels to engage in activities on our open platform designed to make offline group activities more effective and efficient online. YY is supported by our highly scalable infrastructure throughout China and our proprietary algorithms enabling low latency, low jitter and low loss rates in delivering voice and video data.

While the basic use of our platform is currently free, we monetize our user base through IVAS and online advertising. Currently, revenues from IVAS are primarily generated through sales of virtual items and game tokens that our users may purchase on our platform, including online games and YY Music. Online advertising revenues are primarily generated from sales of different forms of advertising on Duowan.com. We believe that we will be able to capitalize on the large and highly engaged user base of our open platform by exploring additional monetization opportunities and diversifying our revenue sources.

We have achieved significant growth in recent years. Our total net revenues increased from RMB32.7 million in 2009 to RMB128.3 million in 2010 and to RMB319.7 million (US$50.8 million) in 2011, representing a CAGR of 212.6% from 2009 to 2011. For the three months ended March 31, 2012, our total net revenues grew to RMB136.7 million (US$ 21.7 million), representing a 188.6% increase from RMB47.4 million for the three months ended March 31, 2011. We had a net loss of RMB47.1 million, RMB238.9 million and RMB83.2 million (US$13.2 million) in 2009, 2010 and 2011, respectively, and in the three months ended March 31, 2012, we had a net income of RMB3.5 million (US$ 0.6 million). Our adjusted net loss, a non-GAAP measure, decreased from RMB10.6 million in 2009 to RMB1.9 million in 2010, and in 2011, we had an adjusted net income of RMB51.8

million (US$8.2 million). In the three months ended March 31, 2012, our adjusted net income amounted to RMB31.1 million (US$4.9 million) compared to an adjusted net loss of RMB8.6 million in the same period in 2011. Our adjusted net loss or income excludes non-cash share-based compensation expenses. For information regarding adjusted net loss and income and a reconciliation of each to net loss or net income, see "Prospectus Summary—Our Summary Consolidated Financial Data—Non-GAAP Financial Measure" on page 12.

Our Strengths

We believe the following factors have contributed to the success of our rich communication social platform:

Large and highly engaged user base. We have attracted a large and highly engaged user base since we launched YY Client in July 2008. YY Client has attracted 328.9 million registered user accounts as of May 31, 2012 and 62.7 million monthly active users in May 2012. In May 2012, an average of approximately 471,000 registered user accounts and 54,000 new channels were created on YY Client each day. The increasing number of YY users and channels reflects the increased content, topics and activities on our platform for our users to explore. These factors drive greater user engagement and ultimately increase the number of monetization opportunities available to us. On average, each active user spent approximately 56.3 hours on YY Client in May 2012. We believe our number of registered users and the level of user engagement are among the highest of all internet companies in China, which creates high barriers of entry for potential competitors.

Powerful network effects. The more users use YY, the more diverse and vibrant our social ecosystem becomes, and the greater the value of our platform to our users and partners. This network effect encourages loyalty among our existing users and incentivizes them to attract new users, resulting in more channels and activities being created and more interests being catered to. This in turn leads to greater user engagement, a further enlarged user base and a thriving online social ecosystem. Our registered user accounts as of December 31, 2009, 2010 and 2011 and March 31, 2012 were 36.5 million, 124.7 million, 266.2 million and 302.0 million, respectively. Our growing user base in turn attracts high quality content and more business partners on our platform.

Superior user experience. YY provides a rich communication social platform for high-fidelity communications in real time for hundreds of thousands of concurrent users in hundreds of thousands of channels. The platform facilitates access to a vast array of content through an intuitive graphical user interface that enables simple discovery of relevant content and engagement with other users. In addition, the platform also offers various options for easy and effective channel creation and management, thus encouraging higher levels of engagement from channel owners and managers. YY's ease of use results in high levels of user participation, which we believe appeals to new users, increases user loyalty and creates high barriers to entry as users accustomed to our high quality user experience are less likely to tolerate technical glitches or obtuse interfaces in competing products.

Scalable platform serving a broad range of potential end markets. The open architecture of the YY platform allows our user community to create, expand and develop novel ways to utilize the platform. The continuous, organic enrichment of the content available on our platform extends our relevance to new markets and users. While YY Client was originally intended to facilitate real-time communications among online gamers, our users quickly expanded its uses to include online events and performances, such as karaoke, music concerts, talk shows and education and finance seminars. We are able to gather an increasing amount of expertise on user behavior and preferences to more effectively design, promote and manage our products and services. The breadth of the potential uses and end markets addressed by our platform also creates many potential monetization opportunities for us to pursue.

Proprietary and scalable technology infrastructure. We have invested significant resources in developing our proprietary technology to support our business and future growth. Our proprietary technology infrastructure ensures high service quality characterized by high fidelity delivery of large amounts of voice and video data to

millions of concurrent users across the generally inefficient and unstable telecom network infrastructure in China. We had 9.0 million peak concurrent users on YY Client in May 2012, and our users spent an aggregate of 96.3 billion voice minutes on YY Client in the first three months in 2011 and 121.4 billion voice minutes in the first three months of 2012. Our scalable architecture consists of cloud-based server infrastructure and our proprietary algorithms that automatically detect the fastest and best way to dynamically route voice and video data. We believe the proprietary nature and scalability of our technology infrastructure form the basis for our superior user experience.

Our Strategies

Our mission is to make offline group activities available and better online. We are dedicated to continue to achieve our mission by pursuing the following strategies:

Further expand our user base. We aim to further expand our user base, as we believe the size of our user base represents an important competitive advantage. We periodically analyze proprietary data on our user behavior to gain a deeper understanding of their needs and preferences to further improve and expand our products and services in order to better address user demand. For example, we identified significant user demand for live online music concerts, celebrity/fan interaction events and online education. We addressed these demands by enabling users to host these live events and launching and increasing online video features on our platform, among other measures, and intend to further expand our capacity in these areas, especially in making video-enabled features more attractive and more widely available to our users. Furthermore, we intend to develop better content-search tools to help our users search for and find the content they want more easily and to develop new functionalities to allow users to access records of their historical interaction with others whenever they desire.

Increase the monetization of our user base. We plan to increase the monetization of our user base through paid products and services. Firstly, we intend to develop and introduce more IVAS, such as new in-channel paid activities and further enhanced privileges for our membership program. Secondly, we intend to increase the number of our paying users by raising their awareness of our paid products and services, especially existing in-channel virtual items, and enhancing the online payment process to make it easier for users to pay. Third, we plan to introduce third party applications or events that can be monetized through our open platform.

Further develop and expand the use of Mobile YY. As we plan to make our products and services more accessible, we are further developing Mobile YY. By the end of June 2011, there were 921 million mobile users in China, according to the MIIT, almost twice as many as the 485 million internet users, according to the China Internet Network Information Center. Since the launch of our Mobile YY in December 2010, an increasing portion of our users has been accessing our platform through Mobile YY and there has been approximately 2.2 million activations of Mobile YY as of June 30, 2012. We believe there is significant potential to grow both the number of Mobile YY users as well as their level of engagement on Mobile YY, and will continue to introduce new mobile-specific features and applications such as location-based services to achieve this goal.

Continue to invest in our leading technology infrastructure. We intend to continue investing in and developing our industry-leading technology that supports our platform. As registered user accounts continue to increase, we intend to further augment our infrastructure capacity to more efficiently and reliably deliver voice and video data. We expect to obtain additional servers and bandwidth as part of our efforts to ensure that we can continue to provide the same level of high quality services to our users. We also intend to expand our technology team. We believe that maintaining and upgrading our industry-leading technology infrastructure will help us continue to attract new users and engender greater user loyalty.

The YY Platform

The YY platform consists of YY Client, the YY.com and Duowan.com web portals and Mobile YY. YY Client is our PC-based user software that provides access to user-created online social activities groups, which we also refer to as channels. We operate Duowan.com, which provides access to and interactive resources for online games. To increase the accessibility and usage of YY Client, we also offer Mobile YY, a smartphone application.

YY Client

Our core product, YY Client, enables users to engage in live interactions online across a range of media, and we continue to develop and upgrade it to address evolving user needs. YY Client provides access to user-created online social activities groups, which we refer to as channels. YY Client is compatible with most major internet-enabled devices, including PCs and mobile operating systems through Mobile YY. YY Client is widely accessible to most internet users in China because its voice-enabled features only require a minimal bandwidth of approximately 2 KB per second. YY Client is available for free download from YY.com, Duowan.com and other internet software download centers.

The first version of YY Client, launched in July 2008, was instantly popular with users due to its voice-enabled features that allowed online game players to communicate with large groups of fellow gamers in real time. Game players typically organize various game players' guilds for players to discuss gaming strategies and play online games together. Such online game players' guilds, which can consist of up to thousands of players, built their own channels on YY Client to communicate with fellow guild members in real time when playing games online.

As users of YY Client eventually began to use it for purposes other than game-related group voice communications, we discovered that there was a significant potential market for a platform enabling large groups to gather, meet and socialize in real time. As a result, we further developed and tailored YY Client in response to that market need, and turned it into the revolutionary rich communication social platform that it is today. We gradually introduced video-enabled channels in late 2011 in order to further enrich user experience and expand the versatility and potential application of our platform. We have since expanded the use of our video features to include some of our most popular music and education channels and will further expand the availability of video features over time. YY's registered user accounts had increased significantly from 36.5 million as of December 31, 2009 to 328.9 million registered user accounts as of May 31, 2012. YY also had 35.4 million, 53.4 million, 62.7 million active user accounts as of December 31, 2010, 2011 and May 31, 2012.

All of the basic social interface features enabled by our YY Client, such as the ability to engage in multi-party voice- and video-enabled communications, are currently available to our users free of charge. In addition, some IVAS, such as virtual monthly tickets and virtual flowers, are free to users up to a certain threshold. We currently earn revenues from YY Client through sales of IVAS paid through online third party payment systems. We also began generating revenues from our membership program in October 2011.

Channels on YY Client—User-created and User-defined

On YY Client, users can create individual channels for any live social gathering covering a broad range of interests and topics. YY Client offers unlimited potential for users to create channels to cover new topics and interests, quickly gain a fast growing user base and emerge as one of the most popular channels. YY Music, one of the most popular segments on our platform, began generating revenues from the sale of virtual items beginning in March 2011.

Currently, the most popular channel topics on YY channels include the following:

- ***Games.*** YY channels are a popular live online communications tool for several major types of online games, such as massively multiplayer online games, web games, first person shooter games and real-time strategy games. Game players gather on YY channels for in-game real-time exchanges and to share game-playing tips, discuss strategies, game walk-throughs and guides, and organize guild-related social events.
- ***Music.*** Users gather on YY channels to participate in a range of music activities such as karaoke and live concerts/singing competitions. Beginning in March 2011, we launched a service offering various virtual items for sale on YY Music. We have expanded our virtual item offerings, and in turn, revenues, from YY Music, and expect to continue to do so in the future. For karaoke, one of the most popular activities on YY channels, we enable users to sing live to, and receive live feedback from, an online audience. We also host a variety of live online concerts and singing competitions showcasing the performances of grassroots musicians, professional performers and celebrities. For example, in 2011, we held over 50 music events each with over 100,000 visits by our users.
- ***Talk Shows.*** Our users use YY channels to organize and participate in talk shows, where channel owners, managers or designated persons host live talks or discussions on any topic of their interest. These talk shows are conducted either in the traditional talk show format with a host, or in more informal interactive settings. Talk shows revolve around topics such as comedy, sports, celebrity group and current events.
- ***Education.*** Our users host and participate in live lectures or personal tutoring sessions on a range of subjects using a wide variety of teaching tools we provide, including video, PowerPoint, white board, screen shots and Q&A sessions. The most popular subjects include foreign language education, the PRC civil employee examination, and IT training. Users also discuss exam-taking and personal interview tips on YY channels.
- ***Finance.*** Users interested in finance and investment can find and interact with other users, including financial experts on YY channels. YY channels offer a wide range of opportunities for users to interact among each other and discuss finance-related topics, including stock market trends and investment basics.
- ***Literature.*** Users gather on YY channels to review and conduct live discussions on literature, particularly novels. Our popular literary channels include book clubs or fan clubs for famous writers. Users on YY channels also host live events such as book promotions and meet-the-author events.
- ***Movies/Television Shows.*** Users gather on YY channels to watch movies and television shows together and have live discussions on the content. Fans of movies or television shows also gather on YY channels to share their review and commentary on their favorites.
- ***Online Gatherings.*** YY channels are often used as a convenient online gathering place for a wide range of uses, such as informal gatherings between friends or business meetings.

Organization and Management of Channels

A majority of our users are introduced to us by invitation from friends, so they usually visit the channels that are recommended to them when first using YY Client. To help our users navigate and explore the channels on YY Client, we created online catalogs grouped by topics and common interests for users to browse the channels. Within each group, the channels are then ranked in terms of popularity. These online catalogs are also searchable by keywords, which makes it easier for users looking to explore social groups beyond their usual channels to find and join other channels that touch upon different interest areas.

Each YY channel is set up by one user, who becomes the channel's owner. Each channel owner has the ability to tailor such channel to his or her own specific interests and use the management tools we provide to

establish housekeeping rules, manage hierarchies and manage daily operations of the channel. Channel owners are usually highly motivated and engaged in the active promotion of their channels, often recruiting like-minded users to help manage their channels. As a channel grows in size, a channel owner can allocate powers and responsibilities to other users to monitor and maintain order within the channel.

Each of our channels can support hundreds of thousands of people concurrently. We provide three basic management modes for channel owners to organize the live voice and video-communications within their channels: "queue," "chair" and "free" modes. Typically, channel owners and managers choose the type of management mode for their channels depending on the number of users in their channels and the specific needs of these channels. In queue mode, each user can sign in to line up to speak or broadcast, and can only be heard or seen when his or her turn comes "at the mic." This queue mode is a popular mode for karaoke channels, where users take turns performing live in front of other channel users. In chair mode, only the "chair," meaning the owners or other designated persons, are allowed to speak or broadcast video; the remaining users can listen, watch and respond through typing text on the screen. This mode is often used in channels set up by online game players' guilds, as some of these guilds have thousands of users taking orders from a few leaders, who can speak and direct their team's collective actions while the users are simultaneously signed on to play certain online games. In free mode, any user in the channel can conduct effective voice- and video-enabled communications at any time; this mode is often chosen by channels with a limited number of users, since too many people talking at once would make effective communication impossible. In addition, we provide channel owners and managers with a broad range of functions to tailor the channels to suit particular needs, such as granting certain privileges to a member who makes particular contributions to the channel or banning certain channel users for inappropriate behavior.

We work closely with channel owners and managers by considering and implementing some of their suggestions and feedback and providing them with the tools they require to successfully manage and promote their channels. We also monitor channels for levels of user activity and periodically shut down inactive ones.

Game Center on YY Client

The game center on YY Client currently consists of a game lobby and a game box. The game lobby enables users to access various online games without downloading any additional software and the game box is where users can download a client to access massive multi-player online games, which we recently launched. Our online portals, YY.com and Duowan.com, also offer links to online games on YY Client. We conduct market research regarding trends and demand for online games and various types of in-game virtual items, and often work with third party game developers to develop and offer a wide range of in-game virtual items. We intend to continue to source popular online games to users on YY Client.

Online Portals

YY.com is our community-driven portal site that offers visitors and our users a centralized location where they can learn about, navigate and access all that our broader platform has to offer. Through YY.com, our user community is able to download the latest versions of YY Client and Mobile YY applications to enjoy dynamic live group activities and access special-interest resources and entertainment such as online music, online education and online games. For example, the music page on YY.com provides a comprehensive library of "greatest hits" recordings from popular performers on YY Client's live performance channels, among others. Beginning in late September 2011, YY. com began providing updated schedules and information on upcoming live concert performances by performers on YY channels, and currently hosts numerous fan clubs for popular performers. In addition, YY.com hosts a text-based discussion forum where our user community can exchange information, advertise their channels and special user activities, solicit additional members for their channels or clubs and provide feedback to us regarding our products and services. YY.com also offers a channel guide that users can use to identify channels that cater to their respective interests.

Duowan.com is a dedicated game media website that provides comprehensive information on online games and other resources for users and online game players. Duowan.com was the No. 2 game media website in China in terms of monthly unique visitors in the three months ended March 31, 2012, according to iResearch. Duowan.com provides comprehensive gaming resources such as updated news and announcements of gaming events and the launch or release of new games, and hosts a text-based discussion forum in which users can discuss their game-playing strategies and interact socially through postings. Duowan.com was launched in 2005 and had 4.5 million, 5.5 million and 9.9 million average daily unique visitors for the months of December 2009, 2010 and 2011, respectively. Due to the popularity of Duowan.com, it has become a desired platform for gaming companies to promote their products and services. We also promote and provide links to various content on YY.com and YY Client through Duowan.com. We believe that the cross-promotional effect among YY Client, YY.com and Duowan.com has increased user traffic for both websites significantly over the years, and has significantly contributed to the rapid user growth on YY.

Mobile YY

An important element of our strategy is to continue to develop new mobile applications to capture a greater share of the growing number of users that access live online social platforms, internet communications and other internet services through mobile operating systems. While we continue to develop and upgrade our platform, a key focus of our research and development is on Mobile YY, a version of YY Client that can be accessed through mobile devices. We have introduced Mobile YY and intend to further develop Mobile YY to reach more users.

Mobile YY contains the basic functions and services offered on our regular YY Client. Its existing key functions include real-time multi-media messages with delivery status, access to thousands of user-created entertainment channels with numerous entertainment options, and the ability to enter group voice or video-enabled channels. Our users currently utilize Mobile YY for a wide range of activities, including listening to live music and sportscasts. An additional function on Mobile YY that our PC-based YY Client does not have is location-based services such as the ability to geographically locate fellow users nearby. We intend to explore more of these mobile-specific functions for our platform in the future.

Why Users Love YY

The growth of our user base has largely been viral in nature through word-of-mouth. According to the iResearch Report, approximately 90.6% of our users are willing to recommend YY Client to their friends. We believe our users love the YY platform for the following reasons:

Large Scale. YY Client had attracted 328.9 million registered user accounts from its launch in July 2008 to May 31, 2012 and had 62.7 million monthly active users in May 2012. As of March 31, 2012, there were approximately 13.0 million channels on YY Client. Peak concurrent user number was 9.0 million in June 2012.

Ability to Pursue Diverse Interests. YY provides an open platform for users to register and set up channels as places for live social groups to gather online, catering to their own individual needs and diverse interests. Although online games and music have been the two most popular channel topics since the launch of YY Client, new channels have quickly emerged and expanded into a variety of interests and topics, such as talk shows, education and finance.

Opportunities for Self-Expression and Achievement. We offer our users an unique platform to reach a large number of other people online and express themselves or achieve whatever they desire, which may be difficult for them to do in the offline world. Whether it is by singing, playing games, or learning or teaching certain skills, they can engage with other people in a rich and meaningful manner and send and receive feedback and rewards in exchange.

Social Interactions and Activities. Strong bonds are created from the friendships and social relationships that we foster among our users. We encourage user engagement through various in-channel community

applications, such as enabling users to send different types of virtual gifts, vote or use tickets to support their favorite performers. In addition, we provide social games and instant messaging functions for our users.

Quality of Experience. We believe our high quality voice- and video-enabled communication tools and channel management functions contribute greatly to our high level of user satisfaction. We provide YY channel owners and managers with various functions that enable them to better organize their channels and manage user interaction. These functions increase the ease of use of our YY Client, enhance user experience and enforce the sense of ownership of the channel owners and managers. For example, members of online game players' guilds for massive multi-player online role-playing games congregate on YY Client to discuss gaming strategies and to communicate in real-time during online games because our platform gives them sufficient voice quality and ability to manage their organization.

As part of our efforts to continue to improve user satisfaction, we have a dedicated customer service and operation team and provide user support 24 hours a day, seven days a week. Our users also help us improve YY and provide significant feedback to our customer service teams which help further improve our products and services.

Selected Stories of YY Users

Below are stories of some of the most successful channel owners, hosts and singers on YY Client, all of whom now rely on YY as their primary source of income.

Music Channel Owner

A YY user whose nickname is Cabbage (青菜) decided to run his own YY Music channel in May 2008, after listening to performers sing on various YY channels. Cabbage aspired to provide a central performance venue for talented singers and music lovers, and he recruited and signed top singers and also hired professionals to evaluate singers' performance. As of July 2012, Cabbage organized and managed 14 channels, including karaoke channels, movie channels and chat channels, with over one million visitors in aggregate per day and approximately 2,000 performers across all channels. Cabbage has become one of the most successful channel owners on YY. In July 2012, his YY channels in aggregate had peak concurrent users of approximately 200,000, and his most popular channel had approximately 90,000 peak concurrent users. Two of the grassroot singers from Cabbage's channels have gone onto professional singing careers.

Singer

A YY user whose nickname is Poison (毒药) and is currently one of our most popular singers on YY Music has turned her hobby into a promising career through the YY platform. Poison first learned about YY by joining an online game players' guild in 2008, but soon became a singer on YY. As Poison gradually attracted more fans through continued performances, she began to earn a steady income through YY and quit her job as an office clerk in 2011 to pursue a career as a singer on YY Music. Poison opened her own live channel in February 2012, and as of July 2012, had an average of 15,000 audience members per performance. On her last birthday, Poison held a live concert which had 36,000 peak concurrent users, and received numerous virtual gifts, including virtual gifts worth more than RMB100,000 from one ardent fan alone. As of July 2012, Poison had 16,000 regular fans and two fan clubs on the YY platform.

Talk Show Host

A YY user who refers to himself as Mr. Li (李先生) is a popular prime-time talk show host on YY. Originally a middle-school dropout, Mr. Li worked odd jobs such as DJ and internet cafe clerk before becoming a talk show host on YY. As his experience grew, he gained a large fan base and a prime-time slot for his talk show on various YY channels. As of July 2012, Mr. Li's YY channel was regularly followed by an aggregate of 185,000 YY users, and each of his shows is on average watched by approximately 18,000 users concurrently. Mr. Li hosted a show on his last birthday, attracting approximately 50,000 peak concurrent users and receiving over RMB76,000 in virtual presents. Mr. Li has over 50,000 regular fans and five fan clubs on the YY platform.

Education Channel Owner

A YY user, Mr. Xing (邢先生), is the owner of a successful internet education company that teaches classes through YY education channels. He first chose YY as a platform for conducting internet classes in 2009 because of YY's user-friendly, ad-free interface and ability to support hundreds of thousands of concurrent users in a single channel. Currently, all of Mr. Xing's courses are taught exclusively on YY. As Mr. Xing's education business expanded, he benefited from our continuous improvement of our education channel tools, using new features including video, PowerPoint, white board, screen shots, Q&A sessions and other functions to expand and enrich his classes, and his courses on YY education channels grew from the one initial Adobe Photoshop class to 15 different software design courses. As of July 2012, Mr. Xing's education channel had a staff of over 120 teachers and 500 recruiters and tutors, and taught over 300,000 students through YY education channels, among which over 30,000 are paying students, at an average rate of approximately RMB1,000 to RMB3,400 per person per class. He has approximately 30 teachers actively teaching on his channels each day, teaching classes and providing after-class tutoring to approximately 2,000 paying students.

Monetization Opportunities

As users continue to unlock the full potential of our platform, we believe we will have increasing opportunities to expand our portfolio of products and services, and monetize them in various manners. Currently, we derive revenues from our users and third party advertisers.

Internet Value Added Services

We primarily generate revenues from paying users of online games, YY Music and memberships. Our users purchase virtual YY currency and prepaid game tokens which can be used to acquire virtual items to be consumed throughout our platform, including in-game virtual items and other virtual items in our channels. We enable users to acquire our virtual YY currency and prepaid game tokens through major third party online payment systems using bank cards and mobile payments. By cooperating with major online payment service providers in China, we provide high quality and reliable online payment services to users. We believe the following areas represent the most significant monetization opportunities for our platform:

Online Games. Online games have become an increasingly popular source of entertainment for individuals and groups of internet users. According to the iResearch Report, China's online gaming market generated RMB32.7 billion (US$5.0 billion) of revenue in 2010, and is expected to grow to RMB43.5 billion (US$6.6 billion) in 2013. In China, the monetization of online games has largely been driven by the sale of virtual items to be used and sold within games.

Our platform attracts a large number of online game players and is particularly attractive to online game players' guilds, the members of which congregate on YY Client to discuss gaming strategies and to communicate in real time during online games. Our platform provides users with access to a wide variety of games which we monetize. We intend to source more popular online games to continually enhance user experience and continue being a valuable platform on which game developers can launch and operate their games.

Music. YY has become a popular platform for live online music performances on music channels. YY provides a stage for grassroots musicians, celebrities and professional performers to perform live. These live performances encompass a variety of formats, including karaoke, singing competitions and live concert. Starting from March 2011, users can purchase and present virtual gifts to their favorite performers to show support. We have encouraged and facilitated numerous large-scale music events such as fan club gatherings and meet-and-

greets with various performers, as well as concerts and singing competitions for performers from various music channels. In the future, we intend to encourage more live music events which users can access in real time for an entry fee. For details, see "—Our YY Platform—YY Client—Channels on YY Client—Music."

We also have arrangements in place with channel owners and performers, in which each channel owner or performer is offered a portion of the revenues we receive from selling virtual items on YY Music. These arrangements align our interest with the interests of the channel owners and performers on YY Music, thus incentivizing channel owners and performers to improve content on YY Music channels and enhancing the attractiveness of our platform to YY Music users.

Membership. We provide enhanced membership privileges to users who pay a monthly fee and subscribe to our membership program. Enhanced privileges include access to special features, such as experimental channel functions such as additional video usage. In the future, we intend to continue exploring different ways to expand our members-only offerings so as to better serve our members and attract a larger membership base.

Education. YY provides a convenient and efficient platform for lectures or personal tutoring sessions to be conducted in real time. Our education channels provide numerous classes that cover diverse subjects such as foreign languages, the PRC government civil employee examination and IT training. In the future, we intend to continue enabling users to conduct education courses and cooperate with various educational institutions to provide online classes on YY for a fee. We intend to work with tutoring companies, for example, to open more channels for the teaching of classes online, and we are currently negotiating with numerous education providers to expand the education offerings on our channels, to improve the relevant functions necessary for these online classes and to negotiate the relevant fee-sharing arrangements.

Advertising Services

We believe that our extensive user base represents an attractive demographic target for advertisers. We believe our advertising business will continue to develop as we grow our user base and advertisers embrace our platform and solutions for them.

Online Display Advertising. According to iResearch, Duowan was the No. 2 game media website in China in the three months ended March 31, 2012, with a market share of 15.7% in terms of monthly unique visitors during that period. Also, according to the iResearch Report, total online advertising spending by game developers in China was approximately RMB690.0 million (US$109.5 million) in 2010, while the overall online advertising market in China was RMB32.6 billion (US$5.2 billion). According to the iResearch Report, the overall online advertising market in China is expected to grow to as much as RMB143.1 billion (US$22.7 billion) in 2014, representing a CAGR of 34.5% from 2010 to 2014.

The vast majority of our current advertising revenues are generated from advertisements on Duowan.com. We mainly sell online advertisements to major game developers in the form of banners, text-links, videos, logos and buttons on Duowan.com. We pioneered the "pre-order" business model in which we provide advertisers with a list of targeted potential customers who have expressed prior interest in or demand for their products. In the future, we intend to expand our capacity and advertisement solutions for online advertising as our user base grows and to launch additional special interest content-driven portals to complement Duowan.com.

We generate most of our advertising revenues from advertising agencies representing advertisers and, to a lesser extent, from advertisers directly. A significant majority of our advertisers are game developers. We typically enter into framework advertising agreements with advertising agencies representing advertisers, with

these agreements generally having a duration of one year, renewable on a yearly basis. Under the framework agreements, we usually set a minimum sales target for the advertising agencies, and typically impose certain penalties, including reduced rebates, if the advertising agencies fail to achieve the target within the year. We intend to further diversify our advertising client base.

Our Technology

Prior to the introduction of YY, we believe there had been no existing network infrastructure in China that could be adopted to support the kind of multi-user, real-time online voice and video communications on a scale necessary for our platform, which caused us to build and develop our own network infrastructure. We believe we are an industry leader in providing quality multi-user voice- and video-enabled online services in China, and we intend to continue to update our technology to maintain this leadership position.

Superb QoS for online multi-media communications

Quality of Service, or QoS, assurance is a key element of any high quality delivery of voice and video data over the internet. For live voice- or video-enabled communications, any data packet loss and jitter, or delay in transmission, is often immediately noticeable to users. We devote significant resources to maintain and develop a creative combination of multiple voice- and voice-over internet protocol, or VOIP, quality assurance mechanisms to minimize data loss and jitter. The mechanisms we employ include cloud-based intelligence routing, low-bitrate redundant solution, upstream-forward error correction and adaptive jitter. A special intelligent routing algorithm we designed automatically seeks optimal ways of delivering voice and video data across our cloud-based network, enabling us to provide consistent QoS even when the QoS levels are lower on certain routes.

We employ computer programs and design and implement a standardized set of measurements to help monitor our service quality. Our system periodically collects, and our team of experts analyzes, data from each of our data centers to evaluate the voice- and video-quality for each user using a systematic standard. We have set up formal procedures to handle different levels of server breakdowns and network-related emergencies, and our team can remotely discover issues and access any server to promptly resolve issues.

Large, dedicated cloud-based network infrastructure

Our team of experts developed a cloud-based network infrastructure specifically designed to handle multiparty voice- and video-enabled real-time online interactions. We own more than 4,000 servers which are hosted in the data centers we lease from third parties throughout the country as of the date of this prospectus. To deliver voice data, we require only a limited bandwidth of approximately 2 KB per second, which is easily obtainable. Our cloud-based network infrastructure provides quality data delivery and allows multiple users to interact online from anywhere in China easily and with minimal delay.

Our system is designed for scalability and reliability to support growth in our user base. The number of our servers contributes significantly to our fast streaming speed and reliable services, and can be expanded with comparative ease, given the low cost of renting data centers to host additional servers in any high traffic regions in our network. We believe that our current network facilities and broadband capacity provide us with sufficient capacity to carry out our current operations, and can be expanded to meet additional capacity relatively quickly. The amount of bandwidth we lease is continually expanded to reflect increased peak concurrent users.

Content management and monitoring

YY Client, YY.com and Duowan.com all contain user-generated content, which we are required to monitor for compliance with PRC laws and regulations. A team within our data security department helps in enforcing our internal procedures to ensure that the content in our system are in compliance with applicable laws and regulations. They are aided by a program designed to periodically sweep our platform and the data being

conveyed in our system for sensitive key words or questionable materials. Content that contain certain keywords are automatically filtered by our program and cannot be successfully posted on our platform. Thus we are able to minimize offending materials on our platform and to remove such materials promptly after they are discovered. See “Risk Factors—Risks Relating to Our Business—We may be held liable for information or content displayed on, retrieved from or linked to our platform, or distributed to users, and PRC authorities may impose legal sanctions on us, including, in serious cases, suspending or revoking the licenses necessary to operate our platform.”

Technology team

As of March 31, 2012, our dedicated technology team consisted of approximately 603 employees; the team is divided into three departments, serving (a) YY Client, (b) online games and YY.com and (c) Duowan.com, respectively. Approximately 35 members of our technology team are dedicated solely to monitoring and maintaining our network infrastructure 24 hours a day, seven days a week. Our technology team checks the voice and video data quality received by various users, the quality of user experience on YY Client and the proper functioning of our server equipment in our network, as well as contacting internet data center hosts to fix any issues located through such checks. Having launched and developed our video-enabled technology on an increasing number of channels, our team expects to provide full voice- and video-enabled live social interactions in the future.

Marketing and Sales

Viral and other marketing for YY Client and Mobile YY

We believe the most efficient form of marketing for YY Client and Mobile YY is word of mouth referrals and repeat user visits, which are ultimately driven by our delivery of superior user experience. Historically, we have incurred minimal marketing expenses for YY Client and Mobile YY and have built a large community of loyal users primarily through viral marketing. We believe the large number of active users on our platform in itself constitutes a key driver of our user growth as many internet users in China seek to join an established and vibrant online community for purposes of socializing and achieving maximal self-expression. The more users use YY, the more vibrant our social ecosystem becomes, and the greater the value of our platform to our users, which encourages user loyalty and incentivizes them to recruit new users for our online games, YY Music and our membership subscription.

While we have significantly benefited from the effects of powerful viral marketing, we recently initiated, and plan to continue, certain marketing activities designed to further promote YY Client and Mobile YY to a broader range of potential users. For instance, we plan to conduct a range of marketing campaigns to promote the educational and professional benefits of using our online social platform by holding discussion forums at numerous leading colleges and universities in China. We believe younger users are generally more receptive to new technology and spend more time online compared to other segments of the population. They tend to frequently share online resources and programs among friends and are likely to remain loyal to such resources and programs that they use from an early age. We also award our YY Client and Mobile YY users and channel owners virtual currencies based on the time they spend on our platform. We believe such incentives may further increase user loyalty and enhance the attractiveness of our platform.

Advertisers on Duowan.com

Dedicated sales team

As of March 31, 2012, we had a dedicated sales force of 34 experienced professionals to help us maintain and increase our online advertising revenues; 20 of these professionals were in charge of serving advertisers and advertising agencies. Our sales force, located in Beijing, Shanghai and Guangzhou, is divided into three regional teams to cover all major geographic areas in China where we have advertisers. Currently, a majority of our sales

effort is devoted to maintaining and expanding the level of our advertising revenues from online games, since advertising revenues from online games contributed a substantial majority of our online advertising revenue for the fiscal year ended December 31, 2011. Although our online advertising will remain an important source of revenues for us, we expect our online advertising revenues as a percentage of our total revenues to decrease in the future as we capitalize on increased monetization opportunities for YY Client and as IVAS revenues continue to increase.

The compensation for our sales personnel includes basic monthly salaries and sales commissions based on the advertising revenues that they bring in.

Targeted marketing strategy

Our sales team devotes significant resources to maintaining close relationships with major online game developers and major advertising agencies, communicating with them every week to seek feedback, obtain industry news and study potential demand for advertising. We provide different types of advertising to our advertisers, which include (a) traditional banners, text-links, videos, logos and buttons on fixed webpage positions on Duowan.com, (b) literatures promoting an advertiser's game in the form of special articles or feature stories introducing the game or any new features to the game, and (c) special offer campaigns sending existing users free virtual items or access codes to encourage players to join various online games.

We intend to expand our focus, in particular, on special offer campaigns that help advertisers target users who have previously expressed interest in certain types of products and services. For example, for the launch of a new online game, we spread the word among our users as to the launch date and solicit user interest in playing the game for a trial period; those interested are asked to join a waitlist to pre-order the game for a trial session once it becomes available. Once the game is launched, we send coupon codes to users on the waitlist to encourage them to log into the game and complete a trial session. The goal of this pre-order advertising strategy is to target only the users who are interested in a certain product, and to effectively turn trial usage into actual usage after the trial period ends. This type of advertising has proven to be effective with our users and advertisers because it matches user interest with targeted advertising efforts, sparing our users from unwanted spam advertising while helping our advertisers minimize the cost of sending test trials to potentially uninterested recipients.

Services for game developers

We work with game developers in hosting third party games that are available through our platform. We have a team that specifically monitors the performance of our online games, retires underperforming games, further promotes popular games, regularly liaises with existing game developers to maintain good relationships and explores potential opportunities with new game developers. We have also recently launched an initiative wherein we plan to work with third party game developers in developing new online web games in exchange for the right to host these games on our platform.

Competition

We face competition in several major aspects of our business, particularly from companies that provide online social networking, internet communication and online games. We also compete for online advertising revenues with other internet companies that sell online advertising services in China.

Social connectivity and communications. We are not aware of any other company that offers a live voice-or video-enabled online social platform of similar scale as ours in China. In relation to voice-enabled communication tools, there are several internet voice communication service providers in China, including iSpeak, Tencent's QQtalk and Dudu, and leading international internet voice communication service providers, such as Skype, are expanding into the China market. In addition, some other leading Chinese internet companies

have announced the launch of internet voice communication services. We compete with other internet companies that provide voice and video services to Chinese internet users. However, we do not believe any of these companies have the capacity to handle large group multi-party voice- and video-enabled live interactions like we do, and we do not believe they can compete directly with us on the number of users we can support concurrently on our voice- and video-enabled platform. The internet voice and video communication industry in China has become increasingly competitive, and some of our potential competitors are adopting aggressive measures to gain market share and may challenge our leading market position in the future.

We may also face potential competition from global social networking service providers that seek to enter the China market, whether independently or through the formation of alliances with, or acquisition of, PRC domestic internet companies. However, we do not believe these companies pose direct competition to us as they do not currently offer voice- and video-enabled technology on a large scale.

The barriers to entry are comparatively high in this field, because of the technical challenges facing the delivery of voice and video data through frequent unstable internet connections in China. In addition, unless a competitor has reached a certain size, we believe it would be difficult for such competitor to economically and efficiently resolve the practical operational difficulties that arise when a platform hosts large numbers of concurrent users. This in turn would lead to inability to timely resolve technical issues as they arise, which would impact user experience and make it difficult, we believe, to challenge our current dominance in the market for the provision of platform and services for voice- and video-enabled live online social group gathering.

Online game media and hosting. We have various competitors in the online game media market in China. Duowan.com's primary competitor among game media websites is 17173.com. For web game hosting, our competitors include other major internet companies that host web games, such as QQ, Renren and Qihoo 360.

Research and Development

We believe that our ability to develop internet and mobile online applications and services tailored to respond to the needs of our user base has been a key factor for the success of our business. We have been able to rapidly scale our product development output and deliver an increasing range of products and services to fulfill changing user needs. To maintain and enhance our market leadership position, we will need to continue to invest in research and development in order to enhance our products and services.

As of March 31, 2012, our research and development team consisted of 514 development and technical staff. All of our service programs are designed and developed internally, including various interactive technologies. We expect to continue to develop all of our core technologies in-house.

We currently focus our product development efforts on three areas: (a) the continued improvement of our audio quality and further expansion of video-enabled features on our rich communication social platform, (b) the ongoing improvement of general user experience on YY Client by providing virtual items, additional games and online game add-ons as well as certain members-only special features, and (c) the continued development of Mobile YY. We will further invest in our voice and video technology to ensure that we continue to offer high quality live online social gathering experiences to our users, maintain the close communications we have with our existing users so as to identify user demand and offer product and service improvements to meet such demand and improve user experience. In addition, we are continuing to further develop Mobile YY to reach more users.

Intellectual Property

We regard our patents, trademarks, domain names, copyrights, trade secrets, proprietary technologies and similar intellectual property as critical to our success. We seek to protect our intellectual property rights through a combination of patent, trademark, copyright and trade secret protection laws in the PRC and other jurisdictions,

as well as through confidentiality agreements and procedures with our employees, partners and others. The intellectual property rights we own include: (1) two patents relating to our proprietary technology; (2) 30 registered domain names, including YY.com, Duowan. com and Chinaduo.com; (3) copyrights to 42 software programs developed by us relating to various aspects of our operations, including voice software, games platform, general support and user management; and (4) 45 trademarks and service marks for our brands and logos in China, including YY and certain Chinese logos relating to Duowan and YY.

Employees

The following table sets forth the numbers of our employees, categorized by function, as of March 31, 2012:

Functions	Number of Employees
Management	18
Customer services and operations	274
Engineering and maintenance	89
Research and development	514
Sales and marketing	52
General and administration	62
Total	1,009

We had a total of 339, 600 and 890 employees as of December 31, 2009, 2010 and 2011, respectively.

Our success depends on our ability to attract, retain and motivate qualified personnel. We have developed a corporate culture that encourages initiative, technical superiority and self-development. In addition, we periodically evaluate our employees' performance and provide them with training sessions tailored to each job function to enhance performance and service quality.

As required by regulations in China, we participate in various employee social security plans that are organized by municipal and provincial governments, including pension, unemployment insurance, childbirth insurance, work-related injury insurance, medical insurance and housing insurance. We are required under PRC law to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government from time to time. We have accrued, in the aggregate, RMB42,088 (US$6,681) for pension or similar retirement benefits for our executive officers and directors, as required under PRC laws, for the fiscal year ended December 31, 2011.We believe that we maintain a good working relationship with our employees and we have not experienced any significant labor disputes as of the date of this prospectus.

Facilities

Our principal executive offices are located on premises comprising approximately 10,300 square meters in Guangzhou, China. This facility currently accommodates our management headquarters, principal development, engineering, sales and marketing, human resources and administrative activities. We also have a branch office in Beijing focusing on research and development, a branch office in Zhuhai focusing on games related businesses, and a representative office in Shanghai that handles advertising-related matters. We lease our premises under lease agreements from unrelated third parties. Our leases have terms ranging from approximately one to five years, a majority of which are due to expire in 2012 or 2013. We plan to renew our leases before they expire.

Our servers are hosted in leased internet data centers in different geographic regions in China. The data centers in our network are owned and maintained for us by major domestic internet data center providers. We typically enter into leasing and hosting service agreements that are renewable annually. We believe that our existing facilities are sufficient for our current needs and we will obtain adequate facilities, principally through leasing, to accommodate our future expansion plans.

Legal Proceedings

We are currently not a party to, and are not aware of any threat of, any legal, arbitration or administrative proceedings that, in the opinion of our management, are likely to have a material and adverse effect on our business, financial condition or results of operations. From time to time, we have become, and may in the future become, a party to various legal or administrative proceedings arising in the ordinary course of our business. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management attention and other factors.

PRC REGULATION

Certain areas related to the internet, such as telecommunications, internet information services, connections to the international information networks, internet information security and censorship and online game operations, are covered extensively by a number of existing laws and regulations issued by various PRC governmental authorities, including:

- the Ministry of Industry and Information Technology, or the MIIT;
- the Ministry of Culture, or the MOC;
- the General Administration of Press and Publication, or the GAPP;
- the State Administration for Radio, Film and Television, or the SARFT;
- the National Copyright Administration, or the NCA;
- the State Administration for Industry and Commerce, or the SAIC;
- the State Council Information Office, or the SCIO;
- the Ministry of Commerce, or the MOFCOM;
- the Bureau of Protection of State Secrets;
- the Ministry of Public Security; and
- the State Administration of Foreign Exchange, or the SAFE.

As the online social platform and online game industries are still at an early stage of development in China, new laws and regulations may be adopted from time to time to require new licenses and permits in addition to those we currently have. There are substantial uncertainties on the interpretation and implementation of any current and future Chinese laws and regulations, including those applicable to the online social platform and online game industries. See "Risk Factors—Risks Relating to Doing Business in China—Uncertainties in the interpretation and implementation of Chinese laws and regulations could limit the legal protections available to you and us." And this section sets forth the most important laws and regulations that govern our current business activities in China and that affect the dividends payment to our shareholders.

Regulation on Telecommunications Services and Foreign Ownership Restrictions

The Telecommunications Regulations, which became effective on September 25, 2000, are the core regulations on telecommunications services in China. The Telecommunications Regulations set out basic guidelines on different types of telecommunications business activities, including the distinction between "basic telecommunications services" and "value-added telecommunications services." According to the Catalog of Telecommunications Business (2003 Amendment), implemented on April 1, 2003 and attached to the Telecommunications Regulations, internet information services are deemed a type of value-added telecommunications services. The Telecommunications Regulations require the operators of value-added telecommunications services to obtain value-added telecommunications business operation licenses from MIIT or its provincial delegates prior to the commencement of such services. Under these regulations, if the value-added telecommunications services offered include mobile network information services, the operation license for value-added telecommunications business must include the provision of such services in its covered scope. We currently, through Guangzhou Huaduo, our PRC consolidated affiliated entity, hold an ICP license, a sub-category of the value-added telecommunications business operation license, covering the provision of internet and mobile network information services, issued by the Guangdong branch of the MIIT on February 10, 2012.

The Regulations for the Administration of Foreign-Invested Telecommunications Enterprises, or the FITE Regulations, which took effect on January 1, 2002 and were amended on September 10, 2008, are the key

regulations that regulate foreign direct investment in telecommunications companies in China. The FITE Regulations stipulate that the foreign investor of a telecommunications enterprise is prohibited from holding more than 50% of the equity interest in a foreign-invested enterprise that provides value-added telecommunications services, including online games and the provision of internet content. Moreover, such foreign investor shall demonstrate a good track record and experience in operating value-added telecommunications services when applying for the value-added telecommunications business operation license from the MIIT.

On July 13, 2006, the MIIT issued the Circular on Strengthening the Administration of Foreign Investment in Value-added Telecommunications Services, or the MIIT Circular 2006, which requires that (a) foreign investors can only operate a telecommunications business in China through establishing a telecommunications enterprise with a valid telecommunications business operation license; (b) domestic license holders are prohibited from leasing, transferring or selling telecommunications business operation licenses to foreign investors in any form, or providing any resource, sites or facilities to foreign investors to facilitate the unlicensed operation of telecommunications business in China; (c) value-added telecommunications service providers or their shareholders must directly own the domain names and registered trademarks they use in their daily operations; (d) each value-added telecommunications service provider must have the necessary facilities for its approved business operations and maintain such facilities in the geographic regions covered by its license; and (e) all value-added telecommunications service providers should improve network and information security, enact relevant information safety administration regulations and set up emergency plans to ensure network and information safety. The provincial communications administration bureaus, as local authorities in charge of regulating telecommunications services, (a) are required to ensure that existing qualified value-added telecommunications service providers will conduct a self-assessment of their compliance with the MIIT Circular 2006 and submit status reports to the MIIT before November 1, 2006; and (b) may revoke the value-added telecommunications business operation licenses of those that fail to comply with the above requirements or fail to rectify such non-compliance within specified time limits. Due to the lack of any additional interpretation from the regulatory authorities, it remains unclear what impact MIIT Circular 2006 will have on us or the other PRC internet companies with similar corporate and contractual structures.

To comply with such foreign ownership restrictions, we operate our online social platform and online game businesses in China through Guangzhou Huaduo, which is owned by several PRC citizens and Beijing Tuda. Beijing Tuda was established by Messrs. David Xueling Li, Tony Bin Zhao and Jin Cao. Guangzhou Huaduo and Beijing Tuda are both controlled by Huanju Shidai through a series of contractual arrangements. See “Corporate History and Structure.” Moreover, Guangzhou Huaduo owns a majority of the domain names, registered trademarks and facilities necessary for daily operations in compliance with the MIIT Circular 2006. Based on our PRC legal counsel, Zhong Lun Law Firm’s understanding of the current PRC laws, rules and regulations, our corporate structure complies with all existing PRC laws and regulations. However, we were further advised by our PRC legal counsel that there are substantial uncertainties with respect to the interpretation and application of existing or future PRC laws and regulations and thus there is no assurance that Chinese governmental authorities would take a view consistent with the opinions of our PRC legal counsel.

Internet Information Services

The Administrative Measures on Internet Information Services, or the ICP Measures, issued by the State Council on September 25, 2000 and amended on January 8, 2011, regulate the provision of internet information services. According to the ICP Measures, “internet information services” refer to services that provide internet information to online users, and are categorized as either commercial services or non-commercial services. Pursuant to the ICP Measures, internet information commercial service providers shall obtain an ICP license, from the relevant local authorities before engaging in the providing of any commercial internet information services in China. In addition, if the internet information services involve provision of news, publication, education, medicine, health, pharmaceuticals, medical equipment and other services that statutorily require approvals from other additional governmental authorities, such approvals must be obtained before applying for

the ICP license. Guangzhou Huaduo presently holds the ICP license on internet and mobile network information services issued by the Guangdong branch of the MIIT on February 10, 2012.

Besides, the ICP Measures and other relevant measures also ban the internet activities that constitute publication of any content that propagates obscenity, pornography, gambling and violence, incite the commission of crimes or infringe upon the lawful rights and interests of third parties, among others. If an internet information service provider detects information transmitted on their system that falls within the specifically prohibited scope, such provider must terminate such transmission, delete such information immediately, keep records and report to the governmental authorities in charge. Any provider's violation of these prescriptions will lead to the revocation of its ICP license and, in serious cases, the shutting down of its internet systems.

Internet Publication and Cultural Products

The Tentative Measures for Internet Publication Administration, or Internet Publication Measures, were jointly promulgated by the GAPP and the MIIT on June 27, 2002 and became effective on August 1, 2002. The Internet Publication Measures imposed a license requirement for any company that engages in internet publishing, which means any act by an internet information service provider to select, edit and process content or programs and to make such content or programs publicly available on the internet. The provision of online games is deemed an internet publication activity; therefore, an online game operator must (i) obtain an Internet Publishing License so that it can directly offer its online games to the public in the PRC, or (ii) publish its online games through a qualified press entity by entering into an entrustment agreement.

The Rules for the Administration of Electronic Publication, or the Electronic Publication Rules, was issued by the GAPP on February 21, 2008 and became effective on April 15, 2008. Under the Electronic Publication Rules and other regulations issued by the GAPP, online games are classified as a kind of electronic publication, and publishing of online games is required to be conducted by licensed electronic publishing entities that have been issued standard publication codes. Pursuant to the Electronic Publication Rules, if a PRC company is contractually authorized to publish foreign electronic publications, it must obtain the approval of, and register the copyright license contract with, the GAPP.

We, through Guangzhou Huaduo, obtained an Internet Publishing License for the publication of online games and mobile phone games on November 7, 2011. With the issued Internet Publishing License, we are in the process of applying for the GAPP's pre-approval for publishing online games. For more information on the pre-approval by the GAPP, see "—Regulation on Online Games and Foreign Ownership Restrictions."

Regulation on Online Games and Foreign Ownership Restrictions

On June 3, 2010, the MOC promulgated the Provisional Administration Measures of Online Games, or the Online Game Measures, which came into effect on August 1, 2010. The Online Game Measures governs the research, development and operation of online games and the issuance and trading services of virtual currency. It specifies that the MOC is responsible for the censorship of imported online games and the filing of records of domestic online games. The procedures for the filing of records of domestic online games must be conducted with the MOC within 30 days after the commencement date of the online operation of such online games or the occurrence date of any material alteration of such online games.

All operators of online games, issuers of virtual currencies and providers of virtual currency trading services, or Online Game Business Operators, are required to obtain Internet Culture Operation Licenses. An Internet Culture Operation License is valid for three years and in case of renewal, the renewal application should be submitted 30 days prior to the expiry date of such license. An Online Game Business Operator should request the valid identity certificate of game users for registration, and notify the public 60 days ahead of the termination of any online game operations or the transfer of online game operational rights. Online Game Business Operators

are also prohibited from (a) setting compulsory matters in the online games without game users' consent; (b) advertising or promoting the online games that contain prohibited content, such as anything that compromise state security or divulges state secrets; and (c) inducing game users to input legal currencies or virtual currencies to gain online game products or services, by way of random draw or other incidental means. It also states that the state cultural administration authorities will formulate the compulsory clauses of a standard online game service agreement, which have been promulgated on July 29, 2010 and are required to be incorporated into the service agreement entered into between the Online Game Business Operators, with no conflicts with the rest of clauses in such service agreements. Guangzhou Huaduo holds a valid Internet Culture Operation License that was last updated in March 2011.

On July 11, 2008, the General Office of the State Council promulgated the Regulation on Main Functions, Internal Organization and Staffing of the GAPP, or the Regulation on Three Provisions. On September 7, 2009, the Central Organization Establishment Commission issued the corresponding interpretations, or the Interpretations on Three Provisions. The Regulation on Three Provisions and the Interpretation on Three Provisions granted the MOC overall jurisdiction to regulate the online gaming industry, and granted the GAPP the authority to issue approvals for the internet publication of online games. Specifically, (a) the MOC is empowered to administrate online games (other than the pre-examination and approval before internet publication of online games); (b) subject to the MOC's overall administration, GAPP is responsible for the pre-examination and approval of the internet publication of online games; and (c) once an online game is launched, the online game will be only administrated and regulated by the MOC. On November 7, 2011, Guangzhou Huaduo obtained an Internet Publishing License for the publication of online games and mobile phone games. The online games we currently offer are domestically produced games, and are published by third parties qualified to publish online games. Approximately 88% of the online games currently available on YY Client have been filed with the GAPP as electronic publications, and the others are still undergoing the filing process.

On September 28, 2009, the GAPP, the NCA and the National Working Group to Eliminate Pornography and Illegal Publications jointly issued the Circular on Consistent Implementation of the Stipulation on the Three Determinations of the State Council and the Relevant Interpretations of the State Commission for Public Sector Reform and the Further Strengthening of the Pre-approval of Online Games and the Approval and Examination of Imported Online Games, or Circular 13. Circular 13 explicitly prohibits foreign investors from directly or indirectly engaging in online gaming business in China, including through variable interest entity structures, or VIE Structures. Foreign investors are not allowed to indirectly control or participate in PRC operating companies' online game operations, whether (a) by establishing other joint ventures, entering into contractual arrangements or providing technical support for such operating companies; or (b) in a disguised form such as by incorporating or directing user registration, user account management or game card consumption into online gaming platforms that are ultimately controlled or owned by foreign companies. Circular 13 reiterates that the GAPP is responsible for the examination and approval of the import and publication of online games and states that downloading from the internet is considered a publication activity, which is subject to approval from the GAPP. Violations of Circular 13 will result in severe penalties. For detailed analysis, see "Risk Factors—Risks Relating to Our Corporate Structure and Industry—We may be adversely affected by the complexity, uncertainties and changes in PRC regulation of internet business and companies."

Anti-fatigue Compliance System and Real-name Registration System

On April 15, 2007, in order to curb addictive online game-playing by minors, eight PRC government authorities, including the GAPP, the Ministry of Education, the Ministry of Public Security and the MIIT, jointly issued a circular requiring the implementation of an anti-fatigue compliance system and a real-name registration system by all PRC online game operators. Under the anti-fatigue compliance system, three hours or less of continuous playing by minors, defined as game players under 18 years of age, is considered to be "healthy", three to five hours is deemed "fatiguing", and five hours or more is deemed "unhealthy." Game operators are required

to reduce the value of in-game benefits to a game player by half if it discovers that the amount of a time a game player spends online has reached the “fatiguing” level, and to zero in the case of the “unhealthy” level.

To identify whether a game player is a minor and thus subject to the anti-fatigue compliance system, a real-name registration system should be adopted to require online game players to register their real identity information before playing online games. Pursuant to a notice issued by the relevant eight government authorities on August 3, 2011, online game operators must submit the identity information of game players to the National Citizen Identity Information Center, a subordinate public institution of the Ministry of Public Security, for verification as of October 1, 2011.

We have developed and implemented an anti-fatigue and compulsory real-name registration system in all our online games, and will cooperate with the National Citizen Identity Information Center to launch the identity verification system upon the issuance of relevant implementing rules. For game players who do not provide verified identity information, we assume that they are minors under 18 years of age. In order to comply with the anti-fatigue rules, we set up our system so that after three hours of playing our online games, minors only receive half of the virtual items or other in-game benefits they would otherwise earn, and after playing for more than five hours, minors would receive no in-game benefits. These restrictions could limit our ability to increase our online games business among minors. Furthermore, if these restrictions were expanded to apply to adult game players in the future, our online games business could be materially and adversely affected. See “Risk Factors—Risks Related to Our Corporate Structure and Our Industry—Intensified government regulation of the internet industry in China could restrict our ability to maintain or increase our user level or the level of user traffic to our YY platform.

Virtual Currency

On January 25, 2007, the Ministry of Public Security, the MOC, the MIIT and the GAPP jointly issued a circular regarding online gambling which has implications for the issuance and use of virtual currency. To curtail online games that involve online gambling while addressing concerns that virtual currency might be used for money laundering or illicit trade, the circular (a) prohibits online game operators from charging commissions in the form of virtual currency in connection with winning or losing of games; (b) requires online game operators to impose limits on use of virtual currency in guessing and betting games; (c) bans the conversion of virtual currency into real currency or property; and (d) prohibits services that enable game players to transfer virtual currency to other players. In February 2007, 14 PRC regulatory authorities jointly issued a circular to further strengthen the oversight of internet cafes and online games. In accordance with the circular, the People’s Bank of China, or PBOC, has the authority to regulate virtual currency, including: (a) setting limits on the aggregate amount of virtual currency that can be issued by online game operators and the amount of virtual currency that can be purchased by an individual; (b) stipulating that virtual currency issued by online game operators can only be used for purchasing virtual products and services within the online games and not for purchasing tangible or physical products; (c) requiring that the price for redemption of virtual currency shall not exceed the respective original purchase price; and (d) banning the trading of virtual currency.

On June 4, 2009, the MOC and the MOFCOM jointly issued a notice to strengthen the administration of online game virtual currency. The Virtual Currency Notice requires businesses that (a) issue online game virtual currency (in the form of prepaid cards and/or pre-payment or prepaid card points), or (b) offer online game virtual currency transaction services to apply for approval from the MOC through its provincial branches within three months after the issuance of the notice. The Virtual Currency Notice prohibits businesses that issue online game virtual currency from providing services that would enable the trading of such virtual currency. Any business that fails to submit the requisite application will be subject to sanctions, including, without limitation, mandatory corrective measures and fines.

Under the Virtual Currency Notice, an online game virtual currency transaction service provider means a business providing platform services relating to trading of online game virtual currency among game users. The

Virtual Currency Notice further requires an online game virtual currency transaction service provider to comply with relevant e-commerce regulations issued by the MOFCOM. According to the Guiding Opinions on Online Trading (Interim) issued by the MOFCOM on March 6, 2007, online platform services are trading services provided to online buyers and sellers through a computer information system operated by the service provider.

The Virtual Currency Notice regulates, among others, the amount of virtual currency a business can issue, the retention period of user records, the function of virtual currency and the return of unused virtual currency upon the termination of online services. It prohibits online game operators from distributing virtual items or virtual currency to players based on random selection through lucky draw, wager or lottery which involves cash or virtual currency directly paid by the players. The Virtual Currency Notice bans the issuance of virtual currency by game operators to game players through means other than purchases with legal currency. Any business that does not provide online game virtual currency transaction services is required to adopt technical measures to restrict the transfer of online game virtual currency among accounts of different game players.

In addition, the Online Game Measures promulgated in June 2010 further provide that (i) virtual currency may only be used to purchase services and products provided by the online service provider that issues the currency; (ii) the purpose of issuing virtual currency shall not be malicious appropriation of the user's advance payment; (iii) the storage period of online gamers' purchase record shall not be shorter than 180 days; (iv) the types, price and total amount of virtual currency shall be filed with the cultural administration department at the provincial level. The Online Game Measures stipulate that virtual currency service providers may not provide virtual currency transaction services to minors or for online games that fail to obtain the necessary approval or filings, and that such providers should keep transaction records, accounting records and other relevant information for its users for at least 180 days.

Online Music

On November 20, 2006, the MOC issued Several Suggestions of the MOC on the Development and Administration of Internet Music, or the Suggestions, which became effective on the same date. The Suggestions, among other things, reiterate the requirement for an internet service provider to obtain an Internet Culture Operation License to carry out any business relating to internet music products. In addition, foreign investors are prohibited from operating internet culture businesses. However, the laws and regulations on internet music products are still evolving, and there have not been any provisions clarifying whether music products will be regulated by the Suggestions or how such regulation would be carried out.

On August 18, 2009, the MOC promulgated the Notice on Strengthening and Improving the Content Review of Online Music, or the Online Music Notice. According to the Online Music Notice, only "internet culture operating entities" approved by the MOC may engage in the production, release, dissemination (including providing direct links to music products) and importation of online music products. The content of online music shall be reviewed by or filed with the MOC. Internet culture operating entities should establish a strict self-monitoring system of online music content and set up a special department in charge of such monitoring.

Guangzhou Huaduo holds a valid Internet Culture Operation License covering our provision of online music. More than 99% of the music offered on our websites is sung by grassroots performers along with recorded music. If any music provided through our platform is found to lack necessary filings and/or approvals, we could be requested to cease providing such music or be subject to claims from third parties or penalties from the MOC or its local branches. See "Risk Factors—Risks Relating to Our Corporate Structure and Our Industry—If our PRC consolidated affiliated entities fail to obtain and maintain the requisite licenses and approvals required under the complex regulatory environment for internet-based businesses in China, our business, financial condition and results of operations may be materially and adversely affected." Moreover, the unauthorized posting of online music on our platform by third parties may expose us to the risk of administrative penalties and intellectual property infringement lawsuits. See "Risk Factors—Risks Relating to Our Business—We may be held liable for information or content displayed on, retrieved from or linked to our platform, or distributed to our

users, and PRC authorities may impose legal sanctions on us, including, in serious cases, suspending or revoking the licenses necessary to operate our platform."

In 2011, the MOC greatly intensified its regulation of the provision of online music products. According to the series of Notices on Clearing Online Music Products that are in Violation of Relevant Regulations promulgated by the MOC since January 7, 2011, entities that provide any the following will be subject to relevant penalties or sanctions imposed by the MOC: (a) online music products or relevant services without obtaining corresponding qualifications, (b) imported online music products that have not passed the content review of the MOC or (c) domestically developed online music products that have not been filed with the MOC. Thus far, we believe that we have eliminated from our platform any online music products that may fall into the scope of those prohibited online music products thereunder.

Online Transmission of Audio-Visual Programs

The Measures for the Administration of Publication of Audio-Visual Programs through Internet or Other Information Network, or the Audio-Visual Measures, promulgated by the SARFT on July 6, 2004 and put into effect on October 11, 2004, apply to the activities relating to the opening, broadcasting, integration, transmission or download of audio-visual programs using internet or other information network. Under the Audio-Visual Measures, to engage in the business of transmitting audio-visual programs, a license issued by SARFT is required. Foreign invested enterprises are not allowed to carry out such business.

On April 13, 2005, the State Council promulgated the Certain Decisions on the Entry of the Non- state-owned Capital into the Cultural Industry. On July 6, 2005, five PRC governmental authorities, including the MOC, the SARFT, the GAPP, the CSRC and the MOFCOM, jointly adopted the Several Opinions on Canvassing Foreign Investment into the Cultural Sector. According to these regulations, non-state-owned capital and foreign investors are not allowed to engage in the business of transmitting audio-visual programs through information networks.

To further regulate the provision of audio-visual program services to the public via the internet, including through mobile networks, within the territory of the PRC, the SARFT and the MIIT jointly promulgated the Administrative Provisions on Internet Audio-Visual Program Service, or the Audio-Visual Program Provisions, on December 20, 2007, which came into effect on January 31, 2008. Providers of internet audio-visual program services are required to obtain a License for Online Transmission of Audio-Visual Programs issued by SARFT, or complete certain registration procedures with SARFT. In general, providers of internet audio-visual program services must be either state-owned or state-controlled entities, and the business to be carried out by such providers must satisfy the overall planning and guidance catalog for internet audio-visual program service determined by SARFT. In a press conference jointly held by SARFT and MIIT to answer questions relating to the Audio-Visual Program Provisions in February 2008, SARFT and MIIT clarified that providers of internet audio-visual program services who engaged in such services prior to the promulgation of the Audio-Visual Program Provisions are eligible to register their business and continue their operation of internet audio-visual program services so long as those providers did not violate the relevant laws and regulations in the past. On May 21, 2008, SARFT issued a Notice on Relevant Issues Concerning Application and Approval of License for the Online Transmission of Audio-Visual Programs, which further sets out detailed provisions concerning the application and approval process regarding the License for Online Transmission of Audio-Visual Programs. The notice also states that providers of internet audio-visual program services that engaged in such services prior to the promulgation of the Audio-Visual Program Provisions are eligible to apply for the license so long as their violation of the laws and regulations is minor in scope and can be rectified in a timely manner and they have no records of violation during the last three months prior to the promulgation of the Audio-Visual Program Provisions. Further, on March 31, 2009, SARFT promulgated the Notice on Strengthening the Administration of the Content of Internet Audio-Visual Programs, which reiterates the pre-approval requirements for the audio-visual programs transmitted via the internet, including through mobile networks, where applicable, and

prohibits certain types of internet audio-visual programs containing violence, pornography, gambling, terrorism, superstition or other similarly prohibited elements.

On April 1, 2010, the SARFT issued the Internet Audio-visual Program Services Categories (Provisional), or the Provisional Categories, which classified internet audio-visual program services into four categories.

Guangzhou Huaduo holds a valid License for Online Transmission of Audio-Visual Programs with the business classification of converging and play-on-demand service for certain kinds of audio-visual programs—literary, artistic and entertaining—as prescribed in the Provisional Categories.

Production of Radio and Television Programs

On July 19, 2004, the SARFT issued the Regulations on the Administration of Production of Radio and Television Programs, or the Radio and TV Programs Regulations, which become effective on August 20, 2004. The Radio and TV Programs Regulations require any entities engaging in the production of radio and television programs to obtain a license for such businesses from the SARFT or its provincial branches. Entities with the License for Production and Operation of Radio and TV Programs must conduct their business operations strictly in compliance with the approved scope of production and operations and these entities (except radio and TV stations) must not produce radio and TV programs regarding current political news or similar subjects.

Guangzhou Huaduo holds an effective License for Production and Operation of Radio and TV Programs, issued on October 8, 2011, covering the production, reproduction and publication of broadcasting plays, TV dramas, cartoons (excluding production), special subjects, special columns (excluding current political news category) and entertainment programs.

Regulation on Internet Bulletin Board Services

On November 6, 2000, the MIIT promulgated the Administrative Measures on Internet Bulletin Board Services, or BBS Measures, which required commercial internet information service providers which provide bulletin boards, discussion forums, chat rooms or similar services, or BBS services, to obtain specific approval from the competent telecommunications authorities. Commercial internet information service providers are also required to conspicuously display their ICP license numbers and the rules of the BBS and inform users of the possible legal liabilities and consequences for posting improper comments. Another notice issued by the MIIT in March 2001 further specified the qualifications and requirements for approval of BBS services and emphasized the principles of daily supervision on BBS services.

The above-stated administrative approval or filing requirement for BBS was cancelled on July 4, 2010.

Online Education Services

On July 5, 2000, the Ministry of Education promulgated the Measures for the Administration of Educational Websites and Online Schools. Accordingly, an entity that operates educational websites and online schools is required to obtain prior approval from the competent administrative educational authorities. Educational websites are defined as institutions which establish online information databases by collecting, editing and storing educational information or establish online platform and search tools for educational purposes, and which provide public educational information to website visitors or users through the internet or educational TV stations. These measures also include specific provisions regarding the qualifications and procedures for obtaining the approval for operating educational websites. We currently offer some education-related services on our platform and are applying for the relevant necessary approvals.

Online Recruiting Services

On September 11, 2001, the Ministry of Human Resources and Social Security (formerly, the Ministry of Personnel) and the SAIC jointly promulgated the Administrative Regulations on the Management of Talent Market, or the Regulations on Talent, which became effective on October 1, 2001 and was amended on March 22, 2005. The Regulations on Talent requires that an internet information service provider that engages in offering intermediary agent services on talent-related information networks, either as a main or sideline business, must obtain a license from the local delegate of the Ministry of Human Resources and Social Security. If an enterprise, including an internet information service provider, provide services as a talent agent without obtaining the abovementioned license, such enterprise will be shut down and subject to fines of up to RMB30,000. In addition, according to the implementing regulations of Guangdong Province, where we are headquartered, the institutions that operate on talent-related information networks as intermediary agents must each obtain the license mentioned above. Under the provincial regulations, any enterprise that provide services as a talent agent without such license will be shutdown, with the illegal gains confiscated, and will be subject to a fine of up to RMB50,000 by the personnel administrative authorities of the relevant local government.

We have begun initial preparations to provide services such as advertisements on our platforms. When we do engage in such operations, we will need to obtain the abovementioned license before commencing.

Regulation on Advertising Business and Conditions on Foreign Investment

The SAIC is the primary governmental authority regulating advertising activities in China. Regulations that apply to advertising business primarily include:

- Advertisement Law of the People's Republic of China, promulgated by the Standing Committee of the National People's Congress on October 27, 1994 and effective since February 1, 1995;
- Administrative Regulations for Advertising, promulgated by the State Council on October 26, 1987 and effective since December 1, 1987; and
- Implementation Rules for the Administrative Regulations for Advertising, promulgated by the State Council on January 9, 1988 and amended on December 3, 1998, December 1, 2000 and November 30, 2004, respectively.

According to the above regulations, companies that engage in advertising activities must each obtain, from the SAIC or its local branches, a business license which specifically includes operating an advertising business in its business scope. An enterprise engaging in advertising business within the specifications in its business scope does not need to apply for an advertising operation license, provided that such enterprise is not a radio station, television station, newspaper or magazine publisher or any other entity otherwise specified in the relevant laws or administrative regulations. Enterprises conducting advertising activities without such a license may be subject to penalties, including fines, confiscation of advertising income and orders to cease advertising operations. The business license of an advertising company is valid for the duration of its existence, unless the license is suspended or revoked due to a violation of any relevant laws or regulations.

PRC advertising laws and regulations set certain content requirements for advertisements in China, 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. Advertisers, advertising agencies, and advertising distributors are required to ensure that the content of the advertisements they prepare or distribute is true and in complete compliance with applicable laws. In providing advertising services, advertising operators and advertising distributors must review the supporting documents provided by advertisers for 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, advertising distributors 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. Where serious violations occur, the SAIC or its local branches may revoke such offenders' licenses or permits for their advertising business operations.

Under the Administrative Regulations on Foreign-Invested Advertising Enterprises, promulgated in 2008, there is no longer any maximum foreign shareholding percentage restriction applicable to foreign-invested advertising enterprises. However, foreign investors are required to have at least three years prior experience of operating an advertising business outside of China as their main business before receiving approval to directly own a 100% interest in an advertising company in China. Foreign investors with at least two years prior experience of operating an advertising business outside China as their main business are allowed to establish a joint venture with domestic advertising enterprises to operate an advertising business in China.

Intellectual Property Rights

Software Registration

The State Council and the NCA have promulgated various rules and regulations and rules relating to protection of software in China. According to these rules and regulations, software owners, licensees and transferees may register their rights in software with the SCB or its local branches and obtain software copyright registration certificates. Although such registration is not mandatory under PRC law, software owners, licensees and transferees are encouraged to go through the registration process and registered software rights may be entitled to better protections. As of July 3, 2012, we had registered rights in 42 software programs.

Patents

The National People's Congress adopted the Patent Law of the People's Republic of China in 1984 and amended it in 1992, 2000 and 2008, respectively. A patentable invention, utility model or design must meet three conditions: novelty, inventiveness and practical applicability. Patents cannot be granted for scientific discoveries, rules and methods for intellectual activities, methods used to diagnose or treat diseases, animal and plant breeds or substances obtained by means of nuclear transformation. The Patent Office under the State Intellectual Property Office is responsible for receiving, examining and approving patent applications. A patent is valid for a twenty-year term for an invention and a ten-year term for a utility model or design, starting from the application date. Except under certain specific circumstances provided by law, any third party user must obtain consent or a proper license from the patent owner to use the patent, or else the use will constitute an infringement of the rights of the patent holder.

We have obtained two patents granted from, and 23 patent applications are under review by, the State Intellectual Property Office.

Copyright Law

The Copyright Law of the People's Republic of China, promulgated in 1990 and amended in 2001 and 2010, or the Copyright Law, and its related implementing regulations, promulgated in 2008, are the principal laws and regulations governing the copyright related matters. The amended Copyright law covers internet activities, products disseminated over the internet and software products, among the subjects entitled to copyright protections. Registration of copyright is voluntary, and is administrated by the China Copyright Protection Center.

To address copyright issues relating to the internet, on November 22, 2000, the PRC Supreme People's Court adopted the Interpretations on Some Issues Concerning Applicable Laws for Trial of Disputes over Internet Copyright, or the Interpretations, which were subsequently amended on December 23, 2003 and November 20, 2006. The Interpretations establish joint liability for internet service providers if they participate in, assist in or abet infringing activities committed by any other person through the internet, are aware of the infringing

activities committed by their website users through the internet or fail to remove infringing content or take other action to eliminate infringing consequences after receiving a warning with evidence of such infringing activities from the copyright holder. In addition, the internet service providers are liable for copyright infringement if they knowingly upload, transmit or provide any methods, equipment or materials which are intended to bypass or disrupt circumvention technologies designed to protect the copyrights of other people. Upon request, the internet service providers shall provide copyright holders with the registration information of the users who are alleged to be guilty of copyright violations, provided that such copyright holders produce relevant evidence of identification, copyright ownership and infringement. Where an internet service provider takes measures to remove the alleged infringing content after receiving a warning from the relevant copyright holder with good evidence, the PRC courts would not support the claim of the alleged perpetrator of such copyright infringement against the internet service provider for breach of contract.

Under the Copyright Law and its implementation rules, anyone infringing upon the copyrights of others is subject to various civil liabilities, which include stopping the infringement, eliminating the damages, apologizing to the copyright owners and compensating the copyright owners for such owners’ actual and other losses resulting from such infringement. If the actual loss of the copyright owner is difficult to calculate, the income received by the offender as a result of the copyright infringement shall be deemed to be the actual loss; or if such income is in itself difficult to calculate, the relevant PRC court may decide the amount of the actual loss up to RMB500,000 for each infringement.

To address the problem of copyright infringement related to content posted or transmitted on the internet, the PRC National Copyright Administration and MIIT jointly promulgated the Measures for Administrative Protection of Copyright Related to Internet on April 29, 2005. These measures, which became effective on May 30, 2005, apply to acts of automatically providing services such as uploading, storing, linking or searching works, audio or video products, or other contents through the internet based on the instructions of internet users who publish contents on the internet, or the Internet Content Providers, without editing, amending or selecting any stored or transmitted content. When imposing administrative penalties upon the act which infringes upon any users’ right of communication through information networks, the Measures for Imposing Copyright Administrative Penalties, promulgated in 2009, shall be applied.

Where a copyright holder finds that certain internet content infringes upon its copyright and sends a notice to the relevant internet information service operator, the relevant internet information service operator is required to (i) immediately take measures to remove the relevant contents, and (ii) retain all infringement notices for six months and to record the content, display time and IP addresses or the domain names related to the infringement for 60 days. After any content is removed by an internet information service operator according to the notice of a copyright holder, the content provider may deliver a counter-notice to both the internet information service operator and the copyright holder, stating that the removed content does not infringe upon the copyright of other parties. After the delivery of such counter-notice, the internet information service operator may immediately reinstate the removed contents and shall not bear administrative legal liability for such reinstatement.

An internet information service operator may be subject to cease-and-desist orders and other administrative penalties such as confiscation of illegal income and fines, if it is clearly aware of a copyright infringement through the internet or, although not aware of such infringement, it fails to take measures to remove relevant content upon receipt of the copyright owner’s notice of infringement and, as a result, damages public interests. Where there is no evidence to indicate that an internet information service operator is clearly aware of the existence of copyright infringement, or the internet information service operator has taken measures to remove relevant contents upon receipt of the copyright owner’s notice, the internet information service provider shall not bear the relevant administrative legal liabilities.

On May 18, 2006, the State Council issued the Protection of the Right of Communication through Information Network, which took effect on July 1, 2006. Under this regulation, an internet information service provider may be exempt from indemnification liabilities under the following circumstances:

- any internet information service provider that provides automatic internet access service upon instructions from its users or provides automatic transmission service for works, performances and audio-visual products provided by its users are not required to assume indemnification liabilities if (a) it has not chosen or altered the transmitted works, performance and audio-visual products and (b) it provides such works, performances and audio-visual products to the designated users and prevents any person other than such designated users from obtaining access.
- any internet information service provider that, for the sake of improving network transmission efficiency, automatically stores and provides to its own users the relevant works, performances and audio-visual products obtained from any other internet information service providers, are not required to assume the indemnification liabilities if (a) it has not altered any of the works, performance or audio-visual products that are automatically stored; (b) it has not affected such original internet information service provider in holding the information about where the users obtain the relevant works, performance and audio-visual products; and (c) when the original internet information service provider revises, deletes or shields the works, performances and audio-visual products, it will automatically revise, delete or shield the same.
- any internet information service provider that provides its users with information memory space for such users to provide the works, performances and audio-visual products to the general public via an informational network are not required to assume the indemnification liabilities if (a) it clearly indicates that the information memory space is provided to the users and publicizes its own name, contact person and web address; (b) it has not altered the works, performance and audio-visual products that are provided by the users; (c) it is not aware of or has no reason to know that the works, performances and audio-visual products provided by the users infringe upon the copyrights of others; (d) it has not directly derived any economic benefit from the providing of the works, performances and audio-visual products by its users; and (e) after receiving a notice from the copyright holder, it promptly deletes the allegedly infringing works, performances and audio-visual products pursuant to the relevant regulation.

Since 2005, the NCA, together with certain other PRC governmental authorities, have jointly launched annual campaigns specifically aimed to crack down on internet copyright infringement and piracy in China; these campaigns normally last for three to four months every year. According to the Notice of 2010 Campaign to Crack Down on Internet Infringement and Piracy promulgated by the NCA, the Ministry of Public Security and the MIIT on July 19, 2010, the 2010 campaign mainly targeted internet audio and video programs, literature websites, online games, animation, software and art works related to Shanghai World Expo and Guangzhou Asian Games. During the 2010 campaign, starting from late July to the end of October 2010, the local branches of NCA focused on popular movies and TV series, newly published books, online games and animation, music and software and various illegal activities, including, for example, illegal uploading or transmission of a thirty party’s works without proper license or permission, sales of pirated audio-video and software through e-commerce platforms, providing search links, information storage, web hosting or internet access services for third parties engaging in copyright infringement or piracy of copyrighted works and the infringement by use of mobile media. In serious cases, the operating permits of the websites engaging illegal activities were revoked, and such websites were ordered to shut down.

We have adopted measures to mitigate copyright infringement risks, including, for instance, establishing a routine reporting and registration system updated on a monthly basis.

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Domain Name

In September 2002, the CNNIC issued the Implementing Rules for Domain Name Registration setting forth detailed rules for registration of domain names. On November 5, 2004, the MIIT promulgated the Measures for Administration of Domain Names for the Chinese Internet, or the Domain Name Measures. The Domain Name Measures regulate the registration of domain names, such as the first tier domain name ".cn." In February 2006, the CNNIC issued the Measures on Domain Name Dispute Resolution and relevant implementing rules, pursuant to which the CNNIC can authorize a domain name dispute resolution institution to decide disputes. As of July 3, 2012, we had registered 30 domain names, including YY.com, Duowan.com and Chinaduo.com.

Trademark

The PRC Trademark Law, adopted in 1982 and amended in 1993 and 2001, with its implementation rules adopted in 2002, protects registered trademarks. The Trademark Office of the SAIC handles trademark registrations and grants a protection term of ten years to registered trademarks. Trademark license agreements must be filed with the Trademark Office for record. As of May 31, 2012, we had registered 45 trademarks and have applied to register 104 new trademarks.

Internet Infringement

On December 26, 2009, the Standing Committee of National People's Congress promulgated the Tort Law of the People's Republic of China, or the Tort Law, which became effective on July 1, 2010. Under the Tort Law, an internet user or an internet service provider that infringes upon the civil rights or interests of others through using the internet assumes tort liability. If an internet user infringes upon the civil rights or interests of another through using the internet, the person being infringed upon has the right to notify and request the internet service provider whose internet services are facilitating the infringement to take necessary measures including the deletion, blocking or disconnection of an internet link. If, after being notified, the internet service provider fails to take necessary measures in a timely manner to end the infringement, it will be jointly and severally liable for any additional harm caused by its failure to act. According to the Tort Law, civil rights and interests include the personal rights and rights of property, such as the right to life, right to health, right to name, right to reputation, right to honor, right of portraiture, right of privacy, right of marital autonomy, right of guardianship, right to ownership, right to usufruct, right to security interests, copyright, patent right, exclusive right to use trademarks, right to discovery, right to equity interests and right of heritage, among others.

Regulation of Internet Content

The PRC government has promulgated measures relating to internet content through a number of governmental agencies, including the MIIT, the MOC and the GAPP. These measures specifically prohibit internet activities, such as the operation of online games, that result in the publication of any content which is found to contain, among others, propagate obscenity, gambling or violence, instigate crimes, undermine public morality or the cultural traditions of the PRC, or compromise state security or secrets. If an ICP license holder violates these measures, its ICP license may be revoked and its websites may be shut down by the relevant government agencies.

Moreover, according to the Notice on the Work of Purification of Online Games jointly issued by the MOC, the MIIT and other governmental authorities in June 2005, online games in China are required to be registered and filed as software products in accordance with the Administrative Measures on Software Products, promulgated in 2000. In addition, pursuant to the Notice on Enhancing the Content Review Work of Online Game Products promulgated by the MOC in 2004, imported online games are subject to content review by the MOC prior to being offered to Chinese internet users.

Information Security and Censorship

Internet content in China is regulated and restricted from a state security standpoint. The National People's Congress, China's national legislative body, enacted the Decisions on the Maintenance of Internet Security on

December 28, 2000, that may subject persons to criminal liabilities in China for any attempt to: (i) gain improper entry to a computer or system of strategic importance; (ii) disseminate politically disruptive information; (iii) leak state secrets; (iv) spread false commercial information or (v) infringe upon intellectual property rights.

In 1997, the Ministry of Public Security issued the Administration Measures on the Security Protection of Computer Information Network with Internationally Connections, which prohibit using the internet in ways which, among others, result in a leakage of state secrets or a spread of socially destabilizing content. The Ministry of Public Security has supervision and inspection powers in this regard, and relevant local security bureaus may also have jurisdiction. If an ICP license holder violates these measures, the PRC government may revoke its ICP license and shut down its websites.

To comply with the above laws and regulations, we have established an internet information security department to implement measures on information filtering. For example, we have adopted a voice monitor system, and installed on our platform various alerts on sensitive words or abnormal activities of users, channels or groups. We also have a dedicated team that maintains 24-hour surveillance on the information posted on our platform, with different categories for monitoring purposes, according to subject and content. We have also established and follow a strict review process and storage system of relevant records which, in combination with various information security measures, have effectively prevented the public dissemination of statutory prohibited information through our websites in the past. We intend to continue to further update our measurements and system and work closely with relevant authorities to avoid any violation of relevant laws and regulations in the future.

Privacy Protection

PRC laws and regulations do not prohibit internet content providers from collecting and analyzing their users' personal information if appropriate authorizations are obtained. We require our users to accept a user agreement whereby they agree to provide certain personal information to us. PRC laws and regulations prohibit internet content providers from disclosing any information transmitted by users through their networks to any third parties without their authorization unless otherwise permitted by law. If an internet content provider violates these regulations, the MIIT or its local bureaus may impose penalties and the internet content provider may be liable for damages caused to its users.

Regulation of Foreign Currency Exchange and Dividend Distribution

Foreign Currency Exchange. The core regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations, as amended in August 2008, or the FEA Regulations. Under the FEA Regulations, the Renminbi is freely convertible for current account items, including the distribution of dividends, interest payments, trade- and service-related foreign exchange transactions, but not for capital account items, such as direct investments, loans, repatriation of investments and investments in securities outside of China, unless the prior approval of the SAFE is obtained and prior registration with the SAFE is made. On August 29, 2008, SAFE promulgated Circular 142 to regulate the conversion of foreign currency into Renminbi by a foreign-invested enterprise by restricting the ways in which the converted Renminbi may be used. Circular 142 stipulates that the registered capital of a foreign-invested enterprise that has been settled in Renminbi converted from foreign currencies may only be used for purposes within the business scope approved by the applicable governmental authority and cannot be used for equity investments within the PRC. Meanwhile, the SAFE strengthened its oversight of the flow and use of the registered capital of a foreign-invested enterprise settled in Renminbi converted from foreign currencies. The use of such Renminbi capital may not be changed without the SAFE's approval, and may not in any case be repayment of Renminbi loans if the proceeds of such loans have not been used. Violations of Circular 142 may lead to severe penalties including heavy fines. As a result, Circular 142 may significantly limit our ability to transfer the net proceeds from this offering to our other PRC subsidiaries through Huanju Shidai, our wholly owned subsidiary in China, and thus may adversely

affect our business expansion in China. We may not be able to convert the net proceeds into Renminbi to invest in or acquire any other PRC companies, or establish other VIEs in the PRC.

Dividend Distribution. The Foreign Investment Enterprise Law, promulgated in 1986 and amended in 2000, and the Administrative Rules under the Foreign Investment Enterprise Law, promulgated in 2001, are the key regulations governing distribution of dividends of foreign-invested enterprises.

Under these regulations, a wholly foreign-invested enterprise in China, or a WFOE, may pay dividends only out of its accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, a WFOE is required to allocate at least 10% of its accumulated profits each year, if any, to statutory reserve funds unless its reserves have reached 50% of the registered capital of the enterprises. These reserves are not distributable as cash dividends. The proportional ratio for withdrawal of rewards and welfare funds for employees shall be determined at the discretion of the WFOE. Profits of a WFOE shall not be distributed before the losses thereof before the previous accounting years have been made up. Any undistributed profit for the previous accounting years may be distributed together with the distributable profit for the current accounting year.

Circular 75. The SAFE issued Circular on Several Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and in Return Investments via Overseas Special Purpose Companies, or Circular No. 75, on October 21, 2005, which became effective on November 1, 2005. Under Circular 75, prior registration with the local SAFE branch is required for PRC residents to establish or to control an offshore company for the purposes of financing that offshore company with assets or equity interests in an onshore enterprise located in the PRC. An amendment to registration or filing with the local SAFE branch by such PRC resident is also required for the injection of equity interests or assets of an onshore enterprise in the offshore company or overseas funds raised by such offshore company, or any other material change involving a change in the capital of the offshore company.

Circular 75 applies retroactively. PRC residents who have established or acquired control of offshore companies that have made onshore investments in the PRC in the past were required to complete the relevant registration procedures with the local SAFE branch by March 31, 2006. Under the relevant rules, failure to comply with the registration procedures set forth in Circular 75 may lead to restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the increase of its registered capital, the payment of dividends and other distributions to its offshore parent or affiliate and the capital inflow from the offshore entity, and may also subject relevant PRC residents to penalties under PRC foreign exchange administration regulations. PRC residents who control our company from time to time are required to register with the SAFE in relation to their investments in us.

We have completed the foreign exchange registration of PRC resident shareholders of Guangzhou Huaduo, as required by Circular 75, for our financings that were completed before the end of 2010. The Circular 75 registration on the fourth round of financing conducted in 2011 is still ongoing. We except that all registration procedures required by Circular 75 will be completed by September 2011.

Stock Option Rules. The Administration Measures on Individual Foreign Exchange Control were promulgated by the PBOC on December 25, 2006, and their Implementation Rules, issued by the SAFE on January 5, 2007, became effective on February 1, 2007. Under these regulations, all foreign exchange matters involved in employee stock ownership plans and stock option plans participated in by onshore individuals, among others, require approval from the SAFE or its authorized branch. Furthermore, the Notices on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies, or the Stock Option Rules, were promulgated by SAFE on February 15, 2012, that replaced the Application Procedures of Foreign Exchange Administration for Domestic Individuals Participating in Employee Stock Ownership Plans or Stock Option Plans of Overseas Publicly-Listed Companies issued by SAFE on March 28, 2007. Pursuant to the Stock Option Rules, PRC residents who are granted shares

or stock options by companies listed on overseas stock exchanges based on the stock incentive plans are required to register with SAFE or its local branches, and PRC residents participating in the stock incentive plans of overseas listed companies shall retain a qualified PRC agent, which could be a PRC subsidiary of such overseas publicly-listed company or another qualified institution selected by such PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plans on behalf of these participants. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, purchase and sale of corresponding stocks or interests, and fund transfer. In addition, the PRC agents are required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agents or the overseas entrusted institution or other material changes. The PRC agents shall, on behalf of the PRC residents who have the right to exercise the employee share options, apply to SAFE or its local branches for an annual quota for the payment of foreign currencies in connection with the PRC residents' exercise of the employee share options. The foreign exchange proceeds received by the PRC residents from the sale of shares under the stock incentive plans granted and dividends distributed by the overseas listed companies must be remitted into the bank accounts in the PRC opened by the PRC agents before distribution to such PRC residents. In addition, the PRC agents shall file each quarter the form for record-filing of information of the Domestic Individuals Participating in the Stock Incentive Plans of Overseas Listed Companies with SAFE or its local branches.

We and our PRC citizen employees who have been granted share options, restricted shares or restricted share units, or PRC optionees, will be subject to the Stock Option Rules when our company becomes an overseas listed company upon the completion of this offering. If we or our PRC optionees fail to comply with the Individual Foreign Exchange Rule and the Stock Option Rules, we and/or our PRC optionees may be subject to fines and other legal sanctions. See "Risk Factors—Risks Relating to Doing Business in China—PRC regulations relating to offshore investment activities by PRC residents may limit our PRC subsidiaries' ability to increase their registered capital or distribute profits to us or otherwise expose us to liability and penalties under PRC law."

In addition, the State Administration for Taxation has issued circulars concerning employee share options, under which our employees working in the PRC who exercise share options will be subject to PRC individual income tax. Our PRC subsidiaries have obligations to file documents related to employee share options with relevant tax authorities and to withhold individual income taxes of those employees who exercise their share options. If our employees fail to pay or if we fail to withhold their income taxes as required by relevant laws and regulations, we may face sanctions imposed by the PRC tax authorities or other PRC government authorities.

Regulation on Tax

PRC Enterprise Income Tax

The PRC enterprise income tax is calculated based on the taxable income determined under the applicable EIT Law and its implementation rules. On March 16, 2007, the National People's Congress of China enacted the New EIT Law, which became effective on January 1, 2008. On December 6, 2007, the State Council promulgated the implementation rules to the New EIT Law, which also became effective on January 1, 2008. The New EIT Law imposes a uniform enterprise income tax rate of 25% on all resident enterprises in China, including foreign-invested enterprises and domestic enterprises, unless they qualify for certain exceptions, and terminates most of the tax exemptions, reductions and preferential treatment available under the previous tax laws and regulations. According to the New EIT Law and relevant regulations, subject to the approval of competent tax authorities, the income tax of an enterprise that has been determined to be a high and new technology enterprise shall be reduced to a preferential rate of 15%.

Moreover, under the New EIT Law, enterprises organized under the laws of jurisdictions outside China with their "de facto management bodies" located within China may be considered PRC resident enterprises and are therefore subject to PRC enterprise income tax at the rate of 25% on their worldwide income.

Although we do not believe that our company should be treated as a PRC resident enterprise for PRC tax purposes, substantial uncertainty exists as to whether we will be deemed to be such by the relevant authorities. In the event that we are considered a PRC resident enterprise, we would be subject to the PRC enterprise income tax at the rate of 25% on our worldwide income. See “Risk Factors—Risks Relating to Doing Business in China—Under the PRC enterprise income tax law, we may be classified as a PRC “resident enterprise,” which could result in unfavorable tax consequences to us and our shareholders and have a material adverse effect on our results of operations and the value of your investment.”

In addition, although the New EIT Law provides that dividend income between “qualified resident enterprises” is exempted income, and the Implementation Rules refer to “qualified resident enterprises” as enterprises with “direct equity interest”, it is unclear whether dividends we receive from our PRC subsidiaries are eligible for exemption.

PRC Business Tax

Pursuant to applicable PRC tax regulations, any entity or individual conducting business in the service industry is generally required to pay a business tax at the rate of 5% on the revenues generated from providing such services. However, if the services provided are related to technology development and transfer, such business tax may be exempted subject to the approval of relevant tax authorities. In addition, online game operating business is subject to 3.3% business tax and surcharges pursuant to applicable PRC tax regulations.

Cultural Development Fee

According to applicable PRC tax regulations or rules, advertising service providers are generally required to pay a cultural development fee at the rate of 3% on the revenues (a) which are generated from providing advertising services and (b) which are also subject to the business tax.

Dividends Withholding Tax

Under the Old EIT Law that was effective prior to January 1, 2008, dividends paid to foreign investors by foreign-invested enterprises, such as dividends paid to us by Huanju Shidai or Zhuhai Duowan Technology, our PRC subsidiaries, were exempt from PRC withholding tax. We are a Cayman Islands holding company and substantially all of our income may come from dividends we receive from our subsidiaries located in the PRC. Pursuant to the New EIT Law and its implementation rules, dividends generated after January 1, 2008 and distributed to us by our PRC subsidiaries are subject to withholding tax at a rate of 10%.

As uncertainties remain regarding the interpretation and implementation of the New EIT Law and its implementation rules, we cannot assure you that, if we are deemed a PRC resident enterprise, any dividends to be distributed by us to our non-PRC shareholders and ADS holders would not be subject to any PRC withholding tax. See “Risk Factors—Risks Relating to Doing Business in China—Under the PRC enterprise income tax law, we may be classified as a PRC “resident enterprise,” which could result in unfavorable tax consequences to us and our shareholders and have a material adverse effect on our results of operations and the value of your investment.”

Labor Laws and Social Insurance

The principle laws that govern employment include:

- Labor Law of the People’s Republic of China, promulgated by the Standing Committee of the National People’s Congress on July 5, 1994, effective since January 1, 1995 and amended on August 27, 2009; and
- Labor Contract Law of the People’s Republic of China, promulgated by the Standing Committee of the National People’s Congress on June 29, 2007 and effective since January 1, 2008.

According to the Labor Law and Labor Contract Law, employers must execute written labor contracts with full-time employees. All employers must compensate their employees with wages equal to at least the local minimum wage standards. All employers are required to establish a system for labor safety and sanitation, strictly comply with state rules and standards and provide employees with workplace safety training. Violations of the PRC Labor Contract Law and the PRC Labor Law may result in the imposition of fines and other administrative penalties. For serious violations, criminal liability may arise.

In addition, employers in China are required to provide employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, work-related injury insurance, medical insurance and housing funds.

We have caused all of our full-time employees to enter into written labor contracts with us and have provided and currently provide our employees with the proper welfare and employment benefits.

New M&A Regulations and Overseas Listings

On August 8, 2006, six PRC governmental agencies jointly promulgated the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the New M&A Rule, which became effective on September 8, 2006. The New M&A Rule requires offshore special purpose vehicles formed to pursue overseas listing of equity interests in PRC companies and controlled directly or indirectly by PRC companies or individuals to obtain the approval of the Chinese Securities Regulatory Commission, or the CSRC, prior to the listing and trading of such special purpose vehicle's securities on any stock exchange overseas.

The application of the M&A Rules remains unclear. Based on the understanding on the current PRC laws, rules and regulations and the M&A Rules of our PRC Legal Counsel, Zhong Lun Law Firm, prior approval from the CSRC is not required under the M&A Rules for the listing and trading of our ADSs on the [Nasdaq Global Market/NYSE] because (a) our PRC subsidiaries, Huanju Shidai and Zhuhai Duowan Technology, are foreign-invested enterprises established by foreign enterprises, (b) we did not acquire any equity interest or assets of a PRC domestic company owned by PRC companies or individuals as defined under the M&A Rules, and (c) there is no provision that clearly classifies the contractual arrangements among our PRC subsidiary, Huanju Shidai, our PRC consolidated affiliated entities and their shareholders as a transaction regulated by the M&A Rules. However, as there has been no official interpretation or clarification of the M&A Rules, there is uncertainty as to how this regulation will be interpreted or implemented.

Considering the uncertainties that exist with respect to the issuance of new laws, regulations or interpretation and implementing rules, the opinion of Zhong Lun Law Firm, summarized above, is subject to change. If the CSRC or another PRC regulatory agency subsequently determines that prior CSRC approval was required, we may face regulatory actions or other sanctions from the CSRC or other PRC regulatory agencies. For more information and discussion on this, see "Risk Factors—Risks Relating to Doing Business in China—The approval of the China Securities Regulatory Commission may be required in connection with this offering and, if required, we cannot assure you that we will be able to obtain such approval."

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MANAGEMENT

Directors and Executive Officers

The following table sets forth information regarding our executive officers and directors as of the date of this prospectus.

Directors and Executive Officers	Age	Position/Title
Jun Lei	41	Chairman of the Board and Director
David Xueling Li	38	Chief Executive Officer and Director
Qin Liu	38	Director
Alexander Barrett Hartigan	35	Director
Jenny Hong Wei Lee	39	Director
Tony Bin Zhao	40	Director and Chief Technology Officer
Nazar Abdenabi Yasin	34	Director
Eric He	51	Chief Financial Officer
Jin Cao	38	General Manager of Website Department
Rongjie Dong	34	General Manager of Games Department

Mr. Jun Lei is our co-founder and has been our chairman since our inception. From October 1998 to December 2007, Mr. Lei served as the chief executive officer of Kingsoft Corporation, a China-based software and online games company listed on the Stock Exchange of Hong Kong, and has recently been appointed as Chairman of its board of directors. From January 1992 to October 1998, Mr. Lei served in various capacities at Kingsoft including as general manager and software developer. From April 2000 to March 2005, Mr. Lei co-founded and served as chairman of Joyo.com which, during his tenure, was sold to Amazon, becoming Amazon China. Since November 2003, Mr. Lei has served on the board of directors of Wuhan University. In addition, Mr. Lei is active in private investments and currently serves as a director or advisor in several privately held companies that he founded or invested in. Mr. Lei received his bachelor's degree in computer science from Wuhan University in 1991.

Mr. David Xueling Li is our co-founder and has been our chief executive officer since our inception. Mr. Li is primarily responsible for our overall management, major decision-making and strategic planning, including research and development. Before founding our company, Mr. Li worked at Netease.com, Inc from July 2003 to April 2005 and served as its chief editor. In 2000, Mr. Li founded CFP.cn, a website that provided a copyright trading platform for journalists and amateur photographers. Mr. Li received a bachelor's degree in philosophy from Renmin University of China in 1997.

Mr. Qin Liu has been a director of our company since June 2008. Mr. Liu has been a director of Morningside China TMT Fund I, L.P. since its formation in 2008, where he is primarily responsible for managing early-stage investments in the internet, wireless, media, entertainment and consumer services sectors in China. He also serves as a director in several non-public portfolio companies of the fund. From 2000 through 2008, Mr. Liu worked at Morningside IT Management Services (Shanghai) Co., Ltd. and established its print media business and served as publisher of The Bund, an upscale lifestyle weekly publication. Mr. Liu received a master's degree in business administration, or MBA, from China Europe International Business School in 1999 and a bachelor's degree in electrical engineering from Beijing Science & Technology University in 1993.

Mr. Alexander Hartigan has been our director since August 2008. Since 2006, Mr. Hartigan has been the managing director of Steamboat Ventures Asia, L.P., where he manages investments in the technology, media and consumer sectors in China. He currently serves as a director in several non-public portfolio companies of Steamboat Ventures Asia, L.P. Mr. Hartigan has over 10 years of experience in the venture capital industry. Prior to joining Steamboat Ventures Asia, L.P., Mr. Hartigan served as a principal at Panasonic Ventures from 1999 through 2003. Mr. Hartigan received an MBA degree from Harvard Business School in 2005 and a bachelor's degree in government from Georgetown University in 1998.

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Ms. Jenny Hong Wei Lee has served as our director since December 2009. Ms. Lee is a director of Hisoft Technology International Limited, a leading China-based provider of outsourced information technology and research and development services, and 21Vianet Group, Inc., a leading China-based carrier-neutral Internet data center services provider; both companies are listed on the Nasdaq Global Market. Ms. Lee is a managing director of Granite Global Ventures III L.L.C., and is also a general partner of Granite Global Ventures III L.P. and GGV III Entrepreneurs Fund L.P. From 2002 to 2005, Ms. Lee served as a vice president of JAFCO Asia. Ms. Lee received her bachelor's degree in electrical engineering in 1994 and master's degree in engineering in 1995 from Cornell University. Ms. Lee also has an MBA degree from Kellogg School of Management at Northwestern University in 2001.

Mr. Tony Bin Zhao has been the chief technology officer of our company since 2008. He has served as a director since December 2009. Prior to joining us, he founded NeoTasks, LLC in November 2004 and served as its chairman and chief technology officer until 2008. From July to October 2004, he was a senior consultant at Tencent.com. From July 1997 to July 2004, he served as a senior engineer at WebEx Communications Inc. and was responsible for the establishment of audio/video session and backend servers. From 1995 to 1997, he worked as the manager of software department at Beijing Sunstep Technologies Limited. He also founded Beijing Dacheng Infrastructure Projects Consulting Limited in 1994. Mr. Zhao received a bachelor's degree in radio and electronics from Peking University in 1992.

Mr. Nazar Yasin has been our director since July 2011. Mr. Yasin has been at Tiger Global Management since 2010. Previously he worked with a number of companies in the technology, media and telecom space. From May 2009 to July 2010, he served as chief executive officer at Forticom, an internet company. From August 2006 to April 2009, he was an investment banker at Goldman Sachs, where he co-headed the firm's European internet investment banking efforts. Mr. Yasin received a bachelor's degree in industrial engineering from the Georgia Institute of Technology in 2000, a Doctor of Jurisprudence degree from Northwestern University in 2006 and an MBA from Kellogg School of Management at Northwestern University.

Mr. Eric He has been our chief financial officer since August 2011. He currently also serves as an independent director of Yangxun Computer Technology (Shanghai) Co. Ltd. and Acorn International, Inc., an NYSE-listed company. Prior to joining us, Mr. He served as the chief financial officer of Giant Interactive Group, Inc., an NYSE-listed company, from March 2007 to August 2011. He served as the chief strategy officer of Ninetowns Internet Technology Group from 2004 to 2007. From 2002 to 2004, he served as a private equity investment director for AIG Global Investment Corp (Asia) Ltd. Mr. He received a bachelor's degree in accounting from National Taipei University and an MBA degree from the Wharton School of Business at the University of Pennsylvania. Mr. He is a Certified Public Accountant and Chartered Financial Analyst in the United States.

Mr. Jin Cao has been the vice president of Guangzhou Duowan since 2008 and is currently the general manager of our website department. From June 2005 to October 2008, he served as the president of NeoTasks Inc. From January 2000 to February 2006, he served as the chief representative of FATWIRE Corp. From August 1995 to August 1997, he was a senior programmer for the China Aviation and Space Authority (CASA). He founded niba.com, an online video streaming company, in 2006. Mr. Cao received a bachelor's degree in industrial engineering from Tianjin University in 1995 and a master's degree in industrial engineering from University of Cincinnati in 1999.

Mr. Rongjie Dong has been the president of the technology department of Guangzhou Huaduo since October 2006 and is currently the general manager of our games department. Prior to joining us, he served as product manager and head of the technology department of 163.com from 2000 to 2006. Mr. Dong received his bachelor's degree in computer hardware from Beijing Information Engineering Institute (now known as Beijing Information Science and Technology University) in 1999.

Employment Agreements

We have entered into employment agreements with our senior executive officers. We may terminate a senior executive officer's employment for cause at any time without remuneration for certain acts of the officer, such as being convicted of any criminal conduct, any act of gross or willful misconduct or any serious, willful, grossly negligent or persistent breach of any employment agreement provision, or engaging in any conduct which may make the continued employment of such officer detrimental to our company. We may also terminate a senior executive officer's employment by giving three months' prior written notice. A senior executive officer may terminate his or her employment at any time by giving three months' written notice, provided that such notice may only be given by the officer any time after the third anniversary of his or her employment.

Each senior executive officer has agreed to hold all information, know-how and records in any way connected with the business of our company, including, without limitation, all formulae, designs, specifications, drawings, data, operations and testing procedures, manuals and instructions and all customer and supplier lists, sales information, business plans and forecasts and all technical or other expertise and all computer software of our company, in strict confidence during and after his or her employment. Each officer also agrees that we shall own all the intellectual property developed by such officer during his or her employment.

Board of Directors

Our board of directors currently consists of seven directors.   additional independent directors will join the board upon the effectiveness of our registration statement on Form F-1, of which this prospectus is a part. A director is not required to hold any shares in our company to qualify to serve as a director. A director may vote with respect to any contract, proposed contract, or arrangement in which he or she is materially interested. A director may exercise all the powers of the company to borrow money, mortgage its business, property and uncalled capital, and issue debentures or other securities whenever money is borrowed or as security for any obligation of the company or of any third party.

Under the investors' rights agreement and our memorandum and articles of association currently in effect, for as long as Morningside China TMT Fund I, L.P. and Favour Star Limited, Steamboat Ventures Asia, L.P., Granite Global Ventures III L.P. and GGV III Entrepreneurs Fund L.P. and Tiger Global Six YY Holdings each holds a number of shares of our company, each of them has the right to appoint one director to our board of directors. Such shareholders' right to appoint directors will automatically terminate upon the completion of this offering. Among our existing directors, Mr. Liu was jointly appointed by Favour Star Limited and Morningside China TMT Fund I, L.P., Mr. Hartigan was appointed by Steamboat Ventures Asia, L.P., Ms. Lee was jointly appointed by Granite Global Ventures III L.P. and GGV III Entrepreneurs Fund L.P., and Mr. Yasin was appointed by Tiger Global Six YY Holdings.

Committees of the Board of Directors

Prior to the completion of this offering, we intend to establish an audit committee, a compensation committee and a corporate governance and nominating committee under the board of directors. We intend to adopt a charter for each of the three committees prior to the completion of this offering. Each committee's members and functions are described below.

Audit Committee. Our audit committee will consist of Messrs.   ,   , and   , and will be chaired by Mr.   . Mr.   and Mr.   satisfy the "independence" requirements of [Section 303A of the Corporate Governance Rules of the New York Stock Exchange/Rule 5605(c)(2) of the Listing Rules of the Nasdaq Global Market] and meet the independence standards under Rule 10A-3 under the Securities Exchange Act of 1934, as amended. We have determined that Mr.   qualifies as an "audit committee financial expert." The audit committee will oversee our accounting and financial

reporting processes and the audits of the financial statements of our company. The audit committee will be responsible for, among other things:

- selecting the independent registered public accounting firm and pre-approving all auditing and non-auditing services permitted to be performed by the independent registered public accounting firm;
- reviewing with the independent registered public accounting firm any audit problems or difficulties and management's response;
- reviewing and approving all proposed related party transactions, as defined in Item 404 of Regulation S-K under the Securities Act;
- discussing the annual audited financial statements with management and the independent registered public accounting firm;
- reviewing major issues as to the adequacy of our internal controls and any special audit steps adopted in light of any material control deficiencies;
- annually reviewing and reassessing the adequacy of our audit committee charter;
- meeting separately and periodically with management and the independent registered public accounting firm; and
- reporting regularly to the board.

Compensation Committee. Our compensation committee will consist of Messrs. , and , and will be chaired by Mr. . Mr. and Mr. satisfy the "independence" requirements of [Section 303A of the Corporate Governance Rules of the New York Stock Exchange/Rule 5605(c)(2) of the Listing Rules of the Nasdaq Global Market]. The compensation committee will assist the board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. Our directors may not be present at any committee meeting during which their compensation is deliberated upon. The compensation committee will be responsible for, among other things:

- reviewing the total compensation package for our executive officers and making recommendations to the board with respect to it;
- approving and overseeing the total compensation package for our executives other than the three most senior executives;
- reviewing the compensation of our directors and making recommendations to the board with respect to it; and
- periodically reviewing and approving any long-term incentive compensation or equity plans, programs or similar arrangements, annual bonuses, and employee pension and welfare benefit plans.

Corporate Governance and Nominating Committee. Our nominating committee will consist of Messrs. , , and , and will be chaired by Mr. . Mr. and Mr. satisfy the "independence" requirements of [Section 303A of the Corporate Governance Rules of the New York Stock Exchange/Rule5605(c)(2) of the Listing Rules of the Nasdaq Global Market]. The nominating committee will assist the board in selecting individuals qualified to become our directors and in determining the composition of the board and its committees. The nominating committee will be responsible for, among other things:

- recommending nominees to the board for election or re-election to the board, or for appointment to fill any vacancy on the board;
- reviewing annually with the board the current composition of the board with regards to characteristics such as independence, age, skills, experience and availability of service to us;

- selecting and recommending to the board the names of directors to serve as members of the audit committee and the compensation committee, as well as of the nominating committee itself; and
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.

Duties of Directors

Under Cayman Islands law, our directors have a common law duty of loyalty to act honestly in good faith with a view to our best interests. Our directors also have a duty to exercise the skill they actually possess and such care and diligence that a reasonably prudent person would exercise in comparable circumstances. In fulfilling their duty of care to us, our directors must ensure compliance with our second amended and restated memorandum and articles of association. You should refer to "Description of Share Capital—Differences in Corporate Law" for additional information on our standard of corporate governance under Cayman Islands law.

Terms of Directors and Officers

Our officers are elected by and serve at the discretion of the board. Our directors are not subject to a term of office and hold office until such time as they are removed from office by special resolution or the unanimous written resolution of all shareholders. A director will be removed from office automatically if, among other things, the director (1) becomes bankrupt or makes any arrangement or composition with his creditors; or (2) dies or is found by our company to be of unsound mind.

Compensation of Directors and Executive Officers

For the fiscal year ended December 31, 2011, we paid an aggregate of approximately RMB2.8 million (US$0.5 million) in cash to our executive officers, and we did not pay any cash compensation to our non-executive directors. For details on the share incentive grants to our officers and directors, see "—Share Incentive Plans."

Share Incentive Plans

We have adopted two share incentive plans, namely, the 2009 Scheme and the 2011 Plan. The purpose of these two share incentive plans is to attract and retain the best available personnel by linking the personal interests of the members of the board, officers, employees and consultants to the success of our business and by providing such individuals with an incentive for outstanding performance to generate superior returns for our shareholders. As of March 31, 2012, options to purchase 17,889,535 common shares, 56,577,812 restricted shares and 17,247,221 restricted share units had been granted and were outstanding under the 2009 Scheme and 2011 Plan.

2009 Employee Equity Incentive Scheme

We adopted the 2009 Scheme in December 2009. In September 2011, YY Inc. (a) assumed all the rights and obligations of Duowan Entertainment Corp. under all share-based compensation previously issued by Duowan Entertainment Corp., including under the relevant award agreement and under the 2009 Scheme, if applicable, and (b) undertook to issue its own common shares upon the exercise of any share-based compensation awards previously issued by Duowan Entertainment Corp., subject to compliance with the terms and conditions of the relevant award agreements and the 2009 Scheme, if applicable.

Under the 2009 Scheme, the maximum number of shares in respect of which options or restricted shares may be granted is currently 118,166,946.

The following paragraphs summarize the terms of the 2009 Scheme.

Types of Awards. The following briefly describe the principal features of the various awards that may be granted under the 2009 Scheme.

- *Options.* Options provide for the right to purchase a specified number of our common shares at a specified price and usually will become exercisable at the discretion of our plan administrator in one or more installments after the grant date. The option exercise price may be paid, subject to the discretion of the plan administrator, in cash or check, in our common shares which have been held by the option holder for such period of time as may be required to avoid adverse accounting consequences, in other property with value equal to the exercise price, through a broker-assisted cashless exercise, or by any combination of the foregoing.
- *Restricted Shares.* A restricted share award is the grant of our common shares which are subject to certain restrictions and may be subject to risk of forfeiture. Unless otherwise determined by our plan administrator, a restricted share is nontransferable and may be forfeited or repurchased by us upon termination of employment or service during a restricted period. Our plan administrator may also impose other restrictions on the restricted shares, such as limitations on the right to vote or the right to receive dividends.

Plan Administration. Our board or a committee of one or more members of our board duly authorized for the purpose of the 2009 Scheme can act as the plan administrator.

Award Agreement. Options or restricted shares granted under the 2009 Scheme are evidenced by an award agreement that sets forth the terms, conditions and limitations for each grant.

Option Exercise Price. The exercise price in respect of any option shall be fixed by reference to the date upon which the option (or the relevant part thereof) is granted, and shall be, at the election of the plan administrator, (a) the latest valuation price per share certified by our auditors prior to the date of grant of the relevant option (or relevant part thereof) or (b) the latest price per share at which we have issued any shares prior to the date of grant of the relevant option (or relevant part thereof).

Eligibility. We may grant awards to our employees, officers and directors or consultants to our members.

Term of the Awards. The 2009 Scheme shall be valid and effective for a period of ten years from the date of effectiveness. The term of each option or restricted share grant shall be ten years from the date of the grant.

Vesting Schedule. In general, the plan administrator determines the vesting schedule, which is set forth in the award agreement.

Transfer Restrictions. Awards for options or restricted shares may not be transferred in any manner by the award holders and may be exercised only by such holders, subject to limited exceptions. Restricted shares may not be transferred during the period of restriction.

Termination. The plan administrator may at any time terminate the operation of the 2009 Scheme.

Prior to the adoption of the 2009 Scheme, we granted certain share options to our employees pursuant to certain share option agreements which carried substantially the same terms and conditions with those stipulated in the 2009 Scheme.

2011 Share Incentive Plan

We adopted the 2011 Plan in September 2011.

Under the 2011 Plan, the maximum number of shares in respect of which options or restricted shares may be granted is currently 43,000,000.

The following paragraphs summarize the terms of the 2011 Plan.

Types of Awards. The following briefly describe the principal features of the various awards that may be granted under the 2011 Plan.

- *Options.* Options provide for the right to purchase a specified number of our common shares at a specified price and usually will become exercisable at the discretion of our plan administrator in one or more installments after the grant date. The option exercise price may be paid, subject to the discretion of the plan administrator, in cash or check, in our common shares which have been held by the option holder for such period of time as may be required to avoid adverse accounting consequences, in other property with value equal to the exercise price, through a broker-assisted cashless exercise, or by any combination of the foregoing.
- *Restricted Shares.* A restricted share award is the grant of our common shares which are subject to certain restrictions and may be subject to risk of forfeiture. Unless otherwise determined by our plan administrator, a restricted share is nontransferable and may be forfeited or repurchased by us upon termination of employment or service during a restricted period. Our plan administrator may also impose other restrictions on the restricted shares, such as limitations on the right to vote or the right to receive dividends.
- *Restricted Share Units.* A restricted share unit award is the grant of the right to receive a common share at a future date and may be subject to forfeiture. Our plan administrator has the discretion to set performance objectives or other vesting criteria that will determine the number or value of restricted share units to be granted. Unless otherwise determined by our plan administrator, a restricted share unit is nontransferable and may be forfeited or repurchased by us upon termination of employment or service during a restricted period. Our plan administrator, at the time of grant, specifies the dates on which the restricted share units become fully vested.

Plan Administration. Our board or a committee of one or more members of our board duly authorized for the purpose of the 2011 Plan can act as the plan administrator.

Award Agreement. Options or restricted shares granted under the 2011 Plan are evidenced by an award agreement that sets forth the terms, conditions and limitations for each grant.

Option Exercise Price. The exercise price in respect of any option shall be determined by the plan administrator and set forth in the award agreement which may be a fixed or variable price related to the fair market value of the shares. The exercise price per share subject to an option may be amended or adjusted in the absolute discretion of the plan administrator, the determination of which shall be final, binding and conclusive.

Eligibility. We may grant awards to our employees, consultants or directors.

Term of the Awards. The 2011 Plan shall be valid and effective for a period of ten years from the date of effectiveness. The term of each option or restricted share grant shall be ten years from the date of the grant.

Vesting Schedule. In general, the plan administrator determines the vesting schedule, which is set forth in the award agreement.

Transfer Restrictions. Awards for options or restricted shares may not be transferred in any manner by the award holders and may be exercised only by such holders, subject to limited exceptions. Restricted shares may not be transferred during the period of restriction.

Termination. The plan administrator may at any time terminate the operation of the 2011 Plan.

The following table summarizes, as of the date of this prospectus, the outstanding options granted to our executive officers, directors and other individuals as a group.

	Common Shares Underlying Options Awarded	Exercise Price (US$/Share)	Date of Grant	Date of Expiration
Rongjie Dong	2,177,560	0.004898	January 1, 2008	December 31, 2016
	5,443,900	0.005510	January 1, 2008	December 31, 2017
	1,219,610	0.006735	January 1, 2009	December 31, 2018
Other Individuals as a Group	3,832,290	—	January 1, 2008	December 31, 2015
	130,340	0.004898	January 1, 2008	December 31, 2016
	4,953,900	0.005510	January 1, 2008	December 31, 2017
	7,279,440	0.006735	January 1, 2009	December 31, 2018
Total	25,037,040			

The following table summarizes, as of the date of this prospectus, the outstanding restricted shares granted to our executive officers, directors and other individuals as a group.

Name	Restricted Shares Granted	Date of Grant
Tony Bin Zhao	2,554,401	February 1, 2010
	3,000,000	March 31, 2012
Jin Cao	1,702,934	February 1, 2010
Rongjie Dong	3,750,000	January 1, 2010
Eric He	4,000,000	September 16, 2011
Other Individuals as a Group	19,936,542	January 1, 2010
	2,000,000	April 1, 2010
	20,060,000	July 1, 2010
	500,000	October 1, 2010
	10,846,800	January 1, 2011
	5,097,000	September 16, 2011
	1,668,000	January 1, 2012
	3,597,921	March 31, 2012
Total	78,713,598	

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The following table summarizes, as of the date of this prospectus, the outstanding restricted share units granted to our executive officers, directors and other individuals as a group.

Name	Common Shares Underlying Restricted Share Units Granted	Date of Grant	Vesting Schedule
Tony Bin Zhao	3,000,000	March 31, 2012	4 years[1]
Eric He	4,000,000	September 16, 2011	5 years[2]
Other Individuals as a Group	5,097,000	September 16, 2011	12-18 quarters[3]
	1,688,000	January 1, 2012	4 years
	3,597,921	March 31, 2012	2-4 years
Total	17,362,921		

(1) These RSUs were granted on March 31, 2012 and were scheduled to vest starting January 1, 2012.

(2) These RSUs were granted on September 16, 2011 and were scheduled to vest starting August 15, 2011.

(3) These RSUs were granted on September 16, 2011 and were scheduled to vest starting July 1, 2011.

(4) These RSUs were granted on January 1, 2012 and were scheduled to vest starting January 1, 2011.

(5) These RSUs were granted on March 31, 2012, among which 1,975,921 common shares underlying RSUs were scheduled to vest starting January 1, 2012 and 1,604,000 common shares underlying RSUs were scheduled to vest starting February 1, 2012.

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PRINCIPAL [AND SELLING] SHAREHOLDERS

The following table sets forth information concerning the beneficial ownership of our common shares as of the date of this prospectus, assuming the planned conversion of all of our series A, B, C-1 and C-2 preferred shares into 359,424,310 common shares, by:

- each of our directors and executive officers;
- each person known to us to beneficially own more than 5% of our common shares; and
- [each selling shareholder.]

The calculations in the table below assume that there are 902,765,224 common shares outstanding as of the date of this prospectus, including 359,424,310 common shares convertible from our outstanding preferred shares and common shares outstanding immediately after the completion of this offering, and that the underwriters do not exercise their over-allotment option.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days, including through the exercise of any option, warrant or other right, vesting of restricted share units or the conversion of any other security. These shares, however, are not included in the computation of the percentage ownership of any other person.

	Common Shares Beneficially Owned Prior to This Offering[1]		Common Shares Being Sold in This Offering		Common Shares Beneficially Owned After This Offering	
	Number	%	Number	%	Number	%
Directors and Executive Officers:*						
Jun Lei[2]	215,241,483	23.8				
David Xueling Li[3]	215,241,483	23.8				
Qin Liu[4]	178,513,370	19.8				
Alexander Barrett Hartigan[5]	110,527,830	12.2				
Jenny Hong Wei Lee[6]	80,833,340	9.0				
Tony Bin Zhao[7]	19,045,581	2.1				
Nazar Abdenobi Yasin[8]	76,710,648	8.5				
Eric He	—	—				
Jin Cao[9]	8,780,157	1.0				
Rongjie Dong	—	—				
All directors and executive officers as a group	904,893,892	100.0				
Principal [and Selling] Shareholders:						
Jun Lei[2]	215,241,483	23.8				
David Xueling Li[3]	215,241,483	23.8				
Morningside China TMT Fund I, L.P.[10]	113,575,140	12.6				
Tiger Global Six YY Holdings[11]	76,710,648	8.5				
Favour Star Limited[12]	64,938,230	7.2				
Steamboat Ventures Asia, L.P.[13]	110,527,830	12.2				
Granite Global Ventures III L.P.[14]	79,539,740	8.8				

Notes:

* Except for Mr. Jun Lei, Mr. Qin Liu, Mr. Alexander Barrett Hartigan, Ms. Jenny Hong Wei Lee, Mr. Tony Bin Zhao and Mr. Nazar Yasin, the business address of our directors and executive officers is c/o Building 3-08, Yangcheng Chuangyi Chanye Park, No. 309 Huangpu Dadao Central, Tianhe District, Guangzhou, 510655.

(1) The number of common shares outstanding in calculating the percentages for each listed person or group includes the common shares underlying the options held by such person or group exercisable, or restricted shares that will become vested, within 60 days of the date

of this prospectus. Percentage of beneficial ownership of each listed person or group prior to this offering is based on (i) 902,765,224 common shares outstanding as of the date of this prospectus, including 359,424,310 common shares convertible from our outstanding preferred shares, and (ii) the number of common shares underlying options exercisable by such person or group, or restricted shares that will become vested, within 60 days of the date of this prospectus.

(2) Representing 215,241,483 common shares held by Mr. Jun Lei. The business address of Mr. Lei is Juanshitiandi Tower A, 12th Floor, Chaoyang District, Beijing 100102, PRC.

(3) Representing 215,241,483 common shares held by Mr. David Xueling Li.

(4) Representing 10,450,230 common shares and 54,488,000 series A preferred shares held by Favour Star Limited and 81,612,930 series A preferred shares, 20,414,870 series B preferred shares, 1,547,420 series C-1 preferred shares and 9,999,920 series C-2 preferred shares held by Morningside China TMT Fund I, L.P. Mr. Liu is a director of our company jointly appointed by Morningside China TMT Fund I, L.P. and Favour Star Limited. The business address of Mr. Liu is 320 Wu Yuan Road, Shanghai 200031, PRC.

(5) Representing 81,658,990 series B preferred shares, 3,869,040 series C-1 preferred shares and 24,999,800 series C-2 preferred shares held by Steamboat Ventures Asia, L.P. Mr. Hartigan is a director of our company appointed by Steamboat Ventures Asia, L.P. The business address of Mr. Hartigan is c/o Unit 1002-1004, One Corporate Ave, 222 Hu Bin Road, Shanghai 200021, PRC.

(6) Representing 10,659,950 series C-1 preferred shares and 68,879,790 series C-2 preferred shares held by Granite Global Ventures III L.P. and 173,460 series C-1 preferred shares and 1,120,140 series C-2 preferred shares held by GGV III Entrepreneurs Fund L.P. Ms. Lee is a director of our company appointed by Granite Global Ventures III L.P. and GGV III Entrepreneurs Fund L.P. The business address of Ms. Lee is Unit 3701, K. Wah Center, 1010 Huaihai Zhong Road, Shanghai 200031, PRC.

(7) Representing 17,768,380 common shares and 1,277,201 common shares underlying the restricted shares that became fully vested as of the date of this prospectus held by Mr. Tony Bin Zhao. The business address of Mr. Zhao is 601-3-161, Tianfu Road, Tianhe District, Guangzhou City, Guangdong Province, PRC.

(8) Representing 76,710,648 common shares held by Tiger Global Six YY Holdings. Mr. Yasin is a director of our company appointed by Tiger Global Six YY Holdings. The business address of Mr. Yasin is 150 Columbus Ave Apt 19F, New York, NY 10023-5969 USA.

(9) Representing 7,928,690 common shares and 851,467 common shares underlying the restricted shares that became fully vested as of the date of this prospectus held by Mr. Jin Cao.

(10) Representing 81,612,930 series A preferred shares, 20,414,870 series B preferred shares, 1,547,420 series C-1 preferred shares and 9,999,920 series C-2 preferred shares held by Morningside China TMT Fund I, L.P. Morningside China TMT Fund I, L.P. is controlled by Morningside China TMT GP, L.P., its general partner. Morningside China TMT GP, L.P. is in turn controlled by TMT General Partner Ltd., its general partner. Qin Liu and Jianming Shi, directors of TMT General Partner Ltd., have beneficial interest in TMT General Partner Ltd. and are deemed to share the voting and investment power over such shares held by TMT General Partner Ltd. The business address of Morningside China TMT Fund I, L.P. is 22/F, Hang Lung Center, 2-20 Paterson Street, Causeway Bay, Hong Kong.

(11) Representing 76,710,648 common shares held by Tiger Global Six YY Holdings. The shareholders of Tiger Global Six YY Holdings are Tiger Global Six Parent Holdings and Tiger Global Principals. Tiger Global Six YY Holdings is controlled by Tiger Global Six Parent Holdings, which is in turn controlled by Charles P. Coleman III. The business address of Tiger Global Six YY Holdings is Tiger Global Mauritius Office, TwentySeven, Cybercity, Ebene, Mauritius.

(12) Representing 10,450,230 common shares and 54,488,000 series A preferred shares held by Favour Star Limited. Favour Star Limited is wholly owned by Morningside Technology Investments Limited, which is in turn wholly owned by Morningside CyberVentures Holdings Limited. The ultimate beneficial owner of Morningside CyberVentures Holdings Limited is a family trust established by and for the benefit of Mdm. Chan Tan Ching Fen, who is deemed to hold the voting and investment power over such shares held by Morningside CyberVentures Holdings Limited. The business address of Favour Star Limited is 2nd Floor, Le Prince de Galles, 3-5 Avenue des Citronniers, MC 98000 Monaco.

(13) Representing 81,658,990 series B preferred shares, 3,869,040 series C-1 preferred shares and 24,999,800 series C-2 preferred shares held by Steamboat Ventures Asia, L.P. Steamboat Ventures Asia, L.P. is controlled by Steamboat Ventures Asia Manager, L.P., its general partner, which is in turn controlled by Steamboat Ventures Asia GP, Ltd., its general partner. Steamboat Ventures Asia GP, Ltd. is controlled by John Ball, who is deemed to hold the voting and investment power over such shares held by Steamboat Ventures Asia GP, Ltd. The business address of Steamboat Ventures Asia, L.P. is c/o Walkers SPV Limited, P.O. Box 908GT, Mary Street George Town, Grand Cayman, Cayman Islands.

(14) Representing 10,659,950 series C-1 preferred shares and 68,879,790 series C-2 preferred shares held by Granite Global Ventures III L.P. Granite Global Ventures III L.P. is controlled by Granite Global Ventures L.L.C., its sole general partner. Scott Bonham, Hany Nada, Glenn Soloman, Thomas Ng, Jixun Foo, Hongwei Jenny Lee, Jessie Jin and Fumin Zhuo are managing directors of Granite Global Ventures L.L.C. and are deemed to share the voting and investment power over such shares held by Granite Global Ventures L.L.C. The business address of Granite Global Ventures III L.P. is 2494 Sand Hill Road, Suite 100, Menlo Park, CA 94025, USA.

As of the date of this prospectus, none of our outstanding common shares on an as converted basis is held by record holders in the United States. None of our shareholders has informed us that it is affiliated with a registered

broker-dealer or is in the business of underwriting securities. None of our existing shareholders will have different voting rights from other shareholders after the completion of this offering. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company. See "Description of Share Capital—History of Securities Issuances" for a description of issuances of our common shares and preferred shares that have resulted in significant changes in ownership held by our major shareholders.

RELATED PARTY TRANSACTIONS

Contractual Arrangements

Please see "Corporate History and Structure" for a description of the contractual arrangements among Huanju Shidai, Beijing Tuda and the shareholders of Beijing Tuda and the contractual arrangements among Huanju Shidai, Guangzhou Huaduo and the shareholders of Guangzhou Huaduo.

Transactions with Affiliates

In July 2010, Guangzhou Huaduo entered into a loan agreement with Zhuhai Daren and the shareholders of Zhuhai Daren, pursuant to which Guangzhou Huaduo agreed to provide interest-free loans of up to RMB 2.0 million in the aggregate to Zhuhai Daren. The amount and timing of drawdown on the loan is at Zhuhai Daren's option. Guangzhou Huaduo holds 30% equity interest in Zhuhai Daren. Zhuhai Daren borrowed RMB1.5 million in 2010 from Guangzhou Huaduo and RMB0.5 million (US$0.1 million) in 2011. As of March 31, 2012, Zhuhai Daren had repaid part of the loan but still owed us RMB1.8 million (US$0.3 million); this outstanding amount is scheduled to be repaid during the year 2012, and we expect it to be fully repaid by December 31, 2012.

Guangzhou Huaduo and Zhuhai Daren have entered into an oral arrangement under which they cooperate with respect to the operation of Daren Farm, an online game developed by Zhuhai Daren, and share revenues generated by the game. In addition, in January 2009, Guangzhou Huaduo and Zhuhai Daren entered into a cooperation agreement, under which Guangzhou Huaduo and Zhuhai Daren agreed to cooperate with respect to the operation of Daren Qipai, another online game developed by Zhuhai Daren. Under the agreement, Guangzhou Huaduo agreed to promote, and provide the users with access to, Daren Qipai on its website. Zhuhai Daren agreed to provide services relating to research, development, upgrade and maintenance of Daren Qipai. In the years ended December 31, 2009, 2010 and 2011 and the three months ended March 31, 2012, the aggregate online game revenues sharing from Zhuhai Daren was RMB0.8 million, RMB1.7 million, RMB4.5 million (US$0.7 million) and RMB1.3 million (US$0.2 million), respectively.

In 2010 and 2011, Guangzhou Huaduo and Guangzhou Shanghang Information Technical Co., Ltd., or Guangzhou Shanghang, entered into 31 server co-location agreements, under which Guangzhou Shanghang provides Guangzhou Huaduo with bandwidth and server colocation services in different cities in China. In addition, Guangzhou Huaduo and Guangzhou Shanghang entered into two content delivery network acceleration service agreements, under which Guangzhou Shanghang provides content delivery network acceleration services to Guangzhou Huaduo. Guangzhou Shanghang is 28% owned by Mr. Jun Lei, our co-founder and chairman, including approximately 7% beneficially owned by Mr. David Xueling Li, our chief executive officer and director. In the years ended December 31, 2009, 2010 and 2011 and the three months ended March 31, 2012, the bandwidth costs Guangzhou Huaduo paid to Guangzhou Shanghang were nil, RMB1.8 million, RMB22.0 million (US$3.5 million) and RMB3.2 million (US$0.5 million), respectively.

Kingsoft, through third party advertising agencies, has in the past placed advertisements on Duowan.com and we expect that Kingsoft may continue to do so in the future. We indirectly derived revenues through such third party advertising agencies from Kingsoft in each of the years ended December 31, 2009, 2010 and 2011 and the three months ended March 31, 2012, none of which were in material amounts. Mr. Jun Lei, our co-founder and chairman, is currently chairman, non-executive director and minority shareholder of Kingsoft.

In January 2011, Guangzhou Huaduo entered into an agreement to invest RMB1.0 million in Zhuhai Qi Ao Yacht Club Co., Ltd., or Zhuhai Qi Ao, which was 100% owned by Mr. Lei. Zhuhai Qi Ao provides professional services and facilities for yacht owners in China. As of December 31, 2011, we and Mr. Lei owned 10.0% and 90.0% of Zhuhai Qi Ao, respectively. As of March 31, 2012, we have disposed of our 10.0% equity interest in Zhuhai Qi Ao in exchange for a payment of RMB1.0 million (US$0.2 million) from Mr. Lei.

In February 2011, Guangzhou Huaduo entered into an agreement to invest RMB2.5 million in Zhuhai JinShan Kuaikuai Technology Co., Ltd., or JinShan Kuaikuai, which was 100% indirectly owned by Kingsoft. Upon such investment, we own and Kingsoft indirectly owns 20.8% and 62.5% of JinShan KuaiKuai, respectively, with the remaining 16.7% equity interest owned by a third party. JinShan Kuai Kuai provides online game technological research services in China.

In November 2011, Guangzhou Huaduo entered into a loan agreement with Zhuhai Lequ Technology Co., Ltd., a company in which Beijing Tuda has a 76.9% equity investment, pursuant to which Guangzhou Huaduo was to provide an interest-free loan to Zhuhai Lequ Technology Co., Ltd. As of March 31, 2012, Zhuhai Lequ Technology Co., Ltd.'s outstanding loan under this loan agreement was RMB1.0 million (US$0.2 million). We expect the loan to be fully repaid by December 31, 2012.

Investors' Rights Agreement and Right of First Refusal and Co-Sale Agreement

See "Description of Share Capital—Investors' Rights Agreement and Right of First Refusal and Co-Sale Agreement."

Employment Agreements

See "Management—Employment Agreements."

Share Incentives

See "Management—Share Incentive Plans."

DESCRIPTION OF SHARE CAPITAL

We were incorporated as an exempted company with limited liability under the Companies Law of the Cayman Islands on July 22, 2011. Our affairs are currently governed by our amended and restated memorandum and articles of association and the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, which we refer to as the Companies Law below.

As of the date hereof, our authorized share capital consists of 4,640,575,690 common shares with a par value of US$0.00001 each and 359,424,310 preferred shares with a par value of US$0.00001 each, of which 136,100,930 preferred shares are designated as series A preferred shares, 102,073,860 preferred shares are designated as series B preferred shares, 16,249,870 preferred shares are designated as series C-1 preferred shares and 104,999,650 preferred shares are designated as series C-2 preferred shares. As of the date of this prospectus, there are 543,340,914 common shares, 136,100,930 series A preferred shares, 102,073,860 series B preferred shares, 16,249,870 series C-1 preferred shares and 104,999,650 series C-2 preferred shares issued and outstanding.

We plan to adopt our second amended and restated memorandum and articles of association, which will become effective upon the completion of this offering. Our second amended and restated memorandum and articles of association will provide that, upon the closing of this offering, [we will have two classes of shares, the Class A common shares and Class B common shares]. The following are summaries of material provisions of our second amended and restated memorandum and articles of association and the Companies Law insofar as they relate to the material terms of our common shares. You should read the form of our second amended and restated memorandum and articles of association, which have been filed as exhibits to the registration statement of which this prospectus is a part.

Common shares

The following discussion primarily concerns our common shares and the rights of holders of common shares. The holders of ADSs will not be treated as our shareholders and will be required to surrender their ADSs for cancellation and withdrawal from the depositary facility in which the common shares are held in accordance with the provisions of the deposit agreement in order to exercise shareholders' rights in respect of the common shares. The depositary will agree, so far as it is practical, to vote or cause to be voted the amount of common shares represented by ADSs in accordance with the non-discretionary written instructions of the holders of such ADSs. See "Description of American Depositary Shares—Voting Rights."

All of our outstanding common shares are fully paid and non-amenable. Certificates representing our common shares are issued in the registered form. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their common shares.

General meetings may be called only by the chairman of our board of directors or a majority of our board of directors and may not be called by any other person.

Meetings

Shareholders' meetings may be convened by a majority of our board of directors or chairman. Advance notice of at least ten clear days is required for the convening of our annual general meeting and any other general meeting of our shareholders. A quorum required for a meeting of shareholders consists of at least two shareholders present or by proxy, representing not less than one-third in nominal value of the total issued voting shares in our company.

Notwithstanding that a meeting is called by shorter notice than that mentioned above, but, subject to the Companies Law, it will be deemed to have been duly called, if it is so agreed (a) in the case of a meeting called

as an annual general meeting by all of our shareholders entitled to attend and vote at the meeting; and (b) in the case of any other meeting, by a majority in number of the shareholders holding not less than 95% in nominal value of the issued shares giving that right.

No business other than the appointment of a chairman may be transacted at any general meeting unless a quorum is present at the commencement of business. However, the absence of a quorum will not preclude the appointment of a chairman. If present, the chairman of our board of directors shall be the chairman presiding at any shareholders' meetings.

A corporation being a shareholder shall be deemed for the purpose of our second amended and restated articles of association to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting or at any relevant general meeting of any class of our shareholders. Such duly authorized representative shall be entitled to exercise the same powers on behalf of the corporation that he represents as that corporation could exercise if it were our individual shareholder.

The quorum for a separate general meeting of the holders of a separate class of shares is described in "—Modification of Rights" below.

Our second amended and restated articles of association do not allow our shareholders to approve matters to be determined at shareholders' meetings by way of written resolutions without a meeting.

Voting Rights

At any general meeting in a show of hands every shareholder who is present in person or by proxy (or, in the case of a shareholder being a corporation, by its duly authorized representative) shall have one vote, and on a poll every shareholder holding shares present in person or by proxy (or, in the case of a shareholder being a corporation, by its duly authorized representative) shall have one vote for each fully paid share of which such shareholder is the holder.

No shareholder shall be entitled to vote or be reckoned in a quorum, in respect of any share, unless such shareholder is duly registered as our shareholder and all calls or installments due by such shareholder to us have been paid.

If a clearing house (or its nominee(s)) or a central depositary entity, being a corporation, is our shareholder, it may authorize such person or persons as it thinks fit to act as its representative(s) at any meeting or at any meeting of any class of shareholders provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision is entitled to exercise the same powers on behalf of the clearing house or central depositary entity (or its nominee(s)) as if such person was the registered holder of our shares held by that clearing house or central depositary entity (or its nominee(s)) including the right to vote individually in a show of hands.

While there is nothing under the laws of the Cayman Islands which specifically prohibits or restricts the creation of cumulative voting rights for the election of directors of our company, it is not a concept that is accepted as a common practice in the Cayman Islands, and our company has made no provisions in our second amended and restated articles of association to allow cumulative voting for such elections.

Calls on Shares and Forfeiture of Shares

Subject to our second amended and restated memorandum and articles of association which will become effective upon the completion of this offering and to the terms of allotment, our directors may from time to time

make such calls upon the members in respect of any amounts unpaid on the shares held by them. The shares that have been called upon and remain unpaid on the specified time are subject to forfeiture.

Protection of Minority Shareholders

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and regarding which the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having its share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and to report thereon in such manner as the Grand Court of the Cayman Islands shall direct.

Any of our shareholders may petition the Grand Court of the Cayman Islands which may make a winding up order if the Grand Court of the Cayman Islands is of the opinion that it is just and equitable that we should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of our affairs in the future, (b) an order requiring us to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained we have omitted to do, (c) an order authorizing civil proceedings to be brought in our name and on our behalf by the shareholder petitioner on such terms as the Grand Court of the Cayman Islands may direct, or (d) an order providing for the purchase of the shares of any of our shareholders by other shareholders or us and, in the case of a purchase by us, a reduction of our capital accordingly.

Generally, claims against us must be based on the general laws of contract or tort applicable in the Cayman Islands or individual rights as shareholders as established by our second amended and restated articles of association.

Pre-Emption Rights

There are no pre-emption rights applicable to the issue of new shares under either Cayman Islands law or our second amended and restated memorandum and articles of association.

Liquidation Rights

Subject to any future shares which are issued with specific rights, (a) if we are wound up and the assets available for distribution among our shareholders are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed pari passu among those shareholders in proportion to the amount paid up at the commencement of the winding up on the shares held by them, respectively, and (b) if we are wound up and the assets available for distribution among the shareholders as such are insufficient to repay the whole of the paid-up capital, those assets shall be distributed so that, as nearly as may be, the losses shall be borne by the shareholders in proportion to the capital paid up at the commencement of the winding up on the shares held by them, respectively.

If we are wound up (whether the liquidation is voluntary or by the court), the liquidator may with the sanction of our special resolution and any other sanction required by the Companies Law, divide among our shareholders in specie or kind the whole or any part of our assets (whether or not they shall consist of property of the same kind) and may, for such purpose, set such value as the liquidator deems fair upon any property to be divided and may determine how such division shall be carried out as between the shareholders or different classes of shareholders. The liquidator may also vest the whole or any part of these assets in trustees upon such

trusts for the benefit of the shareholders as the liquidator shall think fit, but so that no shareholder will be compelled to accept any assets, shares or other securities upon which there is a liability.

Modification of Rights

Alterations to our second amended and restated memorandum and articles of association may only be made by special resolution, meaning a majority of not less than two-thirds of votes cast at a shareholders' meeting.

If at any time, our share capital is divided into different classes of shares, all or any of the special rights attached to any class of shares may, subject to the provisions of the Companies Law, be varied with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class. Consequently, the rights of any class of shares cannot be detrimentally altered without a majority of two-thirds of the vote of all of the shares in that class. The provisions of our second amended and restated articles of association relating to general meetings shall apply similarly to every such separate general meeting, but so that the quorum for the purposes of any such separate general meeting or at the adjourned meeting shall be a person or persons together holding (or represented by proxy) on the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class, that every holder of shares of the class shall be entitled on a poll to one vote for every such share held by such holder and that any holder of shares of that class present in person or by proxy may demand a poll.

The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* with such existing class of shares.

Alteration of Capital

We may from time to time by ordinary resolution in accordance with the Companies Law alter the conditions of our second amended and restated memorandum of association to:

- increase our capital by such sum, to be divided into shares of such amounts, as the resolution shall prescribe;
- consolidate and divide all or any of our share capital into shares of larger amounts than our existing shares;
- cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law;
- sub-divide our shares or any of them into shares of smaller amount than is fixed by our second amended and restated memorandum of association, subject nevertheless to the Companies Law, so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such subdivision, one or more of the shares may have any such preferred or other special rights over, or may have such deferred rights or be subject to any such restrictions as compared with the others, as we have power to attach to unissued or new shares; and
- divide shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares, attach to the shares respectively any preferential, deferred, qualified or special rights, privileges, conditions or such restrictions that in the absence of any such determination in a general meeting may be determined by our directors.

We may, by special resolution, subject to any confirmation or consent required by the Companies Law, reduce our share capital or any capital redemption reserve in any manner authorized by law.

Transfer of Shares

Subject to any applicable restrictions set forth in our second amended and restated articles of association, including, for example, the board of directors' discretion to refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve, or any share issued under share incentive plans for employees upon which a restriction on transfer imposed thereby still subsists, or a transfer of any share to more than four joint holders, any of our shareholders may transfer all or any of his or her shares by an instrument of transfer in the usual or common form or in a form prescribed by the [Nasdaq Global Market/NYSE] or in another form that our directors may approve.

Our directors may decline to register any transfer of any share which is not paid up or on which we have a lien. Our directors may also decline to register any transfer of any share unless:

- the instrument of transfer is lodged with us and is accompanied by the certificate for the shares to which it relates and such other evidence as our directors may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is in respect of only one class of share;
- the instrument of transfer is properly stamped (in circumstances where stamping is required); and
- fee of such maximum sum as the [Nasdaq Global Market/NYSE] may determine to be payable or such lesser sum as our directors may from time to time require is paid to us in respect thereof.

If our directors refuse to register a transfer, they shall, within three months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, after compliance with any notice requirement of the [Nasdaq Global Market/NYSE], be suspended and the register closed at such times and for such periods as our directors may from time to time determine; provided, however, that the registration of transfers shall not be suspended nor the register closed for more than 30 days in any year as our directors may determine.

Register of Members

In accordance with Section 48 of the Companies Law, the register of members is prima facie evidence of the registered holder or member of shares of a company. Therefore, a person becomes a registered holder or member of shares of the company only upon entry being made in the register of members. Our directors will maintain one register of members, at the office of Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands, which provides us with corporate administrative services. We will perform the procedures necessary to register the shares in the register of members as required in "PART III—Distribution of Capital and Liability of Members of Companies and Associations" of the Companies Law, and will ensure that the entries on the register of members are made without any delay.

The depositary will be included in our register of members as the only holder of the common shares underlying the ADSs in this offering. The shares underlying the ADSs are not shares in bearer form, but are in registered form and are "non-negotiable" or "registered" shares in which case the shares underlying the ADSs can only be transferred on the books of the company in accordance with Section 166 of the Companies Law.

In the event that we fail to update our register of members, the recourse of investors is directly to the depositary under the terms of the deposit agreement, which is governed by New York law. The depositary will have recourse against us under the terms of the deposit agreement, and also will hold a share certificate evidencing the depositary as the registered holder of shares underlying the ADSs. Further, Section 46 of the Companies Law provides for recourse to be available to our investors in case we fail to update our register of

members. In the event we fail to update our register of member, the depositary, as the aggrieved party, may apply for an order with the courts of the Cayman Islands for the rectification of the register.

Share Repurchase

We are empowered by the Companies Law and our second amended and restated articles of association to purchase our own shares, subject to certain restrictions. Our directors may only exercise this power on our behalf, subject to the Companies Law, our second amended and restated memorandum and articles of association and to any applicable requirements imposed from time to time by the [Nasdaq Global Market/NYSE], the Securities and Exchange Commission, or the SEC, or by any other recognized stock exchange on which our securities are listed.

Dividends

Subject to the Companies Law, our company in a general meeting or our directors may declare dividends in any currency to be paid to our shareholders. Dividends may be declared and paid out of our profits, realized or unrealized, or from any reserve set aside from profits which our directors determine is no longer needed. Our board of directors may also declare and pay dividends out of the share premium account or any other fund or account that can be authorized for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provides, (a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated for this purpose as paid up on that share and (b) all dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

Our directors may also pay interim dividends, whenever our financial position, in the opinion of our directors, justifies such payment.

Our directors may deduct from any dividend or bonus payable to any shareholder all sums of money (if any) presently payable by such shareholder to us on account of calls or otherwise.

No dividend or other money payable by us on or in respect of any share shall bear interest against us.

In respect of any dividend proposed to be paid or declared on our share capital, our directors may resolve and direct that (a) such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that our shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof if our directors so determine) in cash in lieu of such allotment or (b) the shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as our directors may think fit. Our shareholders may, upon the recommendation of our directors, by ordinary resolution resolve in respect of any particular dividend that, notwithstanding the foregoing, a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend interest or other sum payable in cash to the holder of shares may be paid by check or warrant sent by mail addressed to the holder at his registered address, or addressed to such person and at such addresses as the holder may direct. Every check or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the check or warrant by the bank on which it is drawn shall constitute a good discharge to us.

All dividends unclaimed for one year after having been declared may be invested or otherwise made use of by our board of directors for the benefit of our company until claimed. Any dividend unclaimed after a period of six years from the date of declaration of such dividend shall be forfeited and reverted to us.

Whenever our directors have resolved that a dividend be paid or declared, our directors may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe for our securities or securities of any other company. Where any difficulty arises with regard to such distribution, our directors may settle it as they think expedient. In particular, our directors may issue fractional certificates, ignore fractions altogether or round the same up or down, fix the value for distribution purposes of any such specific assets, determine that cash payments shall be made to any of our shareholders upon the footing of the value so fixed in order to adjust the rights of the parties, vest any such specific assets in trustees as may seem expedient to our directors, and appoint any person to sign any requisite instruments of transfer and other documents on behalf of the persons entitled to the dividend, which appointment shall be effective and binding on our shareholders.

Untraceable Shareholders

We are entitled to sell any shares of a shareholder who is untraceable, provided that:

- all checks or warrants in respect of dividends of such shares, not being less than three in number, for any sums payable in cash to the holder of such shares have remained un-cashed for a period of 12 years prior to the publication of the advertisement and during the three months referred to in the third bullet point below;
- we have not during that time received any indication of the whereabouts or existence of the shareholder or person entitled to such shares by death, bankruptcy or operation of law; and
- we, if so required by the rules of the [Nasdaq Global Market/NYSE], have caused an advertisement to be published in newspapers in accordance with such applicable rules giving notice of our intention to sell these shares, and a period of three months (or such shorter period as permitted under the applicable rules) has elapsed since such advertisement.

The net proceeds of any such sale shall belong to us, and when we receive these net proceeds we shall become indebted to the former shareholder for an amount equal to such net proceeds.

Inspection of Books and Records

Holders of our common shares will have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records. However, we will provide our shareholders with annual audited financial statements. See “Where You Can Find Additional Information.”

History of Securities Issuances

On July 22, 2011, YY Inc. was established. On September 6, 2011, YY Inc. entered into a share exchange agreement with then shareholders of Duowan BVI, under the terms of which YY Inc. issued one preferred or common share in exchange for each of the preferred or common share that these shareholders held in Duowan BVI. As a result of the share exchange, YY Inc. became our group’s ultimate holding company.

The following is a summary of our securities issuance of Duowan BVI during the past three years, which were outstanding prior to the share exchange between Duowan BVI and YY Inc.

Common Shares, Preferred Shares and Warrant Grants

In August 2008, Duowan BVI issued 26,667.5 common shares and 23,332.5 common shares to Messrs. David Xueling Li and Jun Lei, respectively, 166,651 series B preferred shares to Steamboat Ventures Asia, L.P. for US$4.0 million and 41,663 series B preferred shares to Favour Star Limited for US$1.0 million.

In December 2008, Duowan BVI issued a warrant to purchase 36,562 common shares to Mr. Tony Bin Zhao and a warrant to purchase 18,281 common shares to Mr. Jin Cao, respectively, for the termination of certain previously granted options to purchase common shares in NeoTasks Inc., which Duowan BVI acquired during the same period. Also in December 2008, Duowan BVI issued 21,327 common shares to Morningside Technology Investments Limited in exchange for the whole issued share capital of NeoTasks Inc.

In December 2009, Duowan BVI issued to Granite Global Ventures III L.P., GGV III Entrepreneurs Fund L.P., Steamboat Ventures Asia, L.P. and Morningside China TMT Fund I, L.P. 21,755, 354, 7,896 and 3,158 series C-1 preferred shares to for considerations of US$0.9 million , US$13.9 thousands, US$0.3 million and US$0.1 million, respectively, and 140,571, 2,286, 51,020 and 20,408 series C-2 preferred shares for considerations of US$6,9 million, US$0.1 million, US$2.5 million and US$1.0 million, respectively.

In July 2010, Duowan BVI effected a 1:490 share split. After the share split, it issued 13,369,813 and 29,678,483 common shares to Messrs. David Xueling Li and Jun Lei, respectively, in exchange for their agreeing to enter into certain employment agreements and restricted share agreements with Duowan BVI.

In August 2010, Duowan BVI issued 17,768,380 and 7,928,690 common shares to Messrs. Tony Bin Zhao and Jin Cao pursuant to their exercises of the warrants.

In January 2011, Duowan BVI issued to Tiger Global Six YY Holdings 25,570,216 common shares for consideration of US$25.0 million and a warrant to purchase 25,570,216 common shares for consideration of US$25.0 million. In February 2011, Duowan BVI issued to Tiger Global Six YY Holdings additional 25,570,216 common shares for consideration of US$25.0 million. In July 2011, Duowan BVI issued to Tiger Global Six YY Holdings 25,570,216 common shares pursuant to its exercise of the warrant.

In August 2011, Morningside Technology Investments Limited transferred 10,450,230 common shares to Favour Star Limited and ceased to be a shareholder of Duowan BVI.

Option and Restricted Share Grants

Duowan BVI has granted options to purchase its common shares and restricted shares to certain of our directors, executive officers and employees and consultants, some under our 2009 Scheme, for their past and future services. As of March 31, 2012, there are, in the aggregate, 17,889,535 of our common shares underlying our outstanding options, 56,577,812 of our outstanding restricted shares and 17,247,221 of our outstanding restricted share units granted under the 2009 Scheme and the 2011 Plan. See “Management—Share Incentive Plans.”

As part of our preparations in anticipation of this offering, YY Inc. was established in July 2011 and one subscriber share with a par value of US$0.01 was allotted and issued to Mr. David Xueling Li. In August 2011, YY Inc. divided its share capital of US$50,000 into 4,640,575,690 common shares of a par value of US$0.00001 each, and 359,424,310 preferred shares of a par value of US$0.00001 each, of which 136,100,930 shares were designated series A preferred shares, 102,073,860 shares were designated series B preferred shares, 16,249,870 shares were designated series C-1 preferred shares, and 104,999,650 shares were designated series C-2 preferred shares, and at the same time, issued a total of 4,640,575,690 common shares in exchange for the existing common shares of Duowan BVI, as well as 136,100,930 series A preferred shares, 102,073,860 series B preferred shares, 16,249,870 series C-1 preferred shares and 104,999,650 series C-2 preferred shares in exchange for all the common and preferred shares previously held in Duowan BVI.

Investors' Rights Agreement and Right of First Refusal and Co-Sale Agreement

In connection with our issuance of series A, B, C-1 and C-2 preferred shares, we and all our shareholders entered into an investors' rights agreement and a right of first refusal and co-sale agreement in August 2011.

Under the investors' rights agreement and our amended and restated memorandum and articles of association, our series A, B, C-1 and C-2 preferred shareholders are entitled to registration rights and certain preferential rights, including non-cumulative dividend rights, liquidation preference, veto rights on certain corporate matters, right of first refusal and co-sale right in the event that any of our founders proposes to sell, pledge or otherwise transfer any shares of us and our company does not fully exercise its right of first refusal. Except for the registration rights, all preferred shareholders' rights will automatically terminate upon the completion of this offering.

Registration Rights

Pursuant to our investors' rights agreement, we have granted certain registration rights to our shareholders. Set forth below is a description of the registration rights granted under the agreement.

Demand Registration Rights. At any time following the date that is earlier of (i) three years following August 19, 2008 and (ii) six months following the effective date of the registration statement of which this prospectus is a part, upon a written request from the holders of at least 25% of the registrable securities held by our preferred shareholders, we shall file a registration statement on a form other than Form F-3 covering the offer and sale of the registrable securities held by the requesting shareholders and other holders of registrable securities who choose to participate in the offering, if the offering covers at least 20% of the then outstanding registrable securities or if the reasonable anticipated offering price to the public, net of selling expenses, would exceed US$10.0 million. Registrable securities include, among others, our common shares not previously sold to the public and common shares issued or issued upon conversion of the preferred shares.

However, we are not obligated to proceed with a demand registration if we have, within any six-month period, already effected a registration under the Securities Act pursuant to the exercise of the holders' demand registration rights. We have the right to defer filing of a registration statement for up to 90 days if our board of directors determines in good faith that the filing of a registration statement would be materially detrimental to us, but we cannot exercise the deferral right more than once in any 12-month period.

Form F-3 Registration Rights. When we are eligible for registration on Form F-3, upon a written request from any holders of the registrable securities held by our preferred shareholders, we shall file a registration statement on Form F-3 covering the offer and sale of the registrable securities.

We are not obligated to effect a Form F-3 registration, among other things, if we have, within any six-month period, already effected a registration under the Securities Act pursuant to the exercise of the holders' Form F-3 registration rights, or the dollar amount of securities to be sold is of an aggregate price to the public of less than US$1.0 million. We have the right to defer filing of a registration statement for up to 90 days if our board of directors, including a majority of the directors appointed by the preferred shareholders and Tiger Global Six YY Holdings, determines in good faith that the filing of a registration statement would be materially detrimental to us, but we cannot exercise the deferral right more than once in any 12-month period.

Piggyback Registration Rights. If we propose to file a registration statement for a public offering of our common shares on a form that would be suitable only for registrable securities, we must offer holders of registrable securities an opportunity to include in that registration all or any part of their registrable securities. The underwriters of any underwritten offering have the right to limit the number of shares with registration rights to be included in the registration statement, subject to certain limitations.

Expenses of Registration. We will pay all expenses relating to any demand, Form F-3, or piggyback registration.

Termination of Obligations. We shall have no obligation to effect any demand, Form F-3, or piggyback registration (a) five years after the completion of this offering, (b) if, in the opinion of counsel to us satisfactory to the holder, all such registrable securities proposed to be sold by a holder may then be sold under Rule 144 or another similar exemption under the Securities Act in one transaction without exceeding the volume limitations thereunder or (c) upon a liquidation event.

Differences in Corporate Law

The Companies Law of the Cayman Islands is modeled after that of the United Kingdom but does not follow recent United Kingdom statutory enactments. In addition, the Companies Law differs from laws applicable to United States corporations and their shareholders. Set forth below is a summary of the significant differences between the provisions of the Companies Law applicable to us and the laws applicable to companies incorporated in the United States and their shareholders.

Mergers and Similar Arrangements. The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company; and (b) a “consolidation” means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies in the consolidated company. A merger of two or more constituent companies under Cayman Islands law requires a plan of merger or consolidation to be approved by the directors of each constituent company and (a) authorization by a special resolution of the members of each constituent company and (b) such other authorization, if any, as may be specified in such constituent company’s articles of association.

A merger between a Cayman parent company and its Cayman subsidiary or subsidiaries does not require authorization by a resolution of shareholders. For this purpose a subsidiary is a company of which at least 90% of the votes cast at its general meeting are held by the parent company.

The consent of each holder of a fixed or floating security interest over a constituent company is required unless this requirement is waived by a court in the Cayman Islands.

Save in certain circumstances, a dissentient shareholder of a Cayman constituent company is entitled to payment of the fair value of his shares upon dissenting to a merger or consolidation. The exercise of appraisal rights will preclude the exercise of any other rights save for the right to seek relief on the grounds that the merger or consolidation is void or unlawful. In addition, there are statutory provisions that facilitate the reconstruction and amalgamation of companies, provided that the arrangement is approved by a majority in number of each class of shareholders and creditors (representing 75% by value) with whom the arrangement is to be made, and who must, in addition, represent three-fourths in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in person or by proxy at a meeting, or meetings, convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved, the court can be expected to approve the arrangement if it determines that:

- the statutory provisions as to the required majority vote have been met;
- the shareholders have been fairly represented at the meeting in question and the statutory majority are acting bona fide without coercion of the minority to promote interests adverse to those of the class;

- the arrangement is such that it may be reasonably approved by an intelligent and honest man of that class acting in respect of his interest; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Law.

When a takeover offer is made and accepted by holders of 90% of the shares within four months, the offeror may, within a two-month period commencing on the expiration of such four-month period, require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed in the case of an offer which has been so approved unless there is evidence of fraud, bad faith or collusion.

If an arrangement and reconstruction is thus approved, the dissenting shareholder would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of Delaware corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

Shareholder Proposals. Cayman Islands laws do not provide shareholders with an express right to put any proposal before the annual meeting of shareholders. By contrast, in keeping with common law, Delaware corporations generally afford shareholders an opportunity to make proposals and nominations provided that they comply with the notice provisions in the certificate of incorporation or bylaws. A special meeting may be called by the board of directors or any other person authorized to do so in the certificate of incorporation or bylaws, but shareholders may be precluded from calling special meetings. With respect to shareholder proposals, Cayman Islands law is essentially the same as Delaware law. The Cayman Islands Companies Law does not provide shareholders with an express right to put forth any proposal before the annual meeting of the shareholders. However, depending on what is stipulated in a company's articles of association, shareholders in an exempted Cayman Islands company may make proposals in accordance with the relevant notice provisions. For shares that are represented by ADSs, the depositary in many cases may be the only shareholder. In such cases, only the depositary has the direct right to requisition a shareholders' meeting. However, unless otherwise provided in the deposit agreement, the holders of the ADSs generally do not have the right to petition the depositary to requisition a shareholders' meeting or to put forth shareholder proposals through the depositary.

Shareholders' Suits. In principle, we will normally be the proper plaintiff and a derivative action may not be brought by a minority shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, exceptions to the foregoing principle apply in circumstances in which:

- a company is acting or proposing to act illegally or beyond the scope of its authority;
- the act complained of, although not beyond the scope of the company's authority, could be effected duly if authorized by more than a simple majority vote which has not been obtained; or
- those who control the company are perpetrating a "fraud on the minority."

Corporate Governance. Cayman Islands laws do not restrict transactions with directors but a director of a Cayman Islands company is in the position of a fiduciary with respect to the company and a director is required to exercise a duty of care, a duty to act *bona fide* in the best interests of the company, a duty not to make a profit based on his or her position as director (unless the company permits him to do so) and a duty not to put himself in a position where the interests of the company conflict with his or her personal interest or his or her duty to a third party. A director of a Cayman Islands company also owes to the company a duty to act with skill and care. Under our second amended and restated memorandum and articles of association, subject to any separate requirement for audit committee approval under the applicable rules of the [Nasdaq Global Market/NYSE] or unless disqualified by the chairman of the relevant board meeting, so long as a director discloses the nature of his interest in any contract or arrangement which he is interested in, such a director may vote in respect of any

contract or proposed contract or arrangement in which such director is interested and may be counted in the quorum at such a meeting.

Indemnification. Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime.

Under our second amended and restated memorandum and articles of association, we may indemnify our directors, officers or any trustee acting in relation to the affairs of our company against all actions, proceedings, costs, charges, losses, damages and expenses which they may incur or sustain by reason of their acting as our directors, officers or trustee, except for any matters in respect of any fraud or dishonesty which may attach to any of the said persons.

We intend to enter into indemnification agreements with our directors and executive officers to indemnify them to the fullest extent permitted by applicable law and our second amended and restated articles of association, from and against all costs, charges, expenses, liabilities and losses incurred in connection with any litigation, suit or proceeding to which such director is or is threatened to be made a party, witness or other participant.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling us under the foregoing provisions, we have been advised that in the opinion of the Securities and Exchange Commission, or the SEC, such indemnification is against public policy as expressed in the Securities Act and therefore is unenforceable.

DESCRIPTION OF AMERICAN DEPOSITARY SHARES

American Depositary Shares

, as depositary will issue the ADSs which you will be entitled to receive in the offering. Each ADS will represent an ownership interest in shares which we will deposit with the custodian, as agent of the depositary, under the deposit agreement among ourselves, the depositary and you as an ADS holder. In the future, each ADS will also represent any securities, cash or other property deposited with the depositary but which they have not distributed directly to you. Unless specifically requested by you, all ADSs will be issued on the books of our depositary in book-entry form and periodic statements will be mailed to you which reflect your ownership interest in such ADSs. In our description, references to American depositary receipts or ADRs shall include the statements you will receive which reflect your ownership of ADSs.

The depositary's office is located at .

You may hold ADSs either directly or indirectly through your broker or other financial institution. If you hold ADSs directly, by having an ADS registered in your name on the books of the depositary, you are an ADS holder. This description assumes you hold your ADSs directly. If you hold the ADSs through your broker or financial institution nominee, you must rely on the procedures of such broker or financial institution to assert the rights of an ADS holder described in this section. You should consult with your broker or financial institution to find out what those procedures are.

As an ADS holder, we will not treat you as a shareholder of ours and you will not have any shareholder rights. Cayman Island law governs shareholder rights. Because the depositary or its nominee will be the shareholder of record for the shares represented by all outstanding ADSs, shareholder rights rest with such record holder. Your rights are those of an ADS holder. Such rights derive from the terms of the deposit agreement to be entered into among us, the depositary and all registered holders from time to time of ADSs issued under the deposit agreement. The obligations of the depositary and its agents are also set out in the deposit agreement. Because the depositary or its nominee will actually be the registered owner of the shares, you must rely on it to exercise the rights of a shareholder on your behalf. The deposit agreement and the ADSs are governed by New York law.

The following is a summary of the material terms of the deposit agreement. Because it is a summary, it does not contain all the information that may be important to you. For more complete information, you should read the entire deposit agreement and the form of ADR which contains the terms of your ADSs. You can read a copy of the deposit agreement which is filed as an exhibit to the registration statement of which this prospectus forms a part. You may also obtain a copy of the deposit agreement at the SEC's Public Reference Room which is located at 100 F Street, NE, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-732-0330. You may also find the registration statement and the attached deposit agreement on the SEC's website at http://www.sec.gov.

Share Dividends and Other Distributions

How will I receive dividends and other distributions on the shares underlying my ADSs?

We may make various types of distributions with respect to our securities. The depositary has agreed that, to the extent practicable, it will pay to you the cash dividends or other distributions it or the custodian receives on shares or other deposited securities, after converting any cash received into U.S. dollars and, in all cases, making any necessary deductions provided for in the deposit agreement. You will receive these distributions in proportion to the number of underlying securities that your ADSs represent.

Except as stated below, the depositary will deliver such distributions to ADS holders in proportion to their interests in the following manner:

- ***Cash.*** The depositary will distribute any U.S. dollars available to it resulting from a cash dividend or other cash distribution or the net proceeds of sales of any other distribution or portion thereof (to the extent applicable), on an averaged or other practicable basis, subject to (i) appropriate adjustments for taxes withheld, (ii) such distribution being impermissible or impracticable with respect to certain registered ADS holders, and (iii) deduction of the depositary's expenses in (1) converting any foreign currency to U.S. dollars to the extent that it determines that such conversion may be made on a reasonable basis, (2) transferring foreign currency or U.S. dollars to the United States by such means as the depositary may determine to the extent that it determines that such transfer may be made on a reasonable basis, (3) obtaining any approval or license of any governmental authority required for such conversion or transfer, which is obtainable at a reasonable cost and within a reasonable time and (4) making any sale by public or private means in any commercially reasonable manner. If exchange rates fluctuate during a time when the depositary cannot convert a foreign currency, you may lose some or all of the value of the distribution.
- ***Shares.*** In the case of a distribution in shares, the depositary will issue additional ADRs to evidence the number of ADSs representing such shares. Only whole ADSs will be issued. Any shares which would result in fractional ADSs will be sold and the net proceeds will be distributed in the same manner as cash to the ADS holders entitled thereto.
- ***Rights to receive additional shares.*** In the case of a distribution of rights to subscribe for additional shares or other rights, if we provide evidence satisfactory to the depositary that it may lawfully distribute such rights, the depositary will distribute warrants or other instruments in the discretion of the depositary representing such rights. However, if we do not furnish such evidence, the depositary may:
  - sell such rights if practicable and distribute the net proceeds in the same manner as cash to the ADS holders entitled thereto; or
  - if it is not practicable to sell such rights, do nothing and allow such rights to lapse, in which case ADS holders will receive nothing.

We have no obligation to file a registration statement under the Securities Act in order to make any rights available to ADS holders.

- ***Other Distributions.*** In the case of a distribution of securities or property other than those described above, the depositary may either (a) distribute such securities or property in any manner it deems equitable and practicable or (b) to the extent the depositary deems distribution of such securities or property not to be equitable and practicable, sell such securities or property and distribute any net proceeds in the same way it distributes cash.

If the depositary determines that any distribution described above is not practicable with respect to any specific registered ADS holder, the depositary may choose any method of distribution that it deems practicable for such ADS holder, including the distribution of foreign currency, securities or property, or it may retain such items, without paying interest on or investing them, on behalf of the ADS holder as deposited securities, in which case the ADSs will also represent the retained items.

Any U.S. dollars will be distributed by checks drawn on a bank in the United States for whole dollars and cents. Fractional cents will be withheld without liability and dealt with by the depositary in accordance with its then current practices.

The depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any ADS holders.

There can be no assurance that the depositary will be able to convert any currency at a specified exchange rate or sell any property, rights, shares or other securities at a specified price, nor that any of such transactions can be completed within a specified time period.

Deposit, Withdrawal and Cancellation

How does the depositary issue ADSs?

The depositary will issue ADSs if you or your broker deposit shares or evidence of rights to receive shares with the custodian and pay the fees and expenses owing to the depositary in connection with such issuance. In the case of the ADSs to be issued under this prospectus, we will arrange with the underwriters named herein to deposit such shares.

Shares deposited in the future with the custodian must be accompanied by certain delivery documentation, including instruments showing that such shares have been properly transferred or endorsed to the person on whose behalf the deposit is being made.

The custodian will hold all deposited shares (including those being deposited by or on our behalf in connection with the offering to which this prospectus relates) for the account of the depositary. ADS holders thus have no direct ownership interest in the shares and only have such rights as are contained in the deposit agreement. The custodian will also hold any additional securities, property and cash received on or in substitution for the deposited shares. The deposited shares and any such additional items are referred to as "deposited securities."

Upon each deposit of shares, receipt of related delivery documentation and compliance with the other provisions of the deposit agreement, including the payment of the fees and charges of the depositary and any taxes or other fees or charges owing, the depositary will issue an ADR or ADRs in the name or upon the order of the person entitled thereto evidencing the number of ADSs to which such person is entitled. All of the ADSs issued will, unless specifically requested to the contrary, be part of the depositary's direct registration system, and a registered holder will receive periodic statements from the depositary which will show the number of ADSs registered in such holder's name. An ADS holder can request that the ADSs not be held through the depositary's direct registration system and that a certificated ADR be issued.

How do ADS holders cancel an ADS and obtain deposited securities?

When you turn in your ADR certificate at the depositary's office, or when you provide proper instructions and documentation in the case of direct registration ADSs, the depositary will, upon payment of certain applicable fees, charges and taxes, deliver the underlying shares to you or upon your written order. At your risk, expense and request, the depositary may deliver deposited securities at such other place as you may request.

The depositary may only restrict the withdrawal of deposited securities in connection with:

- temporary delays caused by closing our transfer books or those of the depositary, the deposit of shares in connection with voting at a shareholders' meeting, or the payment of dividends;
- the payment of fees, taxes and similar charges; or
- compliance with any U.S. or foreign laws or governmental regulations relating to the ADRs or to the withdrawal of deposited securities.

This right of withdrawal may not be limited by any other provision of the deposit agreement.

Record Dates

The depositary may, after consultation with us if practicable, fix record dates for the determination of the registered ADS holders who will be entitled (or obligated, as the case may be):

- to receive any distribution on or in respect of shares;
- to give instructions for the exercise of voting rights at a meeting of holders of shares;
- to pay the fee assessed by the depositary for administration of the ADR program and for any expenses as provided for in the ADR; or
- to receive any notice or to act in respect of other matters

all subject to the provisions of the deposit agreement.

Voting Rights

How do I vote?

If you are an ADS holder and the depositary asks you to provide it with voting instructions, you may instruct the depositary how to exercise the voting rights for the shares which underlie your ADSs. As soon as practicable after receiving notice of any meeting or solicitation of consents or proxies from us, the depositary will distribute to the registered ADS holders a notice stating such information as is contained in the voting materials received by the depositary and describing how you may instruct the depositary to exercise the voting rights for the shares which underlie your ADSs[, including instructions for giving a discretionary proxy to a person designated by us]. For instructions to be valid, the depositary must receive them in the manner and on or before the date specified. The depositary will try, as far as is practical, subject to the provisions of and governing the underlying shares or other deposited securities, to vote or to have its agents vote the shares or other deposited securities as you instruct. The depositary will only vote or attempt to vote as you instruct. The depositary will not itself exercise any voting discretion. Furthermore, neither the depositary nor its agents are responsible for any failure to carry out any voting instructions, for the manner in which any vote is cast or for the effect of any vote.

There is no guarantee that you will receive voting materials in time to instruct the depositary to vote and it is possible that you, or persons who hold their ADSs through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote.

Reports and Other Communications

Will ADS holders be able to view our reports?

The depositary will make available for inspection by ADS holders at the offices of the depositary and the custodian the deposit agreement, the provisions of or governing deposited securities, and any written communications from us which are both received by the custodian or its nominee as a holder of deposited securities and made generally available to the holders of deposited securities.

Additionally, if we make any written communications generally available to holders of our shares, and we furnish copies thereof (or English translations or summaries) to the depositary, it will distribute the same to registered ADS holders.

Fees and Expenses

What fees and expenses will I be responsible for paying?

The depositary may charge each person to whom ADSs are issued, including, without limitation, issuances against deposits of shares, issuances in respect of share distributions, rights and other distributions, issuances

pursuant to a stock dividend or stock split declared by us or issuances pursuant to a merger, exchange of securities or any other transaction or event affecting the ADSs or deposited securities, and each person surrendering ADSs for withdrawal of deposited securities or whose ADRs are cancelled or reduced for any other reason, US$ for each 100 ADSs (or any portion thereof) issued, delivered, reduced, cancelled or surrendered, as the case may be. The depositary may sell (by public or private sale) sufficient securities and property received in respect of a share distribution, rights and/or other distribution prior to such deposit to pay such charge.

The following additional charges shall be incurred by the ADS holders, by any party depositing or withdrawing shares or by any party surrendering ADSs or to whom ADSs are issued (including, without limitation, issuances pursuant to a stock dividend or stock split declared by us or an exchange of stock regarding the ADSs or the deposited securities or a distribution of ADRs), whichever is applicable:

- a fee of US$ per ADR or ADRs for transfers of certificated or direct registration ADRs;
- a fee of up to US$ per ADS for any cash distribution made pursuant to the deposit agreement;
- a fee of US$ per ADS per calendar year (or portion there of) for services performed by the depositary in administering the ADRs (which fee may be charged on a periodic basis during each calendar year and shall be assessed against holders of ADRs as of the record date or record dates set by the depositary during each calendar year and shall be payable in the manner described in the next succeeding provision);
- reimbursement of such fees, charges and expenses as are incurred by the depositary and/or any of the depositary's agents (including, without limitation, the custodian and expenses incurred on behalf of holders in connection with compliance with foreign exchange control regulations or any law or regulation relating to foreign investment) in connection with the servicing of the shares or other deposited securities, the delivery of deposited securities or otherwise in connection with the depositary's or its custodian's compliance with applicable law, rule or regulation (which charge shall be assessed on a proportionate basis against holders as of the record date or dates set by the depositary and shall be payable at the sole discretion of the depositary by billing such holders or by deducting such charge from one or more cash dividends or other cash distributions);
- a fee for the distribution of securities (or the sale of securities in connection with a distribution), such fee being in an amount equal to the fee for the execution and delivery of ADSs which would have been charged as a result of the deposit of such securities (treating all such securities as if they were shares) but which securities or the net cash proceeds from the sale thereof are instead distributed by the depositary to those holders entitled thereto;
- stock transfer or other taxes and other governmental charges;
- cable, telex and facsimile transmission and delivery charges incurred at your request in connection with the deposit or delivery of shares;
- transfer or registration fees for the registration of transfer of deposited securities on any applicable register in connection with the deposit or withdrawal of deposited securities; and
- expenses of the depositary in connection with the conversion of foreign currency into U.S. dollars.

We will pay all other charges and expenses of the depositary and any agent of the depositary (except the custodian) pursuant to agreements from time to time between us and the depositary. The charges described above may be amended from time to time by agreement between us and the depositary.

Our depositary has agreed to reimburse us for certain expenses we incur that are related to establishment and maintenance of the ADR program, including investor relations expenses and exchange application and listing fees. Neither the depositary nor we can determine the exact amount to be made available to us because (a) the number of ADSs that will be issued and outstanding, (b) the level of fees to be charged to holders of ADSs and

(c) our reimbursable expenses related to the ADR program are not known at this time. The depositary collects its fees for issuance and cancellation of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions, or by directly billing investors, or by charging the book-entry system accounts of participants acting for them. The depositary may generally refuse to provide services to any holder until the fees and expenses owing by such holder for those services or otherwise are paid.

Payment of Taxes

ADS holders must pay any tax or other governmental charge payable by the custodian or the depositary on any ADS or ADR, deposited security or distribution (by public or private sale). If an ADS holder owes any tax or other governmental charge, the depositary may (a) deduct the amount thereof from any cash distributions, or (b) sell deposited securities and deduct the amount owing from the net proceeds of such sale. In either case the ADS holder remains liable for any shortfall. Additionally, if any tax or governmental charge is unpaid, the depositary may also refuse to effect any registration, registration of transfer, split-up or combination of deposited securities or withdrawal of deposited securities until such payment is made. If any tax or governmental charge is required to be withheld on any cash distribution, the depositary may deduct the amount required to be withheld from any cash distribution or, in the case of a non-cash distribution, sell the distributed property or securities (by public or private sale) to pay such taxes and distribute any remaining net proceeds to the ADS holders entitled thereto.

By holding an ADR or an interest therein, you will be agreeing to indemnify us, the depositary, its custodian and any of our or their respective directors, employees, agents and affiliates against, and hold each of them harmless from, any claims by any governmental authority with respect to taxes, additions to tax, penalties or interest arising out of any refund of taxes, reduced rate of withholding at source or other tax benefit obtained.

Reclassifications, Recapitalizations and Mergers

If we take certain actions that affect the deposited securities, including (a) any change in par value, split-up, consolidation, cancellation or other reclassification of deposited securities or (b) any distribution not made to holders of ADRs or (iii) any recapitalization, reorganization, merger, consolidation, liquidation, receivership, bankruptcy or sale of all or substantially all of our assets, then the depositary may choose to:

(1) amend the form of ADR;

(2) distribute additional or amended ADRs;

(3) distribute cash, securities or other property it has received in connection with such actions;

(4) sell any securities or property received and distribute the proceeds as cash; or

(5) none of the above.

If the depositary does not choose any of the above options, any of the cash, securities or other property it receives will constitute part of the deposited securities and each ADS will then represent a proportionate interest in such property.

Amendment and Termination

How may the deposit agreement be amended?

We may agree with the depositary to amend the deposit agreement and the ADSs without your consent for any reason. ADS holders must be given at least 30 days notice of any amendment that imposes or increases any

fees or charges (other than stock transfer or other taxes and other governmental charges, transfer or registration fees, cable, telex or facsimile transmission costs, delivery costs or other such expenses) or otherwise prejudices any substantial existing right of ADS holders. Such notice need not describe in detail the specific amendments effectuated thereby, but must give ADS holders a means to access the text of such amendment. If an ADS holder continues to hold an ADR or ADRs after being so notified, such ADS holder is deemed to agree to such amendment and to be bound by the deposit agreement as so amended. Notwithstanding the foregoing, if any governmental body or regulatory body should adopt new laws, rules or regulations which would require amendment or supplement of the deposit agreement or the form of ADR to ensure compliance therewith, we and the depositary may amend or supplement the deposit agreement and the ADR at any time in accordance with such changed laws, rules or regulations, which amendment or supplement may take effect before a notice is given or within any other period of time as required for compliance. No amendment, however, will impair your right to surrender your ADSs and receive the underlying securities, except in order to comply with mandatory provisions of applicable law.

How may the deposit agreement be terminated?

The depositary may, and shall at our written direction, terminate the deposit agreement and the ADRs by mailing notice of such termination to the registered holders of ADRs at least 30 days prior to the date fixed in such notice for such termination; provided, however, if the depositary shall have (i) resigned as depositary under the deposit agreement, notice of such termination by the depositary shall not be provided to registered holders unless a successor depositary shall not be operating under the deposit agreement within 45 days of the date of such resignation, and (ii) been removed as depositary under the deposit agreement, notice of such termination by the depositary shall not be provided to registered holders of ADRs unless a successor depositary shall not be operating under the deposit agreement on the 90th day after our notice of removal was first provided to the depositary. After termination, the depositary's only responsibility will be (a) to deliver deposited securities to ADS holders who surrender their ADRs, and (b) to hold or sell distributions received on deposited securities. As soon as practicable after the expiration of six months from the termination date, the depositary will sell the deposited securities which remain and hold the net proceeds of such sales, without liability for interest, in trust for the ADS holders who have not yet surrendered their ADRs (as long as it may lawfully do so). After making such sale, the depositary shall have no obligations except to account for such proceeds and other cash.

Limitations on Obligations and Liability to ADS holders

Limits on our obligations and the obligations of the depositary; limits on liability to ADS holders and holders of ADSs

Prior to the issue, registration, registration of transfer, split-up, combination or cancellation of any ADRs, or the delivery of any distribution in respect thereof, and from time to time, we or the depositary or its custodian may require:

- payment with respect thereto of (a) any stock transfer or other tax or other governmental charge, (b) any stock transfer or registration fees in effect for the registration of transfers of shares or other deposited securities upon any applicable register and (c) any applicable fees and expenses described in the deposit agreement;
- the production of proof satisfactory to it of (a) the identity of any signatory and genuineness of any signature and (b) such other information, including without limitation, information as to citizenship, residence, exchange control approval, beneficial ownership of any securities, compliance with applicable laws, regulations, provisions of or governing deposited securities and terms of the deposit agreement and the ADR, as it may deem necessary or proper; and
- compliance with such regulations as the depositary may establish consistent with the deposit agreement.

The issuance of ADRs, the acceptance of deposits of shares, the registration, registration of transfer, split-up or combination of ADRs or the withdrawal of shares may be suspended, generally or in particular instances, when the ADR register or any register for deposited securities is closed or when any such action is deemed advisable by the depositary; provided that the ability to withdraw shares may only be limited under the following circumstances: (a) temporary delays caused by closing transfer books of the depositary or our transfer books, the deposit of shares in connection with voting at a shareholders' meeting, or the payment of dividends, (b) the payment of fees, taxes, and similar charges, and (c) compliance with any laws or governmental regulations relating to ADRs or to the withdrawal of deposited securities.

The deposit agreement expressly limits the obligations and liability of the depositary, us and our respective agents. Neither we nor the depositary nor any such agent will be liable if:

- any present or future law, rule, regulation, fiat, order or decree of the United States, the Cayman Islands, the People's Republic of China or any other country, or of any governmental or regulatory authority or securities exchange or market or automated quotation system, the provisions of or governing any deposited securities, any present or future provision of our charter, any act of God, war, terrorism or other circumstance beyond our, the depositary's or our respective agents' control shall prevent or delay, or shall cause any of them to be subject to any civil or criminal penalty in connection with any act which the deposit agreement or the ADRs provide shall be done or performed by us, the depositary or our respective agents (including, without limitation, voting);
- it exercises or fails to exercise discretion under the deposit agreement or the ADR;
- it performs its obligations under the deposit agreement and ADRs without gross negligence or bad faith;
- it takes any action or refrains from taking any action in reliance upon the advice of or information from legal counsel, accountants, any person presenting shares for deposit, any registered holder of ADRs, or any other person believed by it to be competent to give such advice or information; or
- it relies upon any written notice, request, direction or other document believed by it to be genuine and to have been signed or presented by the proper party or parties.

Neither the depositary nor its agents have any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any deposited securities or the ADRs. We and our agents shall only be obligated to appear in, prosecute or defend any action, suit or other proceeding in respect of any deposited securities or the ADRs, which in our opinion may involve us in expense or liability, if indemnity satisfactory to us against all expense (including fees and disbursements of counsel) and liability is furnished as often as may be required. The depositary and its agents may fully respond to any and all demands or requests for information maintained by or on its behalf in connection with the deposit agreement, any registered holder or holders of ADRs, any ADRs or otherwise related to the deposit agreement or ADRs to the extent such information is requested or required by or pursuant to any lawful authority, including without limitation laws, rules, regulations, administrative or judicial process, banking, securities or other regulators.

The depositary shall not be liable for the acts or omissions made by any securities depository, clearing agency or settlement system in connection with or arising out of book-entry settlement of deposited securities or otherwise. Furthermore, the depositary shall not be responsible for, and shall incur no liability in connection with or arising from, the insolvency of any custodian that is not a branch or affiliate of .

Additionally, none of us, the depositary or the custodian shall be liable for the failure by any registered holder of ADRs or beneficial owner therein to obtain the benefits of credits on the basis of non-U.S. tax paid against such holder's or beneficial owner's income tax liability. Neither we nor the depositary shall incur any liability for any tax consequences that may be incurred by holders or beneficial owners on account of their ownership of ADRs or ADSs.

Neither the depositary nor its agents will be responsible for any failure to carry out any instructions to vote any of the deposited securities, for the manner in which any such vote is cast or for the effect of any such vote. Neither the depositary nor any of its agents shall be liable to registered holders of ADRs or beneficial owners of interests in ADSs for any indirect, special, punitive or consequential damages (including, without limitation, lost profits) of any form incurred by any person or entity, whether or not foreseeable and regardless of the type of action in which such a claim may be brought.

The depositary may own and deal in any class of our securities and in ADSs.

Disclosure of Interest in ADSs

To the extent that the provisions of or governing any deposited securities may require disclosure of or impose limits on beneficial or other ownership of deposited securities, other shares and other securities and may provide for blocking transfer, voting or other rights to enforce such disclosure or limits, you agree to comply with all such disclosure requirements and ownership limitations and to comply with any reasonable instructions we may provide in respect thereof. We reserve the right to instruct you to deliver your ADSs for cancellation and withdrawal of the deposited securities so as to permit us to deal with you directly as a holder of shares and, by holding an ADS or an interest therein, you will be agreeing to comply with such instructions.

Books of Depositary

The depositary or its agent will maintain a register for the registration, registration of transfer, combination and split-up of ADRs, which register shall include the depositary's direct registration system. Registered holders of ADRs may inspect such records at the depositary's office at all reasonable times, but solely for the purpose of communicating with other holders in the interest of the business of our company or a matter relating to the deposit agreement. Such register may be closed from time to time, when deemed expedient by the depositary.

The depositary will maintain facilities for the delivery and receipt of ADRs.

Pre-release of ADSs

In its capacity as depositary, the depositary shall not lend shares or ADSs; provided, however, that the depositary may (a) issue ADSs prior to the receipt of shares and (b) deliver shares prior to the receipt of ADSs for withdrawal of deposited securities, including ADSs which were issued under (a) above but for which shares may not have been received (each such transaction a "pre-release"). The depositary may receive ADSs in lieu of shares under (a) above (which ADSs will promptly be canceled by the depositary upon receipt by the depositary) and receive shares in lieu of ADSs under (b) above. Each such pre-release will be subject to a written agreement whereby the person or entity (the "applicant") to whom ADSs or shares are to be delivered (a) represents that at the time of the pre-release the applicant or its customer owns the shares or ADSs that are to be delivered by the applicant under such pre-release, (b) agrees to indicate the depositary as owner of such shares or ADSs in its records and to hold such shares or ADSs in trust for the depositary until such shares or ADSs are delivered to the depositary or the custodian, (c) unconditionally guarantees to deliver to the depositary or the custodian, as applicable, such shares or ADSs, and (d) agrees to any additional restrictions or requirements that the depositary deems appropriate. Each such pre-release will be at all times fully collateralized with cash, U.S. government securities or such other collateral as the depositary deems appropriate, terminable by the depositary on not more than five (5) business days' notice and subject to such further indemnities and credit regulations as the depositary deems appropriate. The depositary will normally limit the number of ADSs and shares involved in such pre-release at any one time to thirty percent (30%) of the ADSs outstanding (without giving effect to ADSs outstanding under (a) above), provided, however, that the depositary reserves the right to change or disregard such limit from time to time as it deems appropriate. The depositary may also set limits with respect to the number of ADSs and shares involved in pre-release with any one person on a case-by-case basis as it deems appropriate. The depositary may retain for its own account any compensation received by it in conjunction with

the foregoing. Collateral provided pursuant to (b) above, but not the earnings thereon, shall be held for the benefit of the registered holders of ADRs (other than the applicant).

Appointment

In the deposit agreement, each registered holder of ADRs and each person holding an interest in ADSs, upon acceptance of any ADSs (or any interest therein) issued in accordance with the terms and conditions of the deposit agreement will be deemed for all purposes to:

- be a party to and bound by the terms of the deposit agreement and the applicable ADR or ADRs, and
- appoint the depositary its attorney-in-fact, with full power to delegate, to act on its behalf and to take any and all actions contemplated in the deposit agreement and the applicable ADR or ADRs, to adopt any and all procedures necessary to comply with applicable laws and to take such action as the depositary in its sole discretion may deem necessary or appropriate to carry out the purposes of the deposit agreement and the applicable ADR and ADRs, the taking of such actions being the conclusive determinant of the necessity and appropriateness thereof.

Governing Law

The deposit agreement and the ADRs shall be governed by and construed in accordance with the laws of the State of New York. In the deposit agreement, we have submitted to the jurisdiction of the courts of the State of New York and appointed an agent for service of process on our behalf.

SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of this offering, we will have ADSs outstanding, representing approximately % of our outstanding common shares. All of the ADSs sold in this offering will be freely transferable by persons other than our "affiliates" without restriction or further registration under the Securities Act. Sales of substantial amounts of our ADSs in the public market could adversely affect prevailing market prices of our ADSs. Prior to this offering, there has been no public market for our common shares or the ADSs, and while application has been made for the ADSs to be listed on the [Nasdaq Global Market/NYSE], we cannot assure you that a regular trading market will develop in the ADSs. We do not expect that a trading market will develop for our common shares not represented by the ADSs.

Lock-Up Agreements

[The selling shareholders,] our [directors, executive officers, our other existing shareholders and certain of our option and restricted shares holders] have agreed, subject to some exceptions, not to transfer or dispose of, directly or indirectly, any of our common shares, in the form of ADSs or otherwise, or any securities convertible into or exchangeable or exercisable for our common shares, in the form of ADSs or otherwise, for a period of 180 days after the date of this prospectus. After the expiration of the 180-day period, the common shares or ADSs held by the selling shareholders, our directors, executive officers and our existing shareholders may be sold subject to the restrictions under Rule 144 under the Securities Act or by means of registered public offerings.

The 180-day restricted period is subject to adjustment under certain circumstances. If (1) during the last 17 days of the 180-day restricted period, we issue an earnings release or material news or a material event relating to us occurs; or (2) prior to the expiration of the 180-day restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 180-day period, the restrictions will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event.

Rule 144

All of or common shares outstanding prior to this offering are "restricted shares" as that term is defined in Rule 144 under the Securities Act and may be sold publicly in the United States only if they are subject to an effective registration statement under the Securities Act or pursuant to an exemption from the registration requirements. Under Rule 144 as currently in effect, a person who has beneficially owned our restricted shares for at least six months is generally entitled to sell the restricted securities without registration under the Securities Act beginning 90 days after the date of this prospectus, subject to certain additional restrictions.

Our affiliates may sell within any three-month period a number of restricted shares that does not exceed the greater of the following:

- 1% of the then outstanding common shares, in the form of ADSs or otherwise, which will equal approximately common shares immediately after this offering; or
- the average weekly trading volume of our common shares in the form of ADSs or otherwise, on the [Nasdaq Global Market/NYSE], during the four calendar weeks preceding the date on which notice of the sale is filed with the SEC.

Affiliates who sell restricted securities under Rule 144 may not solicit orders or arrange for the solicitation of orders, and they are also subject to notice requirements and the availability of current public information about us.

Persons who are not our affiliates are only subject to one of these additional restrictions, the requirement of the availability of current public information about us, and this additional restriction does not apply if they have beneficially owned our restricted shares for more than one year.

Rule 701

In general, under Rule 701 of the Securities Act as currently in effect, each of our employees, consultants or advisors who purchases our common shares from us in connection with a compensatory stock or option plan or other written agreement relating to compensation is eligible to resell such common shares 90 days after we become a reporting company under the Exchange Act in reliance on Rule 144, but without compliance with some of the restrictions, including the holding period, contained in Rule 144.

Registration Rights

Upon completion of this offering, certain holders of our common shares or their transferees will be entitled to request that we register their shares under the Securities Act, following the expiration of the lock-up agreements described above. See “Description of Share Capital—Registration Rights.”

TAXATION

The following summary of material Cayman Islands, PRC and United States federal income tax consequences of an investment in our ADSs or common shares is based upon laws and relevant interpretations thereof in effect as of the date of this prospectus, all of which are subject to change. This summary does not deal with all possible tax consequences relating to an investment in our ADSs or common shares, such as all possible tax consequences under state, local and other tax laws, although discussions of local tax laws in China are included. To the extent that the discussion relates to matters of Cayman Islands tax law, it represents the opinion of Conyers Dill & Pearman, our Cayman Islands counsel. To the extent that the discussion relates to matters of PRC tax law, it represents the opinion of Zhong Lun Law Firm, our PRC legal counsel.

Cayman Islands Taxation

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or after execution brought within the jurisdiction of, the Cayman Islands. There are no exchange control regulations or currency restrictions in the Cayman Islands.

Pursuant to Section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, we have obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to us or our operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on our shares, debentures or other obligations.

The undertaking for us is for a period of twenty years from August 2, 2011.

People's Republic of China Taxation

Under the existing tax laws in the PRC, we are qualified as a non-resident enterprise. We are a holding company incorporated in the Cayman Islands; our holding company indirectly holds 100% of the equity interests in our PRC subsidiaries through Duowan BVI, NeoTask and NeoTask Limited. Our business operations are principally conducted through our PRC subsidiaries and our PRC consolidated affiliated entities. The PRC Enterprise Income Tax Law and its implementation rules, both of which became effective on January 1, 2008, provide that China-sourced income of foreign enterprises, such as dividends paid by a PRC subsidiary to its overseas parent that is not a PRC resident enterprise and has no establishment in the PRC, will normally be subject to PRC withholding tax at a rate of 10%.

If the PRC tax authorities determine that YY Inc., our Cayman Islands holding company, is a PRC resident enterprise for enterprise income tax purposes, our world-wide income could be subject to PRC tax at a rate of 25%, which could materially reduce our net income. In addition, we will also be subject to PRC enterprise income tax reporting obligations. Furthermore, although dividends paid by one PRC tax resident to another PRC tax resident should qualify as "tax-exempt income" under the PRC Enterprise Income Tax Law, we cannot assure you that dividends by our PRC subsidiaries to our Cayman holding company will not be subject to a 10% withholding tax, as the PRC foreign exchange control authorities, which enforce the withholding tax on dividends, and the PRC tax authorities have not yet issued guidance with respect to the processing of outbound remittances to entities that are treated as resident enterprises for PRC enterprise income tax purposes. In addition, ADS holders may be subject to PRC withholding tax on dividends payable by us and gains realized on the sale or other disposition of ADSs or common shares, if the PRC tax authorities determine that our Cayman Islands

holding company is a PRC resident enterprise for enterprise income tax purposes. See “Risk Factors—Risks Relating to Doing Business in China—Under the PRC enterprise income tax law, we may be classified as a PRC “resident enterprise,” which could result in unfavorable tax consequences to us and our shareholders and have a material adverse effect on our results of operations and the value of your investment.”

Material United States Federal Income Tax Considerations

The following is a summary of the material United States federal income tax considerations relating to the acquisition, ownership, and disposition of our ADSs or common shares by a U.S. holder (as defined below) that acquires our ADSs or common shares in this offering and holds our ADSs or common shares as “capital assets” (generally, property held for investment) under the United States Internal Revenue Code of 1986, as amended (the “Code”). This summary is based upon existing United States federal income tax law, which is subject to differing interpretations or change, possibly with retroactive effect. This summary does not discuss all aspects of United States federal income taxation that may be important to particular investors in light of their individual investment circumstances, including investors subject to special tax rules (for example, financial institutions, insurance companies, broker-dealers, traders in securities that have elected the mark-to-market method of accounting for their securities, partnerships and their partners, and tax-exempt organizations (including private foundations)), holders who are not U.S. holders, holders who own (directly, indirectly, or constructively) 10% or more of our voting stock, investors that will hold their ADSs or common shares as part of a straddle, hedge, conversion, constructive sale, or other integrated transaction for United States federal income tax purposes, or investors that have a functional currency other than the United States dollar, all of whom may be subject to tax rules that differ significantly from those summarized below. In addition, except to the extent described below, this summary does not discuss any non-United States, state, or local tax considerations. Each U.S. holder is urged to consult its tax advisors regarding the United States federal, state, local, and non-United States income and other tax considerations of an investment in our ADSs or common shares.

General

For purposes of this summary, a “U.S. holder” is a beneficial owner of our ADSs or common shares that is, for United States federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation (or other entity treated as a corporation for United States federal income tax purposes) created in, or organized under the law of, the United States or any state thereof or the District of Columbia, (iii) an estate the income of which is includible in gross income for United States federal income tax purposes regardless of its source, or (iv) a trust (A) the administration of which is subject to the primary supervision of a United States court and which has one or more United States persons who have the authority to control all substantial decisions of the trust or (B) that has otherwise elected to be treated as a United States person.

If a partnership (or other entity treated as a partnership for United States federal income tax purposes) is a beneficial owner of our ADSs or common shares, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. Partnerships holding our ADSs or common shares and partners in such partnerships are urged to consult their tax advisors regarding an investment in our ADSs or common shares.

For United States federal income tax purposes, U.S. holders of ADSs will be treated as the beneficial owners of the underlying shares represented by the ADSs. Based in part on the representations we have received from the depositary bank, for United States federal income tax purposes, a U.S. holder of ADSs will be treated as the beneficial owner of the underlying shares represented by the ADSs. Accordingly, deposits or withdrawals of common share for ADSs will not be subject to United States federal income tax. The U.S. Treasury has expressed concerns that parties to whom ADSs are released before shares are delivered to the depositary, or intermediaries in the chain of ownership between holders of ADSs and the issuer of the security underlying the ADSs, may be taking actions that are inconsistent with the claiming of foreign tax credits by holders of ADSs. These actions would also be inconsistent with the claiming of the reduced rate of tax, described below, applicable to dividends

received by certain non-corporate holders. Accordingly, the creditability of any PRC taxes, and the availability of the reduced tax rate for dividends received by certain non-corporate U.S. holders, each described below, could be affected by actions taken by such parties or intermediaries.

Passive Foreign Investment Company Considerations

A non-United States corporation, such as our company, will be classified as a "passive foreign investment company," or "PFIC", for United States federal income tax purposes, if, in the case of any particular taxable year, either (i) 75% or more of its gross income for such year consists of certain types of "passive" income or (ii) 50% or more of its average quarterly assets (as determined on the basis of fair market value) during such year produce or are held for the production of passive income. For this purpose, cash is categorized as a passive asset and the company's unbooked intangibles associated with active business activities may generally be classified as active assets. We will be treated as owning our proportionate share of the assets and earning our proportionate share of the income of any other corporation in which we own, directly or indirectly, more than 25% (by value) of the stock.

Although the law in this regard is unclear, we treat Guangzhou Huaduo and Beijing Tuda as being owned by us for United States federal income tax purposes, not only because we exercise effective control over the operation of such entities but also because we are entitled to substantially all of their economic benefits, and, as a result, we consolidate their operating results in our consolidated financial statements. Assuming that we are the owner of Guangzhou Huaduo and Beijing Tuda for United States federal income tax purposes, based upon our current income and assets (taking into account the proceeds from this offering) and projections as to the value of our ADSs and common shares following the offering, we do not presently expect to be classified as a PFIC for the current taxable year or the foreseeable future.

While we do not expect to become a PFIC in the current or future taxable years, the determination of whether we will be or become a PFIC will depend in part upon the value of our goodwill and other unbooked intangibles (which will depend upon the market value of our ADSs or common shares). In estimating the value of our goodwill and other unbooked intangibles, we have taken into account our anticipated market capitalization following the close of this offering. Among other matters, if market capitalization is less than anticipated or subsequently declines, we may be classified as a PFIC for the current or future taxable years. It is also possible that the Internal Revenue Service (the "IRS") may challenge our classification or valuation of our goodwill and other unbooked intangibles, which may result in our company being, or becoming classified as, a PFIC for the current or one or more future taxable years.

The determination of whether we will be or become a PFIC will also depend, in part, on the composition of our income and assets, which will be affected by how, and how quickly, we use our liquid assets and the cash raised in this offering. Under circumstances where we determine not to deploy significant amounts of cash for active purposes or not to treat Beijing Tuda or Guangzhou Huaduo as owned by us for United States federal income tax purposes, our risk of being classified as a PFIC may substantially increase. Because there are uncertainties in the application of the relevant rules and PFIC status is a factual determination made annually after the close of each taxable year, there can be no assurance that we will not be a PFIC for the current taxable year or any future taxable year. Our special United States counsel expresses no opinion with respect to our PFIC status and also expresses no opinion with respect to our expectations regarding our PFIC status. If we were classified as a PFIC for any year during which a U.S. holder held our ADSs or common shares, we generally would continue to be treated as a PFIC for all succeeding years during which such U.S. holder held our ADSs or common shares.

The discussion below under "Dividends" and "Sale or Other Disposition of ADSs or Common Shares" is written on the basis that we will not be classified as a PFIC for United States federal income tax purposes. The United States federal income tax rules that apply if we are classified as a PFIC for the current taxable year or any subsequent taxable year are generally discussed below under "Passive Foreign Investment Company Rules."

Dividends

Subject to the PFIC rules discussed below, any cash distributions (including the amount of any tax withheld to reflect PRC withholding taxes) paid on our ADSs or common shares out of our current or accumulated earnings and profits, as determined under United States federal income tax principles, will generally be includible in the gross income of a U.S. holder as dividend income on the day actually or constructively received by the U.S. holder, in the case of common shares, or by the Depositary, in the case of ADSs. Because we do not intend to determine our earnings and profits on the basis of United States federal income tax principles, any distribution paid will generally be reported as a "dividend" for United States federal income tax purposes. For taxable years beginning before January 1, 2013, a non-corporate recipient of dividend income will generally be subject to tax on dividend income from a "qualified foreign corporation" at a reduced United States federal tax rate rather than the marginal tax rates generally applicable to ordinary income provided that certain holding period requirements are met.

A non-United States corporation (other than a corporation that is classified as a PFIC for the taxable year in which the dividend is paid or the preceding taxable year) will generally be considered to be a qualified foreign corporation (a) if it is eligible for the benefits of a comprehensive tax treaty with the United States which the Secretary of Treasury of the United States determines is satisfactory for purposes of this provision and which includes an exchange of information program, or (b) with respect to any dividend it pays on stock (or ADSs in respect of such stock) which is readily tradable on an established securities market in the United States. Although no assurances may be given, our ADSs are expected to be readily tradable on the [Nasdaq Global Market/NYSE], which is an established securities market in the United States. Thus, we believe that dividends we pay on our ADSs will meet the conditions required for the reduced tax rate. Since we do not expect that our common shares will be listed on established securities markets, we do not believe that dividends that we pay on our common share that are not backed by ADSs currently meet the conditions required for these reduced tax rates. There can be no assurance that our ADSs will be considered readily tradable on an established securities market in later years.

In the event that we are deemed to be a PRC "resident enterprise" and are liable to pay tax under PRC Enterprise Income Tax Law, we should be eligible for the benefits of the United States-PRC income tax treaty, which the Secretary of Treasury of the United States has determined is satisfactory for purposes of clause (a) above and which includes an exchange of information provision. If we are eligible for such benefits, dividends we pay on our common shares, regardless of whether such shares are represented by the ADSs, would generally be eligible for the reduced rate of taxation applicable to qualified dividend income whether or not such shares are readily tradable on an established securities market in the United States. Dividends received on the ADSs or common shares will not be eligible for the dividends received deduction allowed to corporations. Each U.S. holder is advised to consult its tax advisors regarding the availability of the lower capital gains rate applicable to qualified dividend income for any dividends we pay with respect to the common shares.

Dividends will generally be treated as passive income from foreign sources for United States foreign tax credit purposes and will generally constitute passive category income. In the event that we are deemed to be a PRC "resident enterprise" under PRC Enterprise Income Tax Law, a U.S. holder may be subject to PRC withholding taxes on dividends paid on our ADSs or common share. A U.S. holder may be eligible, subject to a number of complex limitations, to claim a foreign tax credit in respect of any foreign withholding taxes imposed on dividends received on ADSs or common shares. A U.S. holder who does not elect to claim a foreign tax credit for foreign tax withheld, may instead claim a deduction, for United States federal income tax purposes, in respect of such withholdings, but only for a year in which such U.S. holder elects to do so for all creditable foreign income taxes. The rules governing the foreign tax credit are complex. Each U.S. holder is advised to consult its tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Sale or Other Disposition of ADSs or Common Shares

Subject to the PFIC rules discussed below, a U.S. holder will generally recognize capital gain or loss upon the sale or other disposition of ADSs or common shares in an amount equal to the difference between the amount realized upon the disposition and the U.S. holder's adjusted tax basis in such ADSs or common shares. Any capital gain or loss will be long-term if the ADSs or common shares have been held for more than one year and will generally be United States source gain or loss for United States foreign tax credit purposes. The deductibility of a capital loss may be subject to limitations. In the event that we are treated as a PRC "resident enterprise" under PRC Enterprise Income Tax Law and gain from the disposition of the ADSs or common shares is subject to tax in the PRC, a U.S. holder that is eligible for the benefits of the income tax treaty between the United States and the PRC may elect to treat the gain as PRC source income. Each U.S. holder is advised to consult their tax advisors regarding the tax consequences if a foreign tax is imposed on a disposition of our ADSs or common shares, including the availability of the foreign tax credit under their particular circumstances.

Passive Foreign Investment Company Rules

If we are classified as a PFIC for any taxable year during which a U.S. holder holds our ADSs or common shares, and unless the U.S. holder makes a mark-to-market election (as described below), the U.S. holder will generally be subject to special tax rules that have a penalizing effect, regardless of whether we remain a PFIC, on (i) any excess distribution that we make to the U.S. holder (which generally means any distribution paid during a taxable year to a U.S. holder that is greater than 125% of the average annual distributions paid in the three preceding taxable years or, if shorter, the U.S. holder's holding period for the ADSs or common shares), and (ii) any gain realized on the sale or other disposition, including, under certain circumstances, a pledge, of ADSs or common shares. Under the PFIC rules:

- such excess distribution and/or gain will be allocated ratably over the U.S. holder's holding period for the ADSs or common shares;
- such amount allocated to the current taxable year and any taxable years in the U.S. holder's holding period prior to the first taxable year in which we are classified as a PFIC, or pre-PFIC year, will be taxable as ordinary income;
- such amount allocated to each prior taxable year, other than a pre-PFIC year, will be subject to tax at the highest tax rate in effect applicable to the U.S. holder for that year; and
- an interest charge generally applicable to underpayments of tax will be imposed on the tax attributable to each prior taxable year, other than a pre-PFIC year.

If we are a PFIC for any taxable year during which a U.S. holder holds our ADSs or common shares and any of our non-United States subsidiaries is also a PFIC, such U.S. holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules. Each U.S. holder is advised to consult its tax advisors regarding the application of the PFIC rules to any of our subsidiaries.

As an alternative to the foregoing rules, a U.S. holder of "marketable stock" in a PFIC may make a mark-to-market election with respect to our ADSs, provided that the ADSs are regularly traded on the [Nasdaq Global Market/NYSE]. Although no assurances may be given, we anticipate that our ADSs should qualify as being regularly traded. If a mark-to-market election is made, the U.S. holder will generally (i) include as ordinary income for each taxable year that we are a PFIC the excess, if any, of the fair market value of ADSs held at the end of the taxable year over the adjusted tax basis of such ADSs and (ii) deduct as an ordinary loss the excess, if any, of the adjusted tax basis of the ADSs over the fair market value of such ADSs held at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. The U.S. holder's adjusted tax basis in the ADSs would be adjusted to reflect any income or loss resulting from the mark-to-market election.

If a U.S. holder makes a mark-to-market election in respect of a corporation classified as a PFIC and such corporation ceases to be classified as a PFIC, the U.S. holder will not be required to take into account the

mark-to-market gain or loss described above during any period that such corporation is not classified as a PFIC. Because a mark-to-market election cannot be made for any lower-tier PFICs that we may own, a U.S. holder may continue to be subject to the PFIC rules with respect to such U.S. holder's indirect interest in any investments held by us that are treated as an equity interest in a PFIC for United States federal income tax purposes.

We do not intend to provide information necessary for U.S. holders to make qualified electing fund elections, which, if available, would result in tax treatment different from (and generally less adverse than) the general tax treatment for PFICs described above.

If a U.S. holder owns our ADSs or common shares during any taxable year that we are a PFIC, such holder is required to file an annual report containing such information as the United States Treasury Department may require and may be required to file an annual IRS Form 8621. Each U.S. holder is advised to consult its tax advisors regarding the potential tax consequences to such holder if we are or become classified as a PFIC, including the possibility of making a mark-to-market election.

Information Reporting and Backup Withholding

The United States tax compliance rules generally impose reporting requirements on individual U.S. holders and other specified entities with respect to their beneficial ownership of our ADSs or common shares, if such ADSs or common shares are not held on their behalf by a United States financial institution and other criteria are met. These rules also impose penalties if a U.S. holder is required to submit such information to the IRS and fails to do so. In addition, U.S. holders may be subject to information reporting to the IRS with respect to an investment in the ADSs or common shares, including, among others, IRS Form 926 (Return by a U.S. Transferor of Property to a Foreign Corporation). Specific types of holders (as identified in the United States tax compliance rules) will be subject to information reporting to the IRS with respect to dividends on and proceeds from the sale or other disposition of our ADSs or common shares. Dividend payments with respect to our ADSs or common shares and proceeds from the sale or other disposition of our ADSs or common shares are not generally subject to United States backup withholding (provided that certification requirements are satisfied). Each U.S. holder is advised to consult its tax advisors regarding the application of the United States information reporting and backup withholding rules to their particular circumstances.

Pursuant to recently enacted legislation, effective for tax years beginning after March 18, 2010, individuals who are U.S. holders, and who hold "specified foreign financial assets," including stock of a non-U.S. corporation that is not held in an account maintained by a U.S. "financial institution," whose aggregate value exceeds US$50,000 during the tax year, may be required to attach to their tax returns for the year certain specified information. An individual who fails to timely furnish the required information may be subject to a penalty. U.S. holders who are individuals should consult their own tax advisors regarding their reporting obligations under this legislation.

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UNDERWRITING

Subject to the terms and conditions of the underwriting agreement, we [and the selling shareholders] have agreed to sell, and the underwriters named below, through [—], as representatives of the underwriters, have severally and not jointly agreed to purchase from us [and the selling shareholders], the following respective number of ADSs at a public offering price less the underwriting discounts and commissions set forth on the cover page of this prospectus:

Underwriters	Number of ADSs
Deutsche Bank Securities Inc.	
Morgan Stanley & Co. International plc	
Total	

The underwriting agreement provides that the obligations of the several underwriters to purchase the ADSs offered hereby are subject to certain conditions precedent and that the underwriters will purchase all of the ADSs offered by this prospectus, other than those covered by the over-allotment option described below, if any of these ADSs are purchased. If an underwriter defaults, the underwriting agreement provides that the underwriting commitments of the non-defaulting underwriters may be increased or the underwriting agreement may be terminated, depending on the circumstances.

We have been advised by the representatives of the underwriters that the underwriters propose to offer the ADSs to the public at the public offering price set forth on the cover of this prospectus and to dealers at a price that represents a concession not in excess of its underwriting commitment of US$ per ADS under the public offering price. The underwriters may allow, and these dealers may re-allow, a concession of not more than US$ per ADS to other dealers. After the initial public offering, the offering price, concession or any other terms of the offering may be changed. The offering of the ADSs by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part.

We [and the selling shareholders] have granted to the underwriters an option, exercisable not later than 30 days after the date of this prospectus, to purchase up to additional ADSs at the public offering price less the underwriting discounts and commissions set forth on the cover page of this prospectus. The underwriters may exercise this option only to cover over-allotments, if any, made in connection with the sale of ADSs offered by this prospectus. To the extent that the underwriters exercise this option, each of the underwriters will severally become obligated, subject to the conditions set forth in the underwriting agreement, to purchase approximately the same percentage of these additional ADSs as the number of ADSs to be purchased by it in the above table bears to the total number of ADSs in such table. If any additional ADSs are purchased, the underwriters will offer the additional ADSs on the same terms as those on which the ADSs are being offered.

The underwriting discounts and commissions per ADS are equal to the public offering price per ADS less the amount paid by the underwriters to us [and the selling shareholders] per ADS. The underwriting discounts and commissions are % of the initial public offering price. We [and the selling shareholders] have agreed to pay the underwriters the following discounts and commissions, assuming either no exercise or full exercise by the underwriters of the underwriters' over-allotment option:

		Total fees	
	Fee per ADS	Without exercise of over-allotment option	With full exercise of over-allotment option
Discounts and commissions paid by us	US$	US$	US$
[Discounts and commissions paid by the selling shareholders].	US$	US$	US$

We [and the selling shareholders] will pay the fees and expenses we incur in connection with this offering, excluding underwriting discounts and commissions, which we estimate to be approximately $. See “Expenses Related to This Offering.”

We [and the selling shareholders] have agreed to indemnify the underwriters against some specified types of liabilities, including liabilities under the Securities Act, and to contribute to payments the underwriters may be required to make in respect of any of these liabilities if indemnification is not available.

We, each of our officers and directors, all of our existing shareholders and option holders, have agreed not to, directly or indirectly, offer, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant for the sale of, lend or otherwise dispose of, or enter into any swap or other transaction that is designed to, or could be expected to, result in the disposition of any of our ADSs or common shares or other securities convertible into or exchangeable or exercisable for our ADSs or common shares or derivatives of our ADSs or common shares (whether any such swap or transaction is to be settled by delivery of securities, in cash, or otherwise), owned by these persons prior to this offering or ADSs or common shares issuable upon exercise of options or warrants held by these persons for a period of 180 days after the date of this prospectus without the prior written consent of the representatives. This consent may be given at any time without public notice. Transfers or dispositions can be made during the lock-up period in the case of gifts or for estate planning purposes where the donee signs a lock-up agreement. We have entered into a similar agreement with the representatives of the underwriters except that without such consent we may grant options and sell shares pursuant to the 2009 Scheme.

The 180-day lock-up periods as described above are subject to adjustment only under the following circumstances. If (1) during the last 17 days of the 180-day lock-up period, (a) we release earnings results or (b) material news or a material event relating to us occurs, or (2) prior to the expiration of the 180-day lock-up period, we announce that we will release earnings results during the 16-day period following the last day of the 180-day lock-up period, then, in each case, the 180-day lock-up period will be extended until the expiration of the 18-day period beginning on the date of our release of the earnings results or the occurrence of material news or a material event relating to us, unless the representatives, on behalf of the underwriters, waive this extension in writing.

In addition, through a letter agreement, we have agreed to instruct , as depositary, not to accept any deposit of any common shares or issue any ADSs for 180 days after the date of this prospectus unless we consent to such deposit or issuance, and not to provide consent without the prior written consent of the representatives of the underwriters. The foregoing does not affect the right of ADS holders to cancel their ADSs and withdraw the underlying common shares.

We [will apply/have applied] to list our ADSs on the [Nasdaq Global Market/NYSE] under the symbol “YY.”

The underwriters do not expect sales to discretionary accounts to exceed 5% of the total number of ADSs offered.

In connection with the offering, the underwriters may purchase and sell our ADSs in the open market. These transactions may include short sales, purchases to cover positions created by short sales and stabilizing transactions.

Short sales involve the sale by the underwriters of a greater number of ADSs than they are required to purchase in the offering. Covered short sales are sales made in an amount not greater than the underwriters’ over-allotment option. The underwriters may close out any covered short position by either exercising their over-allotment option or purchasing ADSs in the open market. In determining the source of ADSs to close out the covered short position, the underwriters will consider, among other things, the price of ADSs available for purchase in the open market as compared to the price at which they may purchase ADSs through the over-allotment option.

Naked short sales are any sales in excess of the over-allotment option. The underwriters must close out any naked short position by purchasing ADSs in the open market. A naked short position is more likely to be created if underwriters are concerned that there may be downward pressure on the price of the ADSs in the open market prior to the completion of the offering.

Stabilizing transactions consist of various bids for or purchases of our ADSs made by the underwriters in the open market prior to the completion of the offering.

The underwriters may impose a penalty bid. This occurs when a particular underwriter repays to the other underwriters a portion of the underwriting discount received by it because the representatives of the underwriters have repurchased ADSs sold by or for the account of that underwriter in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions may have the effect of preventing or slowing a decline in the market price of our ADSs. In addition, these purchases, along with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of our ADSs. As a result, the price of our ADSs may be higher than the price that might otherwise exist in the open market. Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our ADSs. These transactions may be effected on the [Nasdaq Global Market/NYSE], in the over-the-counter market or otherwise. Neither we nor any underwriters make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

A prospectus in electronic format is being made available on Internet websites maintained by one or more of the lead underwriters of this offering and may be made available on websites maintained by other underwriters. Other than the prospectus in electronic format, the information on any underwriter's website and any information contained in any other website maintained by an underwriter is not part of this prospectus or the registration statement of which this prospectus forms a part.

Prior to this offering, there has been no public market for our ADSs. Consequently, the initial public offering price of our ADSs will be determined by negotiation among us and the representatives of the underwriters. Among the primary factors that will be considered in determining the public offering price are:

(a) prevailing market conditions;

(b) our financial condition and results of operations in recent periods;

(c) the present stage of our development;

(d) the market capitalizations and stages of development of other companies that we and the representatives of the underwriters believe to be comparable to our business; and

(e) the history of, and the prospects for, our Company and the industry in which we compete.

The underwriters and their respective affiliates are full-service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the us [and the selling shareholders], for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their

customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of us [and the selling shareholders].

The address of Deutsche Bank Securities Inc. is 60 Wall Street, New York, New York 10005, United States. The address of Morgan Stanley & Co. International plc is 25 Cabot Square, Canary Wharf, London E14 4QA, United Kingdom.

No action may be taken in any jurisdiction other than the United States that would permit a public offering of the ADSs or the possession, circulation or distribution of this prospectus in any jurisdiction where action for that purpose is required. Accordingly, the ADSs may not be offered or sold, directly or indirectly, and neither the prospectus nor any other offering material or advertisements in connection with the ADSs may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

Cayman Islands

This prospectus does not constitute an invitation or offer to the public in the Cayman Islands of the ADSs, whether by way of sale or subscription. The underwriters have not offered or sold, and will not offer or sell, directly or indirectly, any ADSs in the Cayman Islands.

Hong Kong

The ADSs may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), or (ii) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a “prospectus” within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the ADSs may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to ADSs which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder.

People’s Republic of China

This prospectus has not been and will not be circulated or distributed in the PRC, and ADSs may not be offered or sold, and will not be offered or sold to any person for re-offering or resale, directly or indirectly, to any resident of the PRC except pursuant to applicable laws and regulations of the PRC.

Japan

The ADSs have not been and will not be registered under the Financial Instruments and Exchange Law of Japan, and ADSs will not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to any exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or

invitation for subscription or purchase, of our ADSs may not be circulated or distributed, nor may our ADSs be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore, or SFA, (ii) to a relevant person or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to compliance with conditions set forth in the SFA.

Where our ADSs are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor as defined in Section 4A of the SFA) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor; shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the ADSs under Section 275 of the SFA, except: (1) to an institutional investor (for corporations under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is or will be given for the transfer; or (3) where the transfer is by operation of law.

Australia

This document has not been lodged with the Australian Securities & Investments Commission and is only directed to certain categories of exempt persons. Accordingly, if you receive this document in Australia:

(a) you confirm and warrant that you are either:

  a. a "sophisticated investor" under section 708(8)(a) or (b) of the Corporations Act 2001 (Cth) of Australia, or the Corporations Act;

  b. a "sophisticated investor" under section 708(8)(c) or (d) of the Corporations Act and that you have provided an accountant's certificate to the company which complies with the requirements of section 708(8)(c)(i) or (ii) of the Corporations Act and related regulations before the offer has been made;

  c. a person associated with the company under section 708(12) of the Corporations Act; or

  d. "professional investor" within the meaning of section 708(11)(a) or (b) of the Corporations Act, and to the extent that you are unable to confirm or warrant that you are an exempt sophisticated investor, associated person or professional investor under the Corporations Act any offer made to you under this document is void and incapable of acceptance.

(b) you warrant and agree that you will not offer any of the ADSs issued to you pursuant to this document for resale in Australia within 12 months of those ADSs being issued unless any such resale offer is exempt from the requirement to issue a disclosure document under section 708 of the Corporations Act.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State") an offer to the public of any shares which are the subject of the

offering contemplated by this prospectus may not be made in that Relevant Member State, once the prospectus has been approved by the competent authority in such Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that an offer to the public in that Relevant Member State of any shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(c) by the underwriters to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than "qualified investors" as defined in the Prospectus Directive) subject to obtaining the prior consent of the representatives for any such offer; or

(d) in any other circumstances falling within Article 3(2) of the Prospectus Directive; provided that no such offer of shares shall result in a requirement for the publication by us or any representative of a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

Any person making or intending to make any offer of shares within the EEA should only do so in circumstances in which no obligation arises for us or any of the underwriters to produce a prospectus for such offer. Neither we nor the underwriters have authorized, nor do they authorize, the making of any offer of shares through any financial intermediary, other than offers made by the underwriters which constitute the final offering of shares contemplated in this prospectus.

For the purposes of this provision, and your representation below, the expression an "offer to the public" in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares to be offered so as to enable an investor to decide to purchase any shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

Each person in a Relevant Member State who receives any communication in respect of, or who acquires any shares under, the offer of shares contemplated by this prospectus will be deemed to have represented, warranted and agreed to and with us and each underwriter that:

(a) it is a "qualified investor" within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and

(b) in the case of any shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) the shares acquired by it in the offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than "qualified investors" (as defined in the Prospectus Directive), or in circumstances in which the prior consent of the representatives has been given to the offer or resale; or (ii) where shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those shares to it is not treated under the Prospectus Directive as having been made to such persons.

In addition, in the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are "qualified investors" (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, or the Order, and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is only available to, and will be engaged in with, relevant persons.

Notice to Investors in Switzerland

This document, as well as any other offering or marketing material relating to the ADSs which are the subject of the offering contemplated by this prospectus, neither constitutes a prospectus pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations nor a simplified prospectus as such term is understood pursuant to article 5 of the Swiss Federal Act on Collective Investment Schemes. Neither the ADSs nor the shares underlying the ADSs will be listed on the SIX Swiss Exchange and, therefore, the documents relating to the ADSs, including, but not limited to, this document, do not claim to comply with the disclosure standards of the listing rules of SIX Swiss Exchange and corresponding prospectus schemes annexed to the listing rules of the SIX Swiss Exchange.

The ADSs are being offered in Switzerland by way of a private placement, i.e., to a small number of selected investors only, without any public offer and only to investors who do not purchase the ADSs with the intention to distribute them to the public. The investors will be individually approached from time to time. This document, as well as any other offering or marketing material relating to the ADSs, is confidential and it is exclusively for the use of the individually addressed investors in connection with the offer of the ADSs in Switzerland and it does not constitute an offer to any other person. This document may only be used by those investors to whom it has been handed out in connection with the offering described herein and may neither directly nor indirectly be distributed or made available to other persons without our express consent. It may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in or from Switzerland.

Notice to Investors in the Dubai International Financial Centre

This document relates to an Exempt Offer, as defined in the Offered Securities Rules module of the DFSA Rulebook, or the OSR, in accordance with the Offered Securities Rules of the Dubai Financial Services Authority. This document is intended for distribution only to Persons, as defined in the OSR, of a type specified in those rules. It must not be delivered to, or relied on by, any other Person. The Dubai Financial Services Authority has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The Dubai Financial Services Authority has not approved this document nor taken steps to verify the information set out in it, and has no responsibility for it. The ADSs to which this document relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the ADSs offered should conduct their own due diligence on the ADSs. If you do not understand the contents of this document you should consult an authorized financial adviser.

Kingdom of Saudi Arabia

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering or private placement of the ADSs in the Kingdom of Saudi Arabia, or possession or distribution of any offering materials in relation thereto. Our ADSs may only be offered and sold in the Kingdom of Saudi Arabia through persons authorized to do so in accordance of Part 5 (Exempt Offers) of the Offers of Securities Regulations dated 20/8/1425 AH corresponding to 4/10/2004 (as amended), or the Regulations, and in accordance with Part 5 (Exempt Offers) Article 16(a)(3) of the Regulations, the ADSs will be offered to no more than 60 offerees in the

Kingdom of Saudi Arabia with each such offeree paying an amount not less than Saudi Riyals one million or an equivalent amount in another currency. Investors are informed that Article 19 of the Regulations places restrictions on secondary market activity with respect to our ADSs. Any resale or other transfer, or attempted resale or other transfer, made other than in compliance with the above-stated restrictions shall not be recognized by us. Prospective purchasers of our ADSs should conduct their own due diligence on the accuracy of the information relation to the ADSs. Investors should consult an authorized financial adviser if they do not understand the contents of this prospectus.

State of Kuwait

Our ADSs have not been authorized or licensed for offering, marketing or sale in the State of Kuwait, or Kuwait. The distribution of this prospectus and the offering, marketing and sale of the ADSs in Kuwait is restricted by law unless a license is obtained from the Kuwaiti Ministry of Commerce and Industry in accordance with Law No. 31 of 1990, and the various Ministerial Regulations issued pursuant thereto. Persons into whose possession this prospectus comes are required by us and the underwriters to inform themselves about and to observe such restrictions. Investors in Kuwait who approach us or any of the underwriters to obtain copies of this prospectus are required by us and the underwriters to keep such prospectus confidential and not to make copies thereof nor distribute the same to any other person in Kuwait and are also required to observe the restrictions provided for in all jurisdictions with respect to offering, marketing and the sale of the ADSs.

United Arab Emirates

This prospectus is not intended to constitute an offer, sale or delivery of shares or other securities under the laws of the United Arab Emirates, or the UAE. The ADSs have not been and will not be registered under Federal Law No. 4 of 2000 Concerning the Emirates Securities and Commodities Authority and the Emirates Security and Commodity Exchange, or with the UAE Central Bank, the Dubai Financial Market, the Abu Dhabi Securities Market or with any other UAE exchange.

The offering, the ADSs and interests therein have not been approved or licensed by the UAE Central Bank or any other relevant licensing authorities in the UAE, and do not constitute a public offer of securities in the UAE in accordance with the Commercial Companies Law, Federal Law No. 8 of 1984 (as amended) or otherwise.

In relation to its use in the UAE, this prospectus is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The interests in the ADSs may not be offered or sold directly or indirectly to the public in the UAE.

EXPENSES RELATING TO THIS OFFERING

Set forth below is an itemization of the total expenses, excluding underwriting discounts and commissions, that we and the selling shareholders expect to incur in connection with this offering. With the exception of the SEC registration fee, the Financial Industry Regulatory Authority, or FINRA, filing fee and the [Nasdaq Global Market/NYSE] listing fee, all amounts are estimates.

SEC registration fee	US$
[Nasdaq Global Market/NYSE] listing fee	
FINRA filing fee	
Printing and engraving expenses	
Legal fees and expenses	
Accounting fees and expenses	
Miscellaneous	
Total	US$

Expenses, [except for underwriting discounts and commissions], will be borne in proportion to the numbers of ADSs sold in the offering by us [and the selling shareholders, respectively].

LEGAL MATTERS

The validity of the ADSs and certain other legal matters with respect to U.S. federal and New York State law in connection with this offering will be passed upon for us by Skadden, Arps, Slate, Meagher & Flom LLP. Certain legal matters with respect to U.S. federal and New York State law in connection with this offering will be passed upon for the underwriters by Simpson Thacher & Bartlett LLP. The validity of the common shares represented by the ADSs offered in this offering and other certain legal matters as to Cayman Islands law will be passed upon for us by Conyers Dill & Pearman. Legal matters as to PRC law will be passed upon for us by Zhong Lun Law Firm and for the underwriters by Fangda Partners. Skadden, Arps, Slate, Meagher & Flom LLP may rely upon Conyers Dill & Pearman with respect to matters governed by Cayman Islands law and Zhong Lun Law Firm with respect to matters governed by PRC law. Simpson Thacher & Bartlett LLP may rely upon Fangda Partners with respect to matters governed by PRC law.

EXPERTS

The consolidated financial statements of YY Inc. as of December 31, 2010 and 2011 and for each of the three years ended December 31, 2011 included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers Zhong Tian CPAs Limited Company, an independent registered public accounting firm, given on the authority of such firm as experts in accounting and auditing.

The office of PricewaterhouseCoopers Zhong Tian CPAs Limited Company is located at 11/F, PricewaterhouseCoopers Center, 2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai 200021, PRC.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form F-1, including relevant exhibits and securities under the Securities Act with respect to underlying common shares represented by the ADSs, to be sold in this offering. We have also filed with the SEC a related registration statement on F-6 to register the ADSs. This prospectus, which constitutes a part of the registration statement, does not contain all of the information contained in the registration statement. You should read our registration statements and their exhibits and schedules for further information with respect to us and our ADSs.

The agreements included as exhibits to the registration statement on Form F-1 contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties were made solely for the benefit of the other parties to the applicable agreement and (a) were not intended to be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate; (b) may have been qualified in such agreement by disclosures that were made to the other party in connection with the negotiation of the applicable agreement; (c) may apply contract standards of “materiality” that are different from “materiality” under the applicable securities laws; and (d) were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement.

Immediately up effectiveness of the registration statement to which this prospectus is a part we will become subject to periodic reporting and other informational requirements of the Exchange Act as applicable to foreign private issuers. Accordingly, we will be required to file reports, including annual reports on Form 20-F, and other information with the SEC. As a foreign private issuer, we are exempt from the rules of the Exchange Act prescribing the furnishing and content of proxy statements to shareholders, and Section 16 short swing profit reporting for our officers and directors and for holders of more than 10% of our common shares. All information filed with the SEC can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. You can request copies of these documents, upon payment of a duplicating fee, by writing to the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference rooms. You may also obtain additional information over the internet at the SEC’s website at *www.sec.gov*.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of YY Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, changes in shareholders' deficits and comprehensive losses and cash flows, present fairly, in all material respects, the financial position of YY Inc. (the "Company") and its subsidiaries at December 31, 2011 and 2010, and the results of their operation and their cash flows for each of the three years in the period ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers Zhong Tian CPAs Limited Company
Shanghai, the People's Republic of China
July 13, 2012

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CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2010 AND 2011
(All amounts in thousands, except share and per share data)

	Notes	As of December 31,				
		2010	2011	2011	2011	2011
		RMB	RMB	US$ (Note 2(e))	RMB Pro forma (Note 26) (Unaudited)	US$ Pro forma (Note 26) (Note 2 (e)) (Unaudited)
Assets						
Current assets						
Cash and cash equivalents	4	83,683	128,891	20,491	128,891	20,491
Short-term deposits	5	—	472,655	75,144	472,655	75,144
Accounts receivable, net	6	25,747	47,022	7,476	47,022	7,476
Amount due from a related party	20	1,500	2,000	318	2,000	318
Prepayments and other current assets		4,727	9,742	1,549	9,742	1,549
Deferred tax assets	15	1,643	12,487	1,985	12,487	1,985
Total current assets		117,300	672,797	106,963	672,797	106,963
Non-current assets						
Deferred tax assets	15	—	329	52	329	52
Investments	7	3,000	5,244	834	5,244	834
Property and equipment, net	8	25,525	53,582	8,519	53,582	8,519
Intangible assets, net	9	12,236	10,814	1,719	10,814	1,719
Goodwill	10	706	706	112	706	112
Other non-current assets		—	1,954	311	1,954	311
Total non-current assets		41,467	72,629	11,547	72,629	11,547
Total assets		158,767	745,426	118,510	745,426	118,510
Liabilities and shareholders' equity						
Current liabilities						
Accounts payable		10,553	16,114	2,562	16,114	2,562
Deferred revenue	11	17,436	40,357	6,416	40,357	6,416
Advances from users	2(t)	741	2,453	390	2,453	390
Income taxes payable		4,356	16,872	2,682	16,872	2,682
Accrued liabilities and other current liabilities	12	15,577	49,071	7,802	49,071	7,802
Share-based compensation liabilities	18	203,124	—	—	—	—
Amounts due to related parties	20	1,214	870	138	870	138
Total current liabilities		253,001	125,737	19,990	125,737	19,990
Non-current liabilities						
Deferred revenue	11	—	448	71	448	71
Total liabilities		253,001	126,185	20,061	126,185	20,061
Commitments and contingencies	22					

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2010 AND 2011 (CONTINUED)
(All amounts in thousands, except share and per share data)

	Notes	As of December 31,				
		2010	2011	2011	2011	2011
		RMB	RMB	US$ (Note 2(e))	RMB Pro forma (Note 26) (Unaudited)	US$ Pro forma (Note 26) (Note 2 (e)) (Unaudited)
Mezzanine equity						
Series A convertible redeemable preferred shares (US$0.00001 par value, 136,100,930 shares authorized, issued and outstanding as of December 31, 2010 and 2011, and none outstanding on a pro forma basis as of December 31, 2011 (unaudited))	17	846,752	935,013	148,651	—	—
Series B convertible redeemable preferred shares (US$0.00001 par value, 102,073,860 shares authorized, issued and outstanding as of December 31, 2010 and 2011, and none outstanding on a pro forma basis as of December 31, 2011 (unaudited))	17	639,799	703,901	111,908	—	—
Series C-1 convertible redeemable preferred shares (US$0.00001 par value, 16,249,870 shares authorized, issued and outstanding as of December 31, 2010 and 2011, and none outstanding on a pro forma basis as of December 31, 2011 (unaudited))	17	102,754	112,556	17,894	—	—
Series C-2 convertible redeemable preferred shares (US$0.00001 par value, 104,999,650 shares authorized, issued and outstanding as of December 31, 2010 and 2011, and none outstanding on a pro forma basis as of December 31, 2011 (unaudited))	17	667,966	729,464	115,972	—	—

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CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2010 AND 2011 (CONTINUED)
(All amounts in thousands, except share and per share data)

	Notes	As of December 31, 2010 RMB	2011 RMB	2011 US$ (Note 2(e))	2011 RMB Pro forma (Note 26) (Unaudited)	2011 US$ Pro forma (Note 26) (Note 2 (e)) (Unaudited)
Shareholders' (deficits) equity						
Common shares (US$0.00001 par value; 946,074,577 and 1,022,785,225 shares authorized, 466,630,266 and 543,340,914 shares issued and outstanding as of December 31, 2010 and 2011, respectively, and 902,765,224 outstanding on a pro forma basis as of December 31, 2011 (unaudited))	16	32	37	6	61	9
Additional paid-in capital		—	584,093	92,861	3,065,003	487,283
Accumulated deficits		(2,350,448)	(2,433,604)	(386,900)	(2,433,604)	(386,900)
Accumulated other comprehensive losses		(1,089)	(12,219)	(1,943)	(12,219)	(1,943)
Total shareholders' (deficits) equity		(2,351,505)	(1,861,693)	(295,976)	619,241	98,449
Total liabilities, mezzanine equity and shareholders' (deficits) equity		158,767	745,426	118,510	745,426	118,510

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011

(All amounts in thousands, except share and per share data)

	Note	For the year ended December 31,			
		2009	2010	2011	2011
		RMB	RMB	RMB	US$ (Note 2(e))
Net revenues					
Internet value-added service					
—Online game		12,976	86,316	165,933	26,380
—YY music		—	—	52,854	8,403
—Others		853	1,282	13,589	2,161
Online advertising		18,881	40,740	87,279	13,876
Total net revenue		32,710	128,338	319,655	50,820
Cost of revenues[1]	13	(28,849)	(110,062)	(182,699)	(29,046)
Gross profit		3,861	18,276	136,956	21,774
Operating expenses[1]					
Research and development expenses		(12,597)	(49,219)	(106,804)	(16,980)
Sales and marketing expenses		(4,951)	(12,363)	(13,381)	(2,127)
General and administrative expenses		(32,878)	(192,222)	(118,241)	(18,798)
Total operating expenses		(50,426)	(253,804)	(238,426)	(37,905)
Government grants	14	—	—	1,982	315
Operating loss		(46,565)	(235,528)	(99,488)	(15,816)
Foreign currency exchange (losses) gains, net		(15)	(551)	14,143	2,248
Interest income		46	56	4,890	777
Loss before income tax expenses		(46,534)	(236,023)	(80,455)	(12,791)
Income tax expenses	15	(391)	(2,322)	(1,343)	(214)
Loss before loss in equity method investments, net of income taxes		(46,925)	(238,345)	(81,798)	(13,005)
Losses in equity method investments, net of income taxes		(191)	(512)	(1,358)	(216)
Net loss attributable to YY Inc.		(47,116)	(238,857)	(83,156)	(13,221)
Amortization of beneficial conversion feature		(237)	—	—	—
Accretion to convertible redeemable preferred shares redemption value		(283,179)	(1,808,853)	(223,663)	(35,559)
Deemed dividend to Series A preferred shareholders		(19)	—	—	—
Deemed dividend to Series B preferred shareholders		(176)	—	—	—
Net loss attributable to common shareholders		(330,727)	(2,047,710)	(306,819)	(48,780)
Net loss per share					
—basic	19	(0.81)	(5.04)	(0.63)	(0.10)
—diluted	19	(0.81)	(5.04)	(0.63)	(0.10)
Weighted average number of common shares used in calculating—basic loss per share	19	407,613,328	406,304,672	485,883,845	485,883,845
Weighted average number of common shares used in calculating—diluted loss per share	19	407,613,328	406,304,672	485,883,845	485,883,845

CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011 (CONTINUED)
(All amounts in thousands, except share and per share data)

(1) Share-based compensation was allocated in cost of revenues and operating expenses as follows:

	For the year ended December 31,			
	2009	2010	2011	2011
	RMB	RMB	RMB	US$ (Note 2(e))
Cost of revenues	5,269	31,709	15,449	2,456
Research and development expenses	2,475	21,627	31,672	5,035
Sales and marketing expenses	194	1,499	1,336	212
General and administrative expenses	28,544	182,101	86,544	13,759

The accompanying notes are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICITS AND COMPREHENSIVE LOSS FOR THE YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011
(All amounts in thousands, except share and per share data)

	Notes	Co-founder common shares Number of shares	Co-founder common shares Amount	Common shares Number of shares	Common shares Amount	Additional paid-in capital	Accumulated deficits	Accumulated other comprehensive losses	Total shareholders' deficits	Comprehensive loss
		Note 16	RMB		RMB	RMB	RMB	RMB	RMB	RMB
Balance as of January 1, 2009		185,563,000	13	222,528,600	15	—	(32,604)	(156)	(32,732)	
Share-based compensation—restricted shares to NeoTasks founders	18	—	—	—	—	3,407	—	—	3,407	
Share-based compensation—share options	18	—	—	—	—	71	—	—	71	
Reclassification of equity-classified share-based awards into liability-classified awards	18	—	—	—	—	(3,478)	(1,376)	—	(4,854)	
Deemed dividend on series A convertible redeemable preferred shares—modification of terms	17	—	—	—	—	—	(19)	—	(19)	
Deemed dividend on series B convertible redeemable preferred shares—modification of terms	17	—	—	—	—	—	(176)	—	(176)	
Repurchase of common shares	16	—	—	(10,206,700)	(1)	—	(5,575)	—	(5,576)	
Beneficial conversion feature of Series C convertible redeemable preferred shares	17	—	—	—	—	—	237	—	237	
Amortization of beneficial conversion feature of the Series C convertible redeemable preferred shares	17	—	—	—	—	—	(237)	—	(237)	
Accretion of Series A convertible redeemable preferred shares to redemption value	17	—	—	—	—	—	(114,401)	—	(114,401)	
Accretion of Series B convertible redeemable preferred shares to redemption value	17	—	—	—	—	—	(79,211)	—	(79,211)	
Accretion of Series C convertible redeemable preferred shares to redemption value	17	—	—	—	—	—	(89,567)	—	(89,567)	
Components of comprehensive loss										
Net loss		—	—	—	—	—	(47,116)	—	(47,116)	(47,116)
Foreign currency translation adjustment, net of nil tax		—	—	—	—	—	—	2	2	2
Balance as of December 31, 2009		**185,563,000**	**13**	**212,321,900**	**14**	**—**	**(370,045)**	**(154)**	**(370,172)**	**(47,114)**

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICITS AND COMPREHENSIVE LOSS FOR THE YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011 (CONTINUED)
(All amounts in thousands, except share and per share data)

	Notes	Co-founder common shares		Common shares		Additional paid-in capital	Accumulated deficits	Accumulated other comprehensive losses	Total shareholders' deficits	Comprehensive loss
		Number of shares	Amount	Number of shares	Amount					
		Note 16	RMB		RMB	RMB	RMB	RMB	RMB	RMB
Balance as of December 31, 2009		**185,563,000**	**13**	**212,321,900**	**14**	**—**	**(370,045)**	**(154)**	**(370,172)**	
Transfer of Co-founder common shares into common shares	16	(185,563,000)	(13)	185,563,000	13	—	—	—	—	
Share based compensation—restricted shares	18	—	—	—	—	24,525	—	—	24,525	
Issuance of restricted shares to the CEO and Chairman	18	—	—	43,048,296	3	28,756	—	—	28,759	
Issuance of restricted shares to NeoTasks founders	18	—	—	25,697,070	2	—	—	—	2	
Transferred from matured liability award for NeoTasks founders	18	—	—	—	—	14,026	—	—	14,026	
Accretion of Series A convertible redeemable preferred shares to redemption value	17	—	—	—	—	(67,307)	(625,052)	—	(692,359)	
Accretion of Series B convertible redeemable preferred shares to redemption value	17	—	—	—	—	—	(515,626)	—	(515,626)	
Accretion of Series C convertible redeemable preferred shares to redemption value	17	—	—	—	—	—	(600,868)	—	(600,868)	
Components of comprehensive loss										
Net loss		—	—	—	—	—	(238,857)	—	(238,857)	(238,857)
Foreign currency translation adjustment, net of nil tax		—	—	—	—	—	—	(935)	(935)	(935)
Balance as of December 31, 2010		**—**	**—**	**466,630,266**	**32**	**—**	**(2,350,448)**	**(1,089)**	**(2,351,505)**	**(239,792)**

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICITS AND COMPREHENSIVE LOSS FOR THE YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011 (CONTINUED)
(All amounts in thousands, except share and per share data)

	Note	Co-founder common shares Number of shares Note 16	Co-founder common shares Amount RMB	Common shares Number of shares	Common shares Amount RMB	Additional paid-in capital RMB	Accumulated deficits RMB	Accumulated other comprehensive losses RMB	Total shareholders' deficits RMB	Comprehensive loss RMB
Balance as of December 31, 2010		**—**	**—**	**466,630,266**	**32**	**—**	**(2,350,448)**	**(1,089)**	**(2,351,505)**	
Issuance of common shares	16	—	—	51,140,432	3	328,129	—	—	328,132	
Exercise of warrant by an independent institutional investor	16	—	—	25,570,216	2	160,835	—	—	160,837	
Share-based compensation—share options	18	—	—	—	—	2,219	—	—	2,219	
Share based compensation—restricted shares	18	—	—	—	—	57,805	—	—	57,805	
Share-based compensation—restricted share units	18	—	—	—	—	9,644	—	—	9,644	
Share-based compensation—warrants to NeoTasks founders	18	—	—	—	—	3,359	—	—	3,359	
Share-based compensation restricted shares to the CEO and Chairman	18	—	—	—	—	14,143	—	—	14,143	
Transferred from matured liability award for NeoTasks founders	18	—	—	—	—	57,692	—	—	57,692	
Reclassification of liability-classified share-based awards into equity-classified awards for warrants to NeoTasks founders	18	—	—	—	—	57,602	—	—	57,602	
Reclassification of liability-classified share-based awards into equity-classified awards for share options	18	—	—	—	—	116,328	—	—	116,328	
Accretion of Series A convertible redeemable preferred shares to redemption value	17	—	—	—	—	(88,261)	—	—	(88,261)	
Accretion of Series B convertible redeemable preferred shares to redemption value	17	—	—	—	—	(64,102)	—	—	(64,102)	
Accretion of Series C convertible redeemable preferred shares to redemption value	17	—	—	—	—	(71,300)	—	—	(71,300)	
Components of comprehensive loss										
Net loss		—	—	—	—	—	(83,156)		(83,156)	(83,156)
Foreign currency translation adjustment, net of nil tax		—	—	—	—	—	—	(11,130)	(11,130)	(11,130)
Balance as of December 31, 2011		**—**	**—**	**543,340,914**	**37**	**584,093**	**(2,433,604)**	**(12,219)**	**(1,861,693)**	**(94,286)**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011
(All amounts in thousands)

	Notes	For the year ended December 31,			
		2009	2010	2011	2011
		RMB	RMB	RMB	US$ (Note 2(e))
Cash flows from operating activities					
Net loss		(47,116)	(238,857)	(83,156)	(13,221)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities					
Depreciation of property and equipment	8	1,150	4,284	12,888	2,049
Amortization of acquired intangible assets	9	1,512	1,030	1,211	193
Allowance for doubtful accounts	6	88	287	—	—
Loss (gain) on disposal of property and equipment		4	—	(25)	(4)
Impairment of equity investments		—	297	—	—
Impairment of cost investment		—	—	1,898	301
Share-based compensation	18	36,482	236,936	135,001	21,462
Share of loss of equity investments	7	191	512	1,358	216
Deferred income taxes, net	15	—	(1,643)	(11,173)	(1,776)
Foreign exchange losses (gains), net		15	551	(14,143)	(2,248)
Changes in operating assets and liabilities, net					
Accounts receivable	6	(7,818)	(12,932)	(21,275)	(3,382)
Prepayments and other current assets		(452)	(2,409)	(5,123)	(814)
Other non-current assets		—	—	413	65
Amounts due to related parties	20	360	854	(344)	(55)
Accounts payable		903	2,081	11,196	1,780
Deferred revenue	11	6,606	10,303	23,369	3,715
Advances from users		(600)	483	1,712	272
Income tax payable		391	3,965	12,516	1,990
Accrued liabilities and other current liabilities		3,808	10,486	33,494	5,325
Net cash (used in) provided by operating activities		(4,476)	16,228	99,817	15,868
Cash flows from investing activities					
Placements of short-term deposits		—	—	(872,372)	(138,692)
Maturities of short-term deposits		1,500	—	399,717	63,548
Purchase of property and equipment		(5,906)	(14,698)	(46,956)	(7,465)
Purchase of intangible assets		(240)	(13,488)	(274)	(44)
Cash paid for investments	7	(1,000)	(3,000)	(5,500)	(874)
Loan to a related party	20	—	(1,500)	(500)	(79)
Loan to a third party		—	—	(300)	(48)
Repayment from a third party		1,000	—	—	—
Loans to employees		—	(967)	(2,770)	(440)
Repayment of loans from employees		—	—	197	31
Proceeds from disposal of property and equipment		137	77	401	64
Net cash used in investing activities		(4,509)	(33,576)	(528,357)	(83,999)
Cash flows from financing activities					
Proceeds from issuance of preferred shares, net of issuance costs	17	80,285	—	—	—
Proceeds from issuance of common shares, net of issuance costs	16	—	—	488,969	77,738
Repurchase of common shares and warrants		(5,656)	(562)	—	—
Repurchase of share options	18	—	(2,576)	(11,087)	(1,763)
Net cash provided by (used in) financing activities		74,629	(3,138)	477,882	75,975
Net increase (decrease) in cash and cash equivalents		65,644	(20,486)	49,342	7,844
Cash and cash equivalents at the beginning of the year		40,797	106,427	83,683	13,304
Effect of exchange rate changes on cash and cash equivalents		(14)	(2,258)	(4,134)	(657)
Cash and cash equivalents at the end of the year		**106,427**	**83,683**	**128,891**	**20,491**

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011 (CONTINUED)
(All amounts in thousands)

	For the year ended December 31,			
	2009 RMB	2010 RMB	2011 RMB	2011 US$ (Note 2(e))
Supplemental disclosure of non-cash investing and financing activities:				
—Acquisition of property and equipment in form of accounts payable	461	6,725	1,090	173
—Employee loans settled by repurchase of vested share options	—	—	614	96

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

1. Organization and principal activities

(a) Principal activities

YY Inc. (the "Company"), through its subsidiaries, and its variable interest entities ("VIEs") (collectively, the "Group") is principally engaged in operating an online social platform in the People's Republic of China (the "PRC" or "China") through its platform, YY Client and through its website *YY.com* and *Duowan.com*.

(b) Reorganization

The Company was incorporated in the Cayman Islands on July 22, 2011.

The Group began its operations in the PRC in April 2005 through its PRC domestic company, Guangzhou Huaduo Network Technology Company Limited ("Guangzhou Huaduo"), which was directly owned by Mr. David Xueling Li (the "Founder" or the "CEO") and Mr. Jun Lei (the "Co-founder" or the "Chairman"). Guangzhou Huaduo holds the necessary licenses and approvals to operate internet-related businesses in the PRC.

For the period between July 2006 and April 2007, the Group undertook a reorganization (the "First Reorganization") and established Duowan Limited ("Duowan Limited"), an investment holding company under the laws of the BVI, Duowan (Hong Kong) Limited ("Duowan (Hong Kong)"), a Hong Kong incorporated company wholly owned by Duowan Limited, and Guangzhou Duowan Information Technology Co., Ltd. ("Guangzhou Duowan"), a wholly-owned foreign enterprise ("WOFE") in the PRC owned by Duowan (Hong Kong) (collectively "Duowan Limited Group Structure"). The First Reorganization was necessary to comply with PRC laws and regulations which prohibit or restrict foreign ownership of companies that provide internet content services in the PRC where licenses are required.

By entering into a series of agreements among the Founder, the Co-founder, Guangzhou Huaduo, and Guangzhou Duowan (collectively, "First VIE agreements"), Guangzhou Huaduo became a VIE of Guangzhou Duowan. Guangzhou Duowan became the primary beneficiary of Guangzhou Huaduo.

In November 2007, Duowan Entertainment Corporation ("Duowan BVI") was incorporated in the British Virgin Islands. In March 2008, Duowan BVI established Duowan Entertainment Information Technology (Beijing) Company Limited ("Duowan Entertainment"), as a WOFE in the PRC and a wholly-owned subsidiary of Duowan BVI. The Group undertook a second reorganization (the "Second Reorganization") whereby the First VIE agreements among the Founder, the Co-founder, Guangzhou Huaduo and Guangzhou Duowan were terminated and a new series of VIE agreements (collectively, "Second VIE agreements") were signed among the Founder, the Co-founder, Guangzhou Huaduo and Duowan Entertainment, through which Duowan Entertainment became the primary beneficiary and exercised effective control over the operations of Guangzhou Huaduo. Duowan BVI became the then holding company of the Group.

In August 2008, Duowan Entertainment purchased all the equity interests in Guangzhou Duowan from Duowan (Hong Kong).

In December 2008, the Group undertook another reorganization (the "Third Reorganization") and acquired all of the equity interests of NeoTasks Inc. ("NeoTasks"), a Cayman Islands company, together with its wholly-owned subsidiary, NeoTasks Limited, its WOFE, NeoTasks International Media Technology (Beijing) Co., Ltd. ("NeoTasks Beijing"), and its VIE, Beijing Tuda Science and Technology Co., Limited ("Beijing Tuda").

In July 2009, Guangzhou Duowan was renamed as Zhuhai Duowan Information Technology Co., Ltd. ("Zhuhai Duowan").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

1. Organization and principal activities (continued)

(b) Reorganization (continued)

In December 2009, another series of VIE agreements (collectively, "Third VIE agreements") were entered into amongst the legal shareholders of Beijing Tuda and Duowan Entertainment and thus completing the Third Reorganization. Through the aforementioned activities, Beijing Tuda became a VIE, whose primary beneficiary is Duowan Entertainment.
In December 2010, Duowan BVI established Zhuhai Duowan Technology Company Limited ("Zhuhai Duowan Technology"), which is directly 100% owned by Duowan BVI.

On September 6, 2011, pursuant to a share swap agreement, all the then existing shareholders of Duowan BVI exchanged their respective shares, including the Series A, Series B, Series C-1 and Series C-2 Preferred Shares, of Duowan BVI for equivalent classes of shares of the Company on a 1 for 1 basis. As a result, Duowan BVI became a wholly-owned subsidiary of the Company and it also became the holding company of the Group (the "Share Swap").

In May 2012, Duowan Entertainment was renamed as Huanju Shidai Technology (Beijing) Company Limited ("Huanju Shidai").

The First Reorganization, the Second Reorganization, the Third Reorganization and the Share Swap were all reorganization of entities under common control and have been accounted for in a manner akin to a pooling of interest as if the Company, through its wholly owned subsidiaries, had been in existence and been the primary beneficiary of the VIEs throughout the periods presented in the consolidated financial statements. As a result of these arrangements, the Company, through its wholly owned subsidiaries, is considered the primary beneficiary of two VIEs, Guangzhou Huaduo and Beijing Tuda, and accordingly, their results of operation and financial conditions are consolidated in the financial statements of the Group.

(c) Subsidiaries and VIEs

The details of the subsidiaries and VIEs as of December 31, 2011 are set out below:

Name	Place of incorporation	Date of incorporation	% of direct or indirect economic ownership	Principal activities
Subsidiaries				
Duowan Entertainment Corporation ("Duowan BVI")	British Virgin Islands	November 6, 2007	100%	Investment holding
NeoTasks Inc. ("NeoTasks")	Cayman Islands	April 26, 2006	100%	Investment holding
NeoTasks Limited	Hong Kong	June 16, 2005	100%	Investment holding
Huanju Shidai Technology (Beijing) Company Limited ("Huanju Shidai" or "Duowan Entertainment")	PRC	March 19, 2008	100%	Investment holding
Zhuhai Duowan Information Technology Company Limited ("Guangzhou Duowan" or "Zhuhai Duowan")	PRC	April 9, 2007	100%	Online advertising and software development
Zhuhai Duowan Technology Company Limited ("Zhuhai Duowan Technology")	PRC	December 2, 2010	100%	Software development
Variable Interest Entities ("VIEs")				
Guangzhou Huaduo Network Technology Company Limited ("Guangzhou Huaduo")	PRC	April 11, 2005	100%	Holder of internet content provider licenses and internet value added services
Beijing Tuda Science and Technology Company Limited ("Beijing Tuda")	PRC	June 2, 2005	100%	Holder of internet content provider licenses

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

1. Organization and principal activities (continued)

(d) Variable Interest Entities

To comply with PRC laws and regulations that prohibit or restrict foreign ownership of companies that provide internet-content, the Group conducts substantially all its operations through Guangzhou Huaduo and Beijing Tuda, which holds the internet value-added service license and approvals to provide such internet services in the PRC. Huanju Shidai entered into a series of contractual agreements among Huanju Shidai, Guangzhou Huaduo and their legal shareholders. Huanju Shidai also entered into a series of contractual agreements among Huanju Shidai, Beijing Tuda,and Beijing Tuda's legal shareholders.

Guangzhou Huaduo

The Company's relationships with Guangzhou Huaduo and its shareholders are governed by the following contractual arrangements:

- Exclusive Technology Support and Technology Services Agreement

Under the exclusive technology support and technology services agreement between Huanju Shidai and Guangzhou Huaduo, Huanju Shidai has the exclusive right to provide to Guangzhou Huaduo technology support and technology services related to all technologies needed for its business. Huanju Shidai owns the exclusive intellectual property rights created as a result of the performance of this agreement. The service fee payable by Guangzhou Huaduo to Huanju Shidai is determined by various factors, including the expenses Huanju Shidai incurs for providing such services and Guangzhou Huaduo's revenues. The term of this agreement will expire in 2028 and may be extended with Huanju Shidai's written confirmation prior to the expiration date. Huanju Shidai is entitled to terminate the agreement at any time by providing 30 days' prior written notice to Guangzhou Huaduo.

- Exclusive Business Cooperation Agreement

Under the exclusive business cooperation agreement between Huanju Shidai and Guangzhou Huaduo, Huanju Shidai has the exclusive right to provide to Guangzhou Huaduo technology support, business support and consulting services related to the services provided by Guangzhou Huaduo, the scope of which is to be determined by Huanju Shidai from time to time. Huanju Shidai owns the exclusive intellectual property rights created as a result of the performance of this agreement. The service fee payable by Guangzhou Huaduo to Huanju Shidai is a certain percentage of its earnings. The term of this agreement will expire in 2039 and may be extended with Huanju Shidai's written confirmation prior to the expiration date. Huanju Shidai is entitled to terminate the agreement at any time by providing 30 days' prior written notice to Guangzhou Huaduo.

- Exclusive Option Agreement

The parties to the exclusive option agreement are Huanju Shidai, Guangzhou Huaduo and each of the shareholders of Guangzhou Huaduo. Under the exclusive option agreement, each of the shareholders of Guangzhou Huaduo irrevocably granted Huanju Shidai or its designated representative(s) an exclusive option to purchase, to the extent permitted under PRC law, all or part of his or its equity interests in Guangzhou Huaduo. Huanju Shidai or its designated representative(s) have sole discretion as to when to exercise such options, either in part or in full. Without Huanju Shidai's prior written consent, Guangzhou Huaduo's shareholders shall not sell, transfer, mortgage or otherwise dispose their equity interests in Guangzhou Huaduo. The term of this agreement is ten years and may be extended at Huanju Shidai's sole discretion.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

1. Organization and principal activities (continued)

(d) Variable Interest Entities (continued)

- Powers of Attorney

Pursuant to the irrevocable power of attorney executed by each shareholder of Guangzhou Huaduo, each such shareholder appointed Huanju Shidai as its attorney-in-fact to exercise such shareholders’ rights in Guangzhou Huaduo, including, without limitation, the power to vote on its behalf on all matters of Guangzhou Huaduo requiring shareholder approval under PRC laws and regulations and the articles of association of Guangzhou Huaduo. Each power of attorney will remain in force until the shareholder ceases to hold any equity interest in Guangzhou Huaduo.

- Share Pledge Agreement

Pursuant to the share pledge agreement between Huanju Shidai and the shareholders of Guangzhou Huaduo, the shareholders of Guangzhou Huaduo have pledged all of their equity interests in Guangzhou Huaduo to Huanju Shidai to guarantee the performance by Guangzhou Huaduo and its shareholders’ performance of their respective obligations under the exclusive business cooperation agreement, exclusive option agreement, exclusive technology support and technology services agreement and powers of attorney. If Guangzhou Huaduo and/or its shareholders breach their contractual obligations under those agreements, Huanju Shidai, as pledgee, will be entitled to certain rights, including the right to sell the pledged equity interests.

Beijing Tuda

The Company’s relationships with Beijing Tuda and its shareholders are governed by the following contractual arrangements:

- Exclusive Technology Support and Technology Services Agreement

Pursuant to the exclusive technology support and technology services agreement between Huanju Shidai and Beijing Tuda, Huanju Shidai has the exclusive right to provide to Beijing Tuda technology support and technology services related to all technologies needed for its business. Huanju Shidai owns the exclusive intellectual property rights created as a result of the performance of this agreement. The service fee payable by Beijing Tuda to Huanju Shidai is determined by various factors, including the expenses Huanju Shidai incurs for providing such services and Beijing Tuda’s revenues. The term of this agreement will expire in 2029 and may be extended with Huanju Shidai’s written confirmation prior to the expiration date. Huanju Shidai is entitled to terminate the agreement at any time by providing 30 days’ prior written notice to Beijing Tuda.

- Exclusive Business Cooperation Agreement

Pursuant to the exclusive business cooperation agreement between Huanju Shidai and Beijing Tuda, Huanju Shidai has the exclusive right to provide to Beijing Tuda technology support, business support and consulting services related to the services provided by Beijing Tuda, the scope of which is to be determined by Huanju Shidai from time to time. Huanju Shidai owns the exclusive intellectual property rights created as a result of the performance of this agreement. The service fee payable by Beijing Tuda to Huanju Shidai is a certain percentage of its earnings. The term of this agreement will expire in 2039 and may be extended with Huanju Shidai’s written confirmation prior to the expiration date. Huanju Shidai is entitled to terminate the agreement at any time by providing 30 days’ prior written notice to Beijing Tuda.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

1. Organization and principal activities (continued)

(d) Variable Interest Entities (continued)

- Exclusive Option Agreement

The parties to the exclusive option agreement are Huanju Shidai, Beijing Tuda and each of the shareholders of Beijing Tuda. Under the exclusive option agreement, each of the shareholders of Beijing Tuda irrevocably granted Huanju Shidai or its designated representative(s) an exclusive option to purchase, to the extent permitted under PRC law, all or part of his or its equity interests in Beijing Tuda. Huanju Shidai or its designated representative(s) have sole discretion as to when to exercise such options, either in part or in full. Without Huanju Shidai's prior written consent, Beijing Tuda's shareholders shall not sell, transfer, mortgage or otherwise dispose their equity interests in Beijing Tuda. The term of this agreement is ten years and may be extended at Huanju Shidai's sole discretion.

- Powers of Attorney

Pursuant to the irrevocable power of attorney executed by each shareholder of Beijing Tuda, each such shareholder appointed Huanju Shidai as its attorney-in-fact to exercise such shareholders' rights in Beijing Tuda, including, without limitation, the power to vote on its behalf on all matters of Beijing Tuda requiring shareholder approval under PRC laws and regulations and the articles of association of Beijing Tuda. Each power of attorney will remain in force until the shareholder ceases to hold any equity interest in Beijing Tuda.

- Share Pledge Agreement

Under the share pledge agreement between Huanju Shidai and the shareholders of Beijing Tuda, the shareholders of Beijing Tuda have pledged all of their equity interests in Beijing Tuda to Huanju Shidai to guarantee the performance by Beijing Tuda and its shareholders' performance of their respective obligations under the exclusive business cooperation agreement, exclusive option agreement, exclusive technology support and technology services agreement and powers of attorney. If Beijing Tuda or its shareholders breach their contractual obligations under those agreements, Huanju Shidai, as pledgee, will be entitled to certain rights, including the right to sell the pledged equity interests.

Through the aforementioned contractual agreements, Guangzhou Huaduo and Beijing Tuda are considered VIEs in accordance with Generally Accepted Accounting Principles in the United States ("US GAAP") because the Company, through Huanju Shidai have the ability to:

- exercise effective control over Guangzhou Huaduo or Beijing Tuda;
- receive substantially all of the economic benefits and residual returns, and absorb substantially all the risks and expected losses from VIEs as if it were their sole shareholder; and
- have an exclusive option to purchase all of the equity interests in the VIEs.

Management evaluated the relationships among the Company, Huanju Shidai, the VIEs and concluded that Huanju Shidai is the primary beneficiary of the VIEs. As a result, the VIEs' results of operations, assets and liabilities have been included in the Company's consolidated financial statements. The adoption of the new consolidation guidance effective January 1, 2010 did not change the Group's conclusions on consolidation.

As of December 31, 2011, the total assets of the consolidated VIEs were RMB181,850, mainly comprising cash and cash equivalents, accounts receivable, prepayments and other current assets, investment, property and equipment, intangible assets and deferred tax assets. As of December 31, 2011, the total liabilities of the

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1. Organization and principal activities (continued)

(d) Variable Interest Entities (continued)

consolidated VIEs were RMB187,184, mainly comprising accounts payable, deferred revenue, accrued liabilities and other current liabilities, tax payable and advances from users.

In accordance with the aforementioned agreements, the Company has power to direct activities of the VIEs, and can have assets transferred out of the VIEs. Therefore the Company considers that there is no asset in the consolidated VIEs that can be used only to settle obligations of the consolidated VIEs, except for registered capital of the VIEs amounting to RMB31,000 as of December 31, 2011. As the consolidated VIEs were incorporated as limited liability companies under the PRC Company Law, the creditors do not have recourse to the general credit of the Company for all the liabilities of the consolidated VIEs.

Currently there is no contractual arrangement that could require the Company to provide additional financial support to the VIEs. As the Company is conducting its PRC internet value-added services business through the VIEs, the Company will, if needed provide such support on a discretional basis in the future, which could expose the Company to a loss.

There is no VIE where the Company has variable interest but is not the primary beneficiary.

(e) Share Split

On December 23, 2009, the board of directors of Duowan BVI approved a 1 to 490 share split of all of its outstanding common shares and a proportional adjustment to the existing conversion ratios for each series of preferred shares. Accordingly, all share, share option and per share amounts for all periods presented in these consolidated financial statements and notes thereto, have been adjusted retrospectively, where applicable, to reflect this share split and adjustment of the preferred shares conversion ratio.

2. Principal accounting policies

(a) Basis of presentation

The consolidated financial statements have been prepared on a historical cost basis to reflect the financial position and results of operations of the Group in accordance with the US GAAP.

(b) Consolidation

The Group's consolidated financial statements include the financial statements of the Company, its subsidiaries and its VIEs for which the Company or its subsidiary is the primary beneficiary. All transactions and balances among the Company, its subsidiaries and its VIEs have been eliminated upon consolidation.

The First Reorganization, the Second Reorganization and the Third Reorganization, as described in Note 1 have been accounted for at historical costs. The assets and liabilities of Guangzhou Huaduo and Beijing Tuda are consolidated in the Company's financial statements at carryover basis. The accompanying consolidated statements of operations and consolidated statements of cash flows include the results of operations and cash flows of the Group as if the current group structure had been in existence throughout the years ended December 31, 2009, 2010 and 2011, or since their respective dates of incorporation. The accompanying consolidated balance sheets have been prepared to present the financial position of the Group as of December 31, 2010 and 2011 as if the current group structure had been in existence as of these dates.

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2. Principal accounting policies (continued)

(b) Consolidation (continued)

A subsidiary is an entity in which the Company, directly or indirectly, controls more than one half of the voting powers; or has the power to appoint or remove the majority of the members of the board of directors; or to cast a majority of votes at the meeting of directors; or has the power to govern the financial and operating policies of the investee under a statute or agreement among the shareholders or equity holders.

A VIE is an entity in which the Company, or its subsidiary, through contractual agreements, bears the risks of, and enjoys the rewards normally associated with ownership of the entity, and therefore the Company or its subsidiary is the primary beneficiary of the entity. In determining whether the Company or its subsidiaries are the primary beneficiary, the Company considered whether it has the power to direct activities that are significant to the VIEs economic performance, and also the Company's obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. Huanju Shidai and ultimately the Company holds all the variable interests of the VIEs and has been determined to be the primary beneficiary of the VIEs.

(c) Use of estimates

The preparation of the Company's consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from such estimates. The Company believes that lives of the game and lives of the user relationship related to online game revenue, the determination of estimated selling prices of multiple element revenue contracts, sales rebate to advertising agencies, income taxes, allowances for doubtful accounts, determination of share-based compensation expenses, impairment assessment of goodwill, long-lived assets and intangible assets, represent critical accounting policies that reflect more significant judgments and estimates used in the preparation of its consolidated financial statements.

Management bases the estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results could differ from these estimates.

(d) Foreign currency translation

The Group uses Renminbi ("RMB") as its reporting currency. The functional currency of the Company and its subsidiaries incorporated in the Cayman Islands, British Virgin Islands, and Hong Kong is United States dollar ("US$ "), while the functional currency of the other entities and VIEs in the Group is RMB, which is their respective local currency. In the consolidated financial statements, the financial information of the Company, its subsidiaries and VIEs, which use US$ as their functional currency, have been translated into RMB. Assets and liabilities are translated at the exchange rates on the balance sheet date, equity amounts are translated at historical exchange rates, and revenues, expenses, gains, and losses are translated using the average exchange rate for the period. Translation adjustments arising from these are reported as foreign currency translation adjustments and are shown as a component of other comprehensive income or loss in the statement of changes in shareholders' equity and comprehensive income.

Foreign currency transactions denominated in currencies other than functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are remeasured at the applicable

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2. Principal accounting policies (continued)

(d) Foreign currency translation (continued)

rates of exchange in effect at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from remeasurement at year-end are recognized in foreign currency exchange gains/ losses, net in the consolidated statement of operations.

(e) Convenience translation

Translations of amounts from RMB into US$ for the convenience of the reader were calculated at the noon buying rate of US$1.00 = RMB6.29 on December 31, 2011 as set forth in the H.10 statistical release of the U.S. Federal Reserve Board. No representation is made that the RMB amounts could have been, or could be, converted into US$ at such rate.

(f) Fair value of financial instruments

The Group’s financial instruments consist principally of cash and cash equivalents, short-term deposits, accounts receivable, other receivables, amounts due from/(to) related parties, accounts payable and other payables. The carrying values of these balances approximate their fair values due to the current and short-term nature of these balances.

(g) Cash and cash equivalents

Cash and cash equivalents represent cash on hand, demand deposits and highly liquid investments placed with banks, which are unrestricted as to withdrawal or use, and which have original maturities of three months or less and are readily convertible to known amounts of cash.

(h) Short-term deposits

Short-term deposits represent time deposits placed with banks with original maturities of more than three months but less than one year. Interest earned is recorded as interest income in the consolidated statements of operations during the periods presented.

(i) Accounts receivable, net

Accounts receivable are presented net of allowance for doubtful accounts. The Group uses specific identification in providing for bad debts when facts and circumstances indicate that collection is doubtful and a loss is probable and estimable. If the financial conditions of its customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

(j) Equity investment

The equity investment is comprised of investments in privately-held companies. The Group accounts for its equity investment over which it has significant influence but does not own a majority equity interest or otherwise control using the equity method. The Group assesses its equity investment for other-than-temporary impairment by considering factors including, but not limited to, current economic and market conditions, operating performance of the companies, including current earnings trends and undiscounted cash flows, and other company-specific information. The fair value determination, particularly for investment in privately-held companies, requires judgment to determine appropriate estimates and assumptions. Changes in these estimates and assumptions could affect the calculation of the fair value of the investment and determination of whether any identified impairment is other-than-temporary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. Principal accounting policies (continued)

(k) Cost investment

The cost investment is comprised of investments in privately-held companies. The Group accounts for cost investment which has no readily determinable fair value using the cost method. Under the cost method, the investment is measured initially at cost. The investment carried at cost should recognize income when dividends are received from the distribution of the investee's earnings. The Group periodically evaluates the carrying value of investments accounted for under the cost method of accounting and any impairment is included in the consolidated statements of operations.

(l) Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment loss, if any. Depreciation is calculated using the straight-line method over their estimated useful lives. Residual rate is determined based on the economic value of the equipment at the end of the estimated useful lives as a percentage of the original cost.

	Estimated useful lives	Residual rate
Servers, computers and equipment	3 years	0%-5%
Furniture, fixture and office equipment	5 years	5%
Motor vehicles	4 years	5%
Leasehold improvement	Shorter of lease term or 5 years	—

Expenditures for maintenance and repairs are expensed as incurred. The gain or loss on the disposal of property and equipment is the difference between the net sales proceeds and the carrying amount of the relevant assets and is recognized in the consolidated statements of operations.

All direct and indirect costs that are related to the construction of property and equipment and incurred before the assets are ready for their intended use are capitalized as construction in progress. Construction in progress is transferred to specific property and equipment items and depreciation of these assets commences when they are ready for their intended use.

(m) Business combinations

The Group accounts for acquisitions of entities that include inputs and processes and have the ability to create outputs as business combinations. The Group allocates the purchase price of the acquisition to the tangible assets, liabilities, and identifiable intangible assets acquired based on their estimated fair values. The excess of the purchase price over those fair values is recorded as goodwill. Acquisition-related costs generally are expensed as incurred.

(n) Intangible assets, net

Intangible assets mainly consist of software and domain names purchased from third parties. Identifiable intangible assets are carried at acquisition cost less accumulated amortization and impairment loss, if any. Finite-lived intangible assets are tested for impairment if impairment indicators arise. Amortization of finite-lived intangible assets is computed using the straight-line method over the following estimated useful lives, which are as follows:

	Estimated useful lives
Software	5 years
Domain name	15 years

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2. Principal accounting policies (continued)

(o) Impairment of long-lived assets and intangible assets

For other long-lived assets including amortizable intangible assets, the Group evaluates for impairment whenever events or changes (triggering events) indicate that the carrying amount of an asset may no longer be recoverable. The Group assesses the recoverability of the long-lived assets by comparing the carrying value of the long-lived assets to the estimated undiscounted future cash flows expected to receive from use of the assets and their eventual disposition. Such assets are considered to be impaired if the sum of the expected undiscounted cash flows is less than the carrying amount of the assets. The impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

(p) Goodwill

Goodwill represents the excess of the purchase price over the amounts assigned to the fair value of the assets acquired and the liabilities assumed of an acquired business (Note 10).

(q) Annual test for impairment of goodwill

Goodwill assessment for impairment is performed on at least an annual basis on October 1 or whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. The Group performs a two-step goodwill impairment test. The first step compares the fair values of each reporting unit to its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill is not considered impaired and the second step will not be required. If the carrying amount of a reporting unit exceeds its fair value, the second step compares the implied fair value of the affected reporting unit's goodwill to the carrying value of that goodwill. The implied fair value of goodwill is determined in a manner similar to accounting for a business combination with the allocation of the assessed fair value determined in the first step to the assets and liabilities of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied fair value of goodwill. This allocation process is only performed for purposes of evaluating goodwill impairment and does not result in an entry to adjust the value of any assets or liabilities. An impairment loss is recognized for any excess in the carrying value of goodwill over the implied fair value of goodwill. The judgment in estimating the fair value of reporting units includes estimating future cash flows, determining appropriate discount rates and making other assumptions. Changes in these estimates and assumptions could materially affect the determination of the fair value of each reporting unit.

No goodwill impairment losses were recognized for the years ended December 31, 2009, 2010 and 2011.

(r) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating lease are charged to the consolidated statements of operations on a straight-line basis over the period of the lease.

(s) Revenue recognition

The Group generates revenues from internet value-added services ("IVAS") and online advertising. Revenues from IVAS are generated from online games, YY music, membership subscription fees and other IVAS. Online advertising revenues are primarily generated from sales of different forms of advertising on

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

2. Principal accounting policies (continued)

(s) Revenue recognition (continued)

the Group's platform. Revenue is recognized when persuasive evidence of an arrangement exists, service has been rendered, the price is fixed or determinable and collection is reasonably assured. Revenue is deferred until these criteria are met as described above.

In October 2009, the Financial Accounting Standards Board (the "FASB") issued a new guidance to address the accounting for multiple-deliverable arrangements. This new guidance is effective prospectively in fiscal years beginning upon or after June 15, 2010, and early adoption is permitted. The Group has elected early adoption of this new guidance through a retrospective application to all revenue arrangements for all periods presented of the financial statements.

(i) Internet value-added services

The Group operates a virtual currency system, under which, the users can directly purchase virtual currency, virtual items on YY Client's online community channels or pay membership subscription fees via online payment systems provided by third parties including payments using mobile phone, internet debit/credit card payment and other third party payment systems. The virtual currency can be converted into game tokens that can be used to purchase virtual items in online games (both developed by third parties and self-developed), or used directly to purchase virtual items on YY Client's online community channels or used to pay membership subscription fees. Virtual currency sold but not yet consumed by the purchasers is recorded as "Advances from users" and upon conversion or being used, is recognized as revenue according to the respective prescribed revenue recognition policies addressed below:

(1) Online game revenue

The Group generates revenues from offering virtual items in online games developed by third parties or the Group itself to gaming players. Historically, the majority of online game revenues for the three years ended December 31, 2009, 2010 and 2011 were derived from third parties developed games.

Users play games through the Group's platform free of charge and are charged for purchases of virtual items including consumable and perpetual items, which can be utilized in the online games to enhance their game-playing experience. Consumable items represent virtual items that can be consumed by a specific user within a specified period of time. Perpetual items represent virtual items that are accessible to the users' account over the life of the online game. All of the online games can be accessed and played by end users on the Group's platform without downloading separate software.

The Group recognizes revenue when recognition criteria defined under US GAAP are satisfied. For purposes of determining when the service has been provided to the paying player, the Group has determined that an implied obligation exists to the paying player to continue providing access to the games such that the users can utilize the virtual items purchased by game tokens. Game players need to log on and access the games through the Group's platform because their game tokens, virtual items, and game history are specific to the Group's game accounts and non-transferable to other platforms. To purchase in-game virtual items, players can either charge their game accounts by purchasing game tokens or virtual currency from the Group's platform, which are convertible into game tokens based on a predetermined exchange rate agreed among the Group and the relevant game developers.

The proceeds from the purchase of the Group's virtual currency is recorded as "advances from users", representing prepayments received from users in the form of the Group's virtual currency not yet converted

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. Principal accounting policies (continued)

(s) Revenue recognition (continued)

(i) Internet value-added services (continued)

(1) Online game revenue (continued)

into game specific tokens. Upon the conversion into a game token from the Group's virtual currency or upon the direct purchase of a game token, whichever is applicable, the proceeds will be shared between the Group and the relevant game developer based on a predetermined contractual ratio. Game tokens are non-refundable and non-exchangeable among different games. The Group's portion, net of the game developer's proceeds, is recorded as deferred revenue and amortized according to the prescribed revenue recognition policies described below. Users typically do not convert the virtual currency into game tokens or purchase the game tokens unless they soon plan to purchase in-game virtual items.

—Third party developed online games

Pursuant to contracts signed between the Group and the respective game developers, revenues from the sale or conversion of game tokens to be used for the purchase of in-game virtual items from online games developed by third parties are shared between the Group and the game developers based on a pre-agreed ratio for each game. These revenue-sharing contracts typically last one to two years.

The third party developed games are all under non-exclusive licensing contracts, maintained and updated by the game developers. The Group mainly provides access platform and limited after-sale services to the game players. The determination of whether to record these revenues using gross or net method is based on an assessment of various factors. The primary factors are whether the Group is acting as the principal in offering services to the game players or as agent in the transaction, and the specific requirement of each contract. The Group determined that for third party developed games, the third party game developers are the principal given the game developers design and develop the web-game services offered, have reasonable latitude to establish prices of game tokens, and are responsible for maintaining and upgrading the game contents and virtual items. Accordingly, the Group records online game revenue, net of the pre-agreed portion of sharing of the revenues with the game developers.

Given that third party developed games are managed and administered by the third party game developers, the Group does not have access to the data on the consumption details such as when the game token is spent on the virtual items or the types of virtual items (consumable or perpetual items) purchased by each individual game player. However, the Group maintains historical data on timing of the conversion of its virtual currency into game specific tokens and the amount of purchases of game tokens. The Group believes that its performance for, and obligation to, the game developers corresponds to the game developers' services to the users. The Group has adopted a policy to recognize revenues relating to game tokens for third party developed games over the estimated user relationship with the Group on a game-by-game basis, which are approximately three to six months for the periods presented. Future usage patterns may differ from historical usage patterns and therefore the estimated user relationship with the Group may change in the future.

When the Group launches a new game, it estimates the user relationship based on other similar types of games in the market until the new game establishes its own history. The Group considers the games profile, attributes, target audience, and its appeal to players of different demographics groups in estimating the user relationship period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. Principal accounting policies (continued)

(s) Revenue recognition (continued)

(i) Internet value-added services (continued)

(1) Online game revenue (continued)

To estimate the user relationship period, the Group maintains a software system that captures the following information for each user: (a) the frequency that users log into each game via the Group's platform, and (b) the amount and the timing of when the users convert or charge his or her game tokens. The Group estimates the user relationship period for a particular game to be (1) the date a player purchases or converts from virtual currency to a game token through (2) the date the Group estimates the user plays the game for the last time. This computation is completed on a user by user basis. Then, the results for all analyzed users are averaged to determine one estimated end user relationship period for each game. Each month's in-game payments are recognized over the user relationship period calculated for that game.

The consideration of user relationship with each online game is based on the Group's best estimate that takes into account all known and relevant information at the time of assessment. The Group assesses the estimated user relationships on a quarterly basis. Any adjustments arising from changes in the user relationship as a result of new information will be accounted as a change in accounting estimate in accordance with ASC 250 *Accounting Changes and Error Corrections.*

—Self-developed games

Revenues derived from self-developed games are recorded on a gross basis as the Group acts as a principal to fulfill all obligations. The Group does not maintain information on consumption details of in-game virtual items, and only has limited information related to the frequency of log-ons for its two self developed games. Given that certain historical data is not available, the Group uses the user relationship of third party games with similar popularity, gaming experience and sales to determine the estimated period of user relationship for its self-developed games. The estimated user relationship period of the Group's self-developed games are approximately four months for the periods presented.

(2) YY music revenue

YY music revenue consists of sales of virtual items to be used on YY Client's music channels. Users can use the Group's virtual currency to purchase virtual items directly. The Group operates the YY platform and offer virtual items in the music channels so it takes primary responsibility to end users. Accordingly, revenues are recognized on a gross basis because the Group is the primary obligator of the arrangement. For the year ended December 31, 2011, all virtual items sold in YY music channels are consumable and are recognized as revenue immediately as the Group did not have further obligations. The revenue stream derived from YY music began in 2011.

(3) Other revenue

Other revenue mainly represents membership subscription revenue, server rental income, technical support fees, and revenue from the sale of other items on the YY platform.

The Group operates a membership subscription program where subscription members can have enhanced user privileges when using YY Client. The membership fee is collected up-front from subscribers. The receipt of the revenue is initially recorded as deferred revenue and revenue is recognized ratably over the period of the subscription as services are rendered. Unrecognized portion beyond 12 months from balance sheet date is classified as long-term deferred revenue.

Server rental income is recognized on a straight-line basis over the rental period.

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2. Principal accounting policies (continued)

(s) Revenue recognition (continued)

(ii) Advertising revenues

Advertising revenues are derived principally from advertising arrangements where the advertisers pay to place their advertisements on the Group's platform in different formats over a particular period of time. Such formats generally include but are not limited to banners, text-links, videos, logos, and buttons. Advertisements on the Group's platform are generally charged on the basis of duration, and advertising contracts are signed to establish the fixed price and the advertising services to be provided. Where collectability is reasonably assured, advertising revenues from advertising contracts are recognized ratably over the contract period of display.

The Group enters into advertising contracts directly with advertisers or third party advertising agencies that represent advertisers. Contract terms generally range from 1 to 3 months. Both third party advertising agencies and direct advertisers are generally billed at the end of the display period and payments are due usually within 6 months.

Where customers purchase multiple advertising spaces with different display periods in the same contract, the Group allocates the total consideration to the various advertising elements based on the relative selling price method and recognizes revenue for the different elements over their respective display periods. The following hierarchy should be followed when determining the appropriate selling price for each element: (1) vendor specific objective evidence ("VSOE"), (2) third party evidence ("TPE"), and (3) best estimate of selling price ("BESP"). Given that the VSOE or TPE of the selling price cannot be determined, the Group has adopted a policy to allocate the fair values of different advertising elements based on the best estimate selling prices of each advertisement within the contract taking into consideration the standard price list and historical discounts granted. The Group recognizes revenue on the elements delivered and defers the recognition of revenue for the fair value of the undelivered elements until the remaining obligations have been satisfied. Where all of the elements within an arrangement are delivered uniformly over the agreement period, the revenues are recognized on a straight line basis over the contract period.

Transactions with third party advertising agencies

For contracts entered into with third party advertising agencies, the third party advertising agencies will in turn sell the advertising services to advertisers. Revenue is recognized ratably over the contract period of display based on the following criteria:

- There is persuasive evidence that an arrangement exists—the Group will enter into framework and execution agreements with the advertising agencies, specifying price, advertising content, format and timing
- Price is fixed or determinable—price charged to the advertising agencies are specified in the agreements, including relevant discount and rebate rates
- Services are rendered—the Group recognizes revenue ratably as the element are delivered over the contract period of display
- Collectability is reasonably assured—the Group assesses credit history of each advertising agency before entering into any framework and execution agreements. If the collectability from the agencies is assessed as not reasonably assured, the Group recognizes revenue only when the cash is received and all the other revenue criteria are met

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

2. Principal accounting policies (continued)

(s) Revenue recognition (continued)

(ii) Advertising revenues (continued)

The Group provides sales incentives in the forms of discounts and rebates to third party advertising agencies based on purchase volume. As the advertising agencies are viewed as the customers in these transactions, revenue is recognized based on the price charged to the agencies, net of sales incentives provided to the agencies. Sales incentives are estimated and recorded at the time of revenue recognition based on the contracted rebate rates and estimated sales volume based on historical experience.

Transactions with advertisers

The Group also enters into advertisement contracts directly with advertisers. Similar to transactions with third party advertising agencies, the Group recognizes revenue ratably as the elements are delivered over the contract period of display. The terms and conditions, including price, are fixed according to the contract between the Group and the advertisers. The Group also performs a credit assessment of all advertisers prior to entering into contracts. Revenue is recognized based on the amount charged to the advertisers, net of discounts.

(t) Advances from users and deferred revenue

Advances from users are prepayments from users in the form of the Group's virtual currency that are not yet consumed or converted into game tokens, and upon the consumption or conversion, are recognized as revenue according to the prescribed revenue recognition policies described above. Deferred revenue primarily consists of the unamortized game tokens and prepaid subscriptions under the membership program, where there is still an implied obligation to be provided by the Group, which will be recognized as revenue when all of the revenue recognition criteria are met.

(u) Cost of revenues

Amounts recorded as cost of revenue relate to direct expenses incurred in order to generate IVAS and advertising revenue. Such costs are recorded as incurred. Cost of revenues consists primarily of (i) bandwidth costs, (ii) depreciation and amortization expense for servers and other equipment or intangibles directly related to operating the platform, (iii) personnel expenses such as salary and welfare expenses and share-based compensation, (iv) payment handling cost, (iv) business taxes and related surcharges, (v) YY music activities costs, and (vi) other costs.

In the PRC, business taxes are imposed by the government on the revenues reported by the selling entities for the provision of taxable services in the PRC, transfer of intangible assets and the sale of immovable properties in the PRC. The business tax rate varies depending on the nature of the revenues. The Group is also subject to cultural development fee on the provision of advertising services in the PRC. The subsidiaries/VIEs' advertising revenues earned from external customers are subject to business taxes, surcharges and cultural development fees of 8.5%, 8.5% and 8.6% for the year ended December 31, 2009, 2010 and 2011. The VIEs' IVAS revenue earned from external customers are subject to business taxes and surcharges of 3.30%, 3.30% and 3.36% for the year ended December 31, 2009, 2010 and 2011. As a result of the Group's current structure in the PRC and future intercompany transactions between the VIEs and Huanju Shidai, the Group's revenues might be subject to business tax and surcharge more than once.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

2. Principal accounting policies (continued)

(u) Cost of revenues (continued)

The Group includes the business tax and surcharges, and cultural development fees incurred in cost of revenues. The business tax and surcharges, and cultural development fees included in cost of revenues for the years ended December 31, 2009, 2010 and 2011 were RMB2,328, RMB7,186 and RMB16,462, respectively.

(v) Research and development expenses

Research and development costs consist primarily of (i) salary and benefits for our research and development personnel, and (ii) rental and depreciation of office premise and servers utilized by the research and development personnel. The costs to develop the YY gaming platform, including the costs to develop the websites, new services and features, are expensed as incurred.

Costs incurred during the research stage are expensed as incurred. Costs incurred in the development stage, prior to the establishment of technological feasibility, which is when a working model is available, are expensed when incurred.

Development costs incurred for the years ended December 31, 2009, 2010 and 2011 that were qualified for capitalization were insignificant.

(w) Sales and marketing expenses

Sales and marketing expenses comprise primarily of salary, commission, stock based compensation expenses, and benefits of sales and marketing personnel and advertising and market promotion expenses. The advertising and market promotion expenses amounted to approximately RMB2,137, RMB1,773 and RMB 4,234 during the years ended December 31, 2009, 2010 and 2011, respectively.

(x) General and administrative expenses

General and administrative expenses consist primarily of salary and benefits, including share-based compensation for general and administrative personnel, professional service fees, legal expenses and other administrative expenses.

(y) Government grants

Government grants represent cash subsidies received from the PRC government by the operating subsidiaries or VIEs of the Company. Government grants are originally recorded as deferred revenue when received upfront. After all of the conditions specified in the grants have been met, the grants are recognized as operating or non-operating income based on the nature of the government grants.

(z) Share-based compensation

The Company grants stock-based award, such as, but not limited to, share options, restricted shares, restricted share units and warrants to eligible employees, officers, directors, and non-employee consultants.

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2. Principal accounting policies (continued)

(z) Share-based compensation (continued)

Awards granted to employees, officers, and directors are initially accounted for as equity-classified awards. The related shared-based compensation expenses are measured at the grant date fair value of the award and are recognized using the graded vesting method, net of estimated forfeiture rates, over the requisite service period, which is generally the vesting period. Duowan BVI also granted share options and restricted shares to non-employees. Awards granted to non-employees are initially measured at fair value on the grant date and periodically remeasured thereafter until the earlier of the performance commitment date or the date the service is completed and recognized over the period the service is provided. Awards are remeasured at each reporting date using the fair value as at each period end until the measurement date, generally when the services are completed and awards are vested. Changes in fair value between the interim reporting dates are attributed consistent with the method used in recognizing the original compensation costs.

As a result of Duowan BVI's repurchases of certain awards offered in 2009 and in 2011 (Note 18), certain initially equity classified employee and non-employee awards had been reclassified as a liability classified award, as these awards were deemed to have a substantive cash settlement feature. These awards are re-measured at the end of each reporting period until either the substantive cash settlement is terminated or the holder of the awards is exposed to the market value fluctuation of the underlying shares for a reasonable period of time (at least six months), or the awards are settled, cancelled or expire unexercised.

On September 15, 2011, the board of directors of the Company resolved not to undertake any repurchases of vested or unvested share-based compensation awards, except under those conditions specified in the relevant award scheme and grant documents. In addition, any proposed repurchase of vested or unvested share-based compensation awards should be approved by the majority votes of the board of directors. Such intention of the Company was specifically communicated to all employees with or without the awards. All the employees with vested or unvested awards also confirmed such understanding by a written confirmation. Accordingly, the classification of the liability-classified awards changed back to be equity-classified.

Share-based compensation expense is recorded net of estimated forfeitures so that expense is recorded for only those stock-based awards that we expect to vest. Forfeitures are estimated at the time of grant based on historical forfeiture rates and will be revised in the subsequent periods if actual forfeitures differ from those estimates.

The Binomial option-pricing model is used to measure the fair value of all the share options. The determination of the fair value is affected by the share price as well as assumptions regarding a number of complex and subjective variables, including the expected share price volatility, actual and projected employee and non-employee share option exercise behavior, risk-free interest rates and expected dividends. The use of the Binomial option-pricing model requires extensive actual employee, directors, officers and non-employee exercise behavior data for the relative probability estimation purpose, and a number of complex assumptions.

(aa) Income taxes

Current income taxes are provided on the basis of net income for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes, in accordance with the regulations of the relevant tax jurisdictions. Deferred income taxes are accounted for using an asset and liability method. Under this method, deferred income taxes are recognized for the tax consequences of temporary differences by applying enacted statutory rates applicable to future years to differences between

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2. Principal accounting policies (continued)

(aa) Income taxes (continued)

the financial statement carrying amounts and the tax bases of existing assets and liabilities. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purpose. The effect on deferred taxes of a change in tax rates is recognized in statement of operations in the period of change. A valuation allowance is provided to reduce the amount of deferred tax assets if it is considered more likely than not that some portion of, or all of the deferred tax assets will not be realized.

Uncertain tax positions

The guidance on accounting for uncertainties in income taxes prescribes a more likely than not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Guidance was also provided on derecognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods, and income tax disclosures. Significant judgment is required in evaluating the Group’s uncertain tax positions and determining its provision for income taxes. The Group recognizes interests and penalties, if any, under accrued expenses and other current liabilities on its balance sheet and under other expenses in its statements of operations. The Group did not recognize any significant interest and penalties associated with uncertain tax positions for the years ended December 31, 2009, 2010 and 2011. As of December 31, 2010 and 2011, the Group did not have any significant unrecognized uncertain tax positions.

(bb) Employee social security and welfare benefits

Employees of the Group in the PRC are entitled to staff welfare benefits including pension, work-related injury benefits, maternity insurance, medical insurance, unemployment benefit and housing fund plans through a PRC government-mandated multi-employer defined contribution plan. The Group is required to accrue for these benefits based on certain percentages of the employees’ salaries, up to a maximum amount specified by the local government. The Group is required to make contributions to the plans out of the amounts accrued. The PRC government is responsible for the medical benefits and the pension liability to be paid to these employees and the Group’s obligations are limited to the amounts contributed and no legal obligation beyond the contributions made. Employee social security and welfare benefits included as expenses in the accompanying statements of operations amounted to RMB3,731, RMB10,217 and RMB23,657, for the years ended December 31, 2009, 2010 and 2011, respectively.

(cc) Statutory reserves

The Group’s subsidiaries and VIEs established in the PRC are required to make appropriations to certain non-distributable reserve funds.

In accordance with the laws applicable to China’s Foreign Investment Enterprises, the Group’s subsidiaries registered as wholly-owned foreign enterprises (Huanju Shidai, Zhuhai Duowan and Zhuhai Duowan Technology) have to make appropriations from its after-tax profit (as determined under the Accounting Standards for Business Enterprises as promulgated by the Ministry of Finance of the People’s Republic of China (“PRC GAAP”)) to reserve funds including general reserve fund, and staff bonus and welfare fund. The appropriation to the general reserve fund must be at least 10% of the after-tax profits calculated in accordance with PRC GAAP. Appropriation is not required if the reserve fund has reached 50% of the registered capital of the company. Appropriation to the staff bonus and welfare fund is at the company’s discretion.

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2. Principal accounting policies (continued)

(cc) Statutory reserves (continued)

In addition, in accordance with the Company Laws of the PRC, the VIEs of the Company registered as PRC domestic companies (Guangzhou Huaduo and Beijing Tuda) must make appropriations from its after-tax profit as determined under the PRC GAAP to non-distributable reserve funds including a statutory surplus fund and a discretionary surplus fund. The appropriation to the statutory surplus fund must be at least 10% of the after-tax profits as determined under the PRC GAAP. Appropriation is not required if the surplus fund has reached 50% of the registered capital of the company. Appropriation to the discretionary surplus fund is made at the discretion of the company.

The use of the general reserve fund, statutory surplus fund and discretionary surplus fund are restricted to the off-setting of losses or increasing capital of the respective company. The staff bonus and welfare fund is a liability in nature and is restricted to fund payments of special bonus to staff and for the collective welfare of employees. All these reserves are not allowed to be transferred to the company in terms of cash dividends, loans or advances, nor can they be distributed except under liquidation.

The Group did not make any appropriation to its general reserve fund, statutory surpluses fund, discretionary surplus fund, and the staff bonus and welfare fund for the years ended December 31, 2009, 2010 and 2011, respectively, as the PRC subsidiaries and VIEs reported accumulated losses.

(dd) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or significant influence, such as a family member or relative, shareholder, or a related corporation. See also Note 20 for further information.

(ee) Dividends

Dividends are recognized when declared. No dividends were declared for the years ended December 31, 2009, 2010 and 2011, respectively. The Group does not have any present plan to pay any dividends on common shares in the foreseeable future. The Group currently intends to retain the available funds and any future earnings to operate and expand its business.

(ff) Loss per share

Basic loss per share is computed by dividing net loss attributable to common shareholders, considering the accretion of redemption feature, deemed dividend to preferred shareholders and amortization of beneficial conversion feature related to its convertible redeemable preferred shares (Note 17), by the weighted average number of common shares outstanding during the period using the two-class method. Under the two-class method, net income is allocated between common shares and other participating securities based on their participating rights. Net losses are not allocated to other participating securities if based on their contractual terms they are not obligated to share the losses.

Diluted loss per share is calculated by dividing net loss attributable to common shareholders, as adjusted for the effect of dilutive common equivalent shares, if any, by the weighted average number of common and dilutive common equivalent shares outstanding during the period. Common equivalent shares consist of common shares issuable upon the conversion of the preferred shares, using the if-converted method, and shares issuable upon the exercise of share options using the treasury stock method. Common equivalent shares are not included in the denominator of the diluted loss per share calculation when inclusion of such share would be anti-dilutive.

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2. Principal accounting policies (continued)

(gg) Comprehensive loss

Comprehensive loss is defined as the change in equity of the Company during a period arising from transactions and other events and circumstances excluding transactions resulting from investments by shareholders and distributions to shareholders. Comprehensive loss is reported in the consolidated statements of shareholders' deficits and comprehensive loss. Accumulated other comprehensive loss of the Group includes the foreign currency translation adjustments.

(hh) Segment reporting

Operating segments are defined as components of an enterprise engaging in businesses activities for which separate financial information is available that is regularly evaluated by the Group's chief operating decision makers in deciding how to allocate resources and assess performance. The Group's chief operating decision maker has been identified as the Chief Executive Officer, who reviews consolidated results when making decisions about allocating resources and assessing performance of the Group. The Group has internal reporting of cost and expenses that does not distinguish between segments, and reports costs and expenses by nature as a whole. The Group does not distinguish between markets or segments for the purpose of internal reporting. Hence, the Group has only one operating segment. As the Group's long-lived assets and revenue are substantially located in and derived from the PRC, no geographical segments are presented.

(ii) Internal use software

The Company recognizes internal use software development costs in accordance with guidance on intangible assets and internal use software. This requires capitalization of qualifying costs incurred during the software's application development stage and to expense costs as they are incurred during the preliminary project and post implementation/operation stages. The Company has not capitalized any costs related to internal use software during the years ended December 31, 2009, 2010 and 2011, respectively.

(jj) Recently issued accounting pronouncements

In May 2011, the FASB issued Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs, an accounting standard update which amended the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. For public entities, the amendments are effective prospectively during interim and annual periods beginning after December 15, 2011. Early application by public entities is not permitted. This amendment is not expected to have a material impact on the Group's financial position, results of operations or cash flows.

In June 2011, the FASB issued an accounting standards update on the presentation of comprehensive income under which the option to present the components of other comprehensive income as part of the statement of shareholders' equity has been eliminated. The standard requires other comprehensive income be presented as part of a single continuous statement of comprehensive income or in a statement of other comprehensive income immediately following the statement of operations. Reclassification adjustments from other comprehensive income to net income must be presented on the face of the financial statements. This standard must be retrospectively applied to all reporting periods presented in financial reports issued after the effective date. The new accounting guidance is effective for interim and annual periods beginning after December 15, 2011. The Group intends to provide the required financial reporting presentation upon the effective date of this standard. The adoption of this guidance will change the presentation of the Group's financial statement but will not affect the calculation of net income, comprehensive income or earnings per share.

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2. Principal accounting policies (continued)

(jj) Recently issued accounting pronouncements (continued)

In August 2011, the FASB approved changes to the goodwill impairment guidance that are intended to reduce the cost and complexity of the annual impairment test. The changes will provide entities an option to perform a “qualitative” assessment to determine whether further impairment testing (i.e. step 2) is necessary. If an entity believes, as a result of its qualitative assessment, that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is required. Otherwise, no further testing is required. The final standard was issued in September 2011. The changes will be effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011 and earlier adoption is permitted.

In December 2011, the FASB issued a further authoritative pronouncement, Accounting Standard Update, or ASU 2011-12, Deferral of the Effective Date for Amendments to the Presentation of Reclassification of Items Out of Accumulated Other Comprehensive Income in ASU 2011-05, Presentation of Comprehensive Income. Under the amendments in ASU 2011-05, entities are required to present reclassification adjustments and the effect of those reclassification adjustments on the face of the financial statements where net income is presented, by component of net income, and on the face of the financial statements where other comprehensive income is presented, by component of other comprehensive income. In addition, the amendments in ASU 2011-05 require that reclassification adjustments be presented in interim financial periods. The amendments supersede changes to those paragraphs in ASU 2011-05 that pertain to how, when, and where reclassification adjustments are presented. Due to the time required to properly make such a reassessment and to evaluate alternative presentation formats, the Board decided that it is necessary to reinstate the requirements for the presentation of reclassifications out of accumulated other comprehensive income that were in place before the issuance of ASU 2011-05. The amendments in this ASU are effective for public entities for fiscal years, and interim periods within those years, beginning after December 15, 2011. The Group is in the process of evaluating the presentation requirements of adopting this guidance.

In December 2011, the FASB issued an authoritative pronouncement on disclosures about offsetting assets and liabilities. Under this pronouncement, entities are required to disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. This scope would include derivatives, sale and repurchase agreements and reverse sale and repurchase agreements, and securities borrowing and securities lending arrangements. An entity is required to apply the amendments for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. An entity should provide the disclosures required by those amendments retrospectively for all comparative periods presented. This pronouncement is not expected to have a material impact on the Group’s financial position, results of operations or cash flows.

3. Certain risks and concentration

(a) PRC regulations

Foreign ownership of internet-based businesses is subject to significant restrictions under the current PRC laws and regulations. The PRC government regulates internet access, the distribution of online information and the conduct of online commerce through strict business licensing requirements and other government regulations. These laws and regulations also limit foreign ownership in PRC companies that provide internet information distribution services. Specifically, foreign ownership in an internet information provider or other value-added telecommunication service providers may not exceed 50%. Foreigners or foreign invested enterprises are currently not able to apply for the required licenses for operating online games in the PRC.

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3. Certain risks and concentration (continued)

(a) PRC regulations (continued)

The Company is incorporated in the Cayman Islands and accordingly, the Company is considered as a foreign invested enterprise under PRC law.

In order to comply with the PRC laws restricting foreign ownership in the online business in China, the Group operates the online business in China through contractual arrangements with Guangzhou Huaduo and Beijing Tuda, the Group's two VIEs. As of December 31, 2011, Mr. David Xueling Li, CEO, Mr. Jun Lei, Chairman of the Company, Mr. Tony Bin Zhao, Chief Technology Officer, Mr. Jin Cao, General Manager of the Website Department, and Beijing Tuda own approximately 1.7%, 1.5%, 0.1%, 0.1% and 96.6% of Guangzhou Huaduo's equity interests, respectively. As of December 31, 2011, Mr. David Xueling Li, CEO, Mr. Tony Bin Zhao, Chief Technology Officer, and Mr. Jin Cao, General Manager of Website Department, own 97.7%, 1.5% and 0.8% of Beijing Tuda's equity interests, respectively.

The VIEs hold the licenses and permits necessary to conduct its internet value-added services and online advertising business in the PRC. If the Company had direct ownership of the VIEs, it would be able to exercise its rights as a shareholder to effect changes in the board of directors, which in turn could affect changes at the management level, subject to any applicable fiduciary obligations. However, under the current contractual arrangements, it relies on the VIEs and its' shareholders' performance of their contractual obligations to exercise effective control. In addition, the Group's contractual agreements have terms range from 10 to 30 years, which are subject to Huanju Shidai's unilateral termination right.

Under the respective service agreements, Huanju Shidai will provide services including technology support, technology services, business support and consulting services to Beijing Tuda and Guangzhou Huaduo in exchange for service fees. The amount of service fees payable is determined by various factors, including (a) a percentage of Beijing Tuda and Guangzhou Huaduo's revenues or earnings, and (b) the expenses that Huanju Shidai incurs for providing such services. Huanju Shidai may charge up to 100% of the income in Beijing Tuda and Guangzhou Huaduo and a multiple of the expenses incurred for providing such services, as determined by Huanju Shidai from time to time. The service fees payable by Beijing Tuda and Guangzhou Huaduo to Huanju Shidai are determined to be up to 100% of the profits of the Beijing Tuda and Guangzhou Huaduo, with the timing of such payment to be determined at the sole discretion of Huanju Shidai. As of December 31, 2010 and 2011, Huanju Shidai determined that zero service fees were incurred and retained by Beijing Tuda and Guangzhou Huaduo, respectively, because both VIEs had operating losses since inception. Therefore, no fees were recorded in any intercompany payable accounts. No service fee was paid prior to December 31, 2011. If fees were incurred, it would be significant to the Company and the operating companies' economic performance because it will be incurred and paid at up to 100% of the earnings of the VIEs. Fees incurred would be remitted, subject to further PRC restrictions. None of the VIEs or their shareholders are entitled to terminate the contracts prior to the expiration date, unless under remote circumstances such as a material breach of agreement or bankruptcy as it pertains to the service and business operation agreements and their amendment.

Further, the Group believes that the contractual arrangements among Huanju Shidai, the VIEs, and their shareholders are in compliance with PRC law and are legally enforceable. However, the PRC government may issue from time to time new laws or new interpretations on existing laws to regulate this industry. Regulatory risk also encompasses the interpretation by the tax authorities of current tax laws, and the Group's legal structure and scope of operations in the PRC, which could be subject to further restrictions resulting in limitations on the Company's ability to conduct business in the PRC. The PRC government may also require the Company to restructure the Group's operations entirely if it finds that its contractual arrangements do not comply with applicable laws and regulations. Furthermore, it could revoke the Group's

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3. Certain risks and concentration (continued)

(a) PRC regulations (continued)

business and operating licenses, require it to discontinue or restrict its operations, restrict its right to collect revenues, block its website, require it to restructure its operations, impose additional conditions or requirements with which the Group may not be able to comply, or take other regulatory or enforcement actions against the Group that could be harmful to its business. The imposition of any of these penalties may result in a material and adverse effect on the Group's ability to conduct the Group's business. In addition, if the imposition of any of these penalties causes the Group to lose the rights to direct the activities of the VIEs or the right to receive their economic benefits, the Group would no longer be able to consolidate the VIEs. The Group does not believe that any penalties imposed or actions taken by the PRC government would result in the liquidation of the Company, Huanju Shidai, and the VIEs.

The following consolidated financial information of the Group's VIEs was included in the accompanying consolidated financial statements as of and for the years ended:

	December 31,	
	2010	2011
	RMB	RMB
Total assets	60,161	181,850
Total liabilities	79,612	187,184

	For the year ended December 31,		
	2009	2010	2011
	RMB	RMB	RMB
Net revenue	18,173	96,102	245,633
Net loss	(25,400)	(139,466)	(66,077)

	For the year ended December 31,		
	2009	2010	2011
	RMB	RMB	RMB
Net cash provided by operating activities	5,406	18,554	70,570
Net cash used in investing activities	(4,617)	(24,763)	(46,475)
Net cash provided by financing activities	1,071	28,560	50,444
	1,860	22,351	74,539

(b) Foreign exchange risk

The revenues and expenses of the Group's subsidiaries and VIEs in the PRC are generally denominated in RMB and their assets and liabilities are denominated in RMB. The Group's financing activities are denominated in U.S. dollars. The RMB is not freely convertible into foreign currencies. Remittances of foreign currencies into the PRC and exchange of foreign currencies into RMB require approval by foreign exchange administrative authorities and certain supporting documentation. The State Administration for Foreign Exchange, under the authority of the People's Bank of China, controls the conversion of RMB into other currencies.

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3. Certain risks and concentration (continued)

(c) Concentration of risks

(1) Concentration of online game revenue

The Group depends on the success of a limited number of online games to generate revenue. The top 5 games account for 89%, 87% and 66% of the total online game revenue for the years ended December 31, 2009, 2010 and 2011, respectively.

The following table summarizes the games that account for more than 10% of the Group's online game revenues:

	For the year ended December 31,		
	2009	2010	2011
Online game			
A1	11%	*	*
A2	18%	63%	47%
A3	46%	11%	*
A4	*	*	10%

(2) Concentration of online advertising revenue

The Group depends on a limited number of customers for online advertising revenues. The top 10 customers accounted for 79%, 94% and 98% of the total online advertising revenues for the years ended December 31, 2009, 2010 and 2011, respectively.

The following table summarizes the percentage of the Group's online advertising revenues from customers with over 10% of total online advertising revenues:

	For the year ended December 31,		
	2009	2010	2011
Customer			
B1	27%	13%	12%
B2	21%	28%	36%
B3	*	16%	12%
B4	*	10%	22%

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3. Certain risks and concentration (continued)

(c) Concentration of risks (continued)

(3) Concentration of accounts receivable

The Group collects accounts receivable for online game revenue from collection agencies and accounts receivable for online advertising revenue from customers. The Group depends on payments from a limited number of the collection agencies and customers. The top 10 accounts receivable accounted for 76%, 92% and 86% of the total accounts receivable as of December 31, 2009, 2010 and 2011, respectively.

The following table summarizes the percentage of accounts receivable from collection agencies and customers with over 10% of total accounts receivable:

	December 31,		
	2009	2010	2011
Collection agencies and customers			
B1	23%	12%	12%
B2	21%	24%	31%
B3	*	19%	12%
B5	*	12%	*

* Less than 10%

(d) Credit risk

As of December 31, 2010 and 2011, substantially all of the Group's cash and cash equivalents and short-term deposits were held by two and three financial institutions, which are all located in Hong Kong and the PRC. Management chooses these institutions because of their reputations and track records for stability, and their known large cash reserves, and management periodically reviews these institutions' reputations, track records, and reported reserves. Management expects that any additional institutions that the Group uses for its cash and bank deposits will be chosen with similar criteria for soundness. The balances in the PRC are not insured since it is not a market practice in the PRC. Nevertheless under the PRC law, it is required that a commercial bank in the PRC that holds third party cash deposits should maintain a certain percentage of total customer deposits taken in a statutory reserve fund for protecting the depositors' rights over their interests in deposited money. PRC banks are subject to a series of risk control regulatory standards; PRC bank regulatory authorities are empowered to take over the operation and management of any PRC bank that faces a material credit crisis. The Group believes that it is not exposed to unusual risks as these financial institutions are either PRC banks or non-PRC banks that carry at least 'A' credit ratings from one or more credit rating agencies. The Group has not experienced any losses on its deposits of cash and cash equivalents and term deposit of the years ended December 31, 2009, 2010 and 2011 and believes its credit risk to be minimal.

4. Cash and cash equivalents

Cash and cash equivalents represent cash on hand, demand deposits placed with banks or other financial institutions, which have original maturities of three months or less. Cash and cash equivalents balance as of December 31, 2010 and 2011 primarily consist of the following currencies:

	December 31, 2010		December 31, 2011	
	Amount	RMB equivalent	Amount	RMB equivalent
RMB	35,299	35,299	108,775	108,775
US$	7,306	48,384	3,193	20,116
Total		83,683		128,891

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5. Short-term deposits

Short-term deposits represent deposits placed with banks with original maturities of more than three months but less than one year. Short-term deposits are all denominated in RMB.

6. Accounts receivable, net

	December 31,	
	2010 RMB	2011 RMB
Accounts receivable, gross	26,134	47,022
Less: allowance for doubtful receivables	(387)	—
Accounts receivable, net	25,747	47,022

The following table presents movement of the allowance for doubtful receivables:

	For the year ended December 31,	
	2010 RMB	2011 RMB
Balance at the beginning of the year	(100)	(387)
Additions charged to general and administrative expenses	(287)	—
Write-off during the year	—	387
Balance at the end of the year	(387)	—

7. Investments

	December 31,	
	2010 RMB	2011 RMB
Equity investments	—	3,142
Cost investments (Note i)	3,000	2,102
Total	3,000	5,244

(i) As of December 31, 2010 and 2011, one of the Group's investments represents an equity interest of 25% in a private company. As part of the share purchase agreement, the Group is entitled to receive an amount equal to 100% of its original investment in the event of liquidation in preference to other common shareholders. As a result, the investment is not an investment in common stock or in-substance common stock and precluded from applying the equity method of accounting. The Group accounted for the investment under the cost method.

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8. Property and equipment, net

Property and equipment consists of the following:

	December 31, 2010 RMB	December 31, 2011 RMB
Gross carrying amount		
Servers, computers and equipment	28,497	61,595
Furniture, fixture and office equipment	2,324	5,440
Leasehold improvement	—	3,759
Motor vehicles	1,034	1,149
Construction in progress	—	400
Total	31,855	72,343
Less: accumulated depreciation	(6,330)	(18,761)
Property and equipment, net	25,525	53,582

Depreciation expense for the years ended December 31, 2009, 2010 and 2011 were RMB1,150, RMB4,284 and RMB12,888, respectively.

9. Intangible assets, net

The following table summarizes the Group’s intangible assets:

	December 31, 2010 RMB	December 31, 2011 RMB
Gross carrying amount		
Software	1,328	1,601
Domain names	12,084	11,504
Total of gross carrying amount	13,412	13,105
Less: accumulated amortization		
Software	(526)	(902)
Domain names	(650)	(1,389)
Total of accumulated amortization	(1,176)	(2,291)
Intangible assets, net	12,236	10,814

Amortization expense for the years ended December 31, 2009, 2010 and 2011 were RMB1,512, RMB1,030 and RMB1,211, respectively.

The estimated amortization expenses for each of the following five years are as follows:

	Domain Name RMB	Computer software RMB
2012	785	196
2013	785	196
2014	785	196
2015	763	90
2016	755	21

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9. Intangible assets, net (continued)

The weighted average amortization periods of intangible assets as of December 31, 2010 and 2011 are as below:

	December 31,	
	2010	2011
Computer software	3.4 years	5 years
Domain names	15 years	15 years

10. Goodwill

Duowan BVI acquired 100% equity interest of NeoTasks Inc. ("NeoTasks") in 2008. Goodwill of RMB706 represents the excess of the purchase price over the estimated fair value of the net tangible and identifiable intangible assets acquired. Goodwill is not deductible for tax purposes. The Group performs the annual impairment tests on October 1 of each year. Based on the impairment tests performed, no impairment of goodwill was recorded for all periods presented.

11. Deferred revenue

	December 31,	
	2010 RMB	2011 RMB
Deferred revenue, current :		
Online game	17,436	31,215
Membership subscription	—	9,142
Total current deferred revenue, net	17,436	40,357
Deferred revenue, non-current :		
Membership subscription	—	448

12. Accrued liabilities and other current liabilities

	December 31,	
	2010 RMB	2011 RMB
Accrued salaries and welfare	7,280	27,050
Business and other taxes payable	3,681	7,028
Deposits from advertising customers	1,500	6,250
Accrued bandwidth costs	1,852	5,801
Others	1,264	2,942
Total	15,577	49,071

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13. Cost of revenue

	For the year ended December 31,		
	2009 RMB	2010 RMB	2011 RMB
Bandwidth costs	8,523	32,491	75,064
Salary and welfare	6,949	23,510	33,388
Business tax and surcharges	2,328	7,186	16,462
Shared-based compensation	5,269	31,709	15,449
Depreciation and amortization	2,264	4,298	11,951
Payment handling costs	1,687	6,769	9,306
YY music activities costs	—	—	6,750
Other costs	1,829	4,099	14,329
Total	28,849	110,062	182,699

14. Government grants

In 2011, the Group earned and received cash subsidies of RMB1,982 from the PRC local government for operating its local business operations in the jurisdiction.

15. Income tax

(i) Cayman Islands ("Cayman")

Under the current tax laws of Cayman Islands, the Company and its subsidiary are not subject to tax on income or capital gains. Besides, upon payment of dividends by the Company to its shareholders, no Cayman Islands withholding tax will be imposed.

(ii) British Virgin Islands ("BVI")

Duowan BVI is exempt from income tax on its foreign-derived income in the BVI. There are no withholding taxes in the BVI.

(iii) Hong Kong profits tax

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% on the estimated assessable profit for the years ended December 31, 2009, 2010 and 2011. No Hong Kong profits tax has been provided as the Group's subsidiary has no assessable profit arising in Hong Kong.

(iv) PRC Enterprise Income Tax ("EIT")

Current taxation primarily represented the provision for EIT for subsidiaries and VIEs operating in the PRC. Prior to January 1, 2008, companies established in the PRC were generally subject to a state and local corporate income tax, or EIT, at statutory rates of 30% and 3%, respectively. On March 16, 2007, the PRC National People's Congress promulgated the New Enterprise Income Tax Law (the "New EIT Law"), which became effective on January 1, 2008. The Company's subsidiaries and VIEs are subject to EIT on their taxable income as reported in their respective statutory financial statements adjusted in accordance with the relevant tax laws and regulations in the PRC. All PRC entities of the Group (including subsidiaries and VIEs) are subject to EIT at a rate of 25%. In 2011, Guangzhou Huaduo has been qualified as a "High and New Technology Enterprise" ("HNTE") under the EIT Law. Therefore, it is entitled to a preferential tax rate of 15% from 2011 to 2012 and will continue to enjoy the preferential tax rate, provided that it continues to be qualified as HNTE during such period.

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15. Income tax (continued)

According to a policy promulgated by the State Tax Bureau of the PRC and effective from 2008 onwards, enterprises engage in research and development activities are entitled to claim 150% of the research and development expenses so incurred in a year as tax deductible expenses in determining its tax assessable profits for that year ("Super Deduction"). Guangzhou Huaduo had claimed such Super Deduction in ascertaining its tax assessable profits for the periods reported. Zhuhai Duowan started to claim Super Deduction in ascertaining its tax assessable profits in 2011 when it started to engage in engaged in research and development activities.

In addition, according to the New EIT Law and its implementation rules, foreign enterprises, which have no establishment or place in the PRC but derive dividends, interest, rents, royalties and other income (including capital gains) from sources in the PRC shall be subject to PRC withholding tax ("WHT") at 10% (a further reduced WHT rate may be available according to the applicable double tax treaty or arrangement). The 10% WHT is applicable to any dividends to be distributed from Huanju Shidai to Duowan BVI out of any profits of Huanju Shidai and its subsidiaries derived after January 1, 2008.

Up to December 31, 2011, the Group does not have any present plan to pay out the retained earnings in the subsidiaries and VIEs in the foreseeable future. The Group currently intends to retain the available funds and any future earnings to operate and expand its business. Accordingly, no such WHT had been accrued.

The current and deferred portions of income tax expense included in the consolidated statements of operations are as follows:

	For the year ended December 31,		
	2009 RMB	2010 RMB	2011 RMB
Current income tax expenses	(391)	(3,965)	(12,516)
Deferred income tax benefits	—	1,643	11,173
Income tax expense for the year	(391)	(2,322)	(1,343)

The reconciliation of total tax expense computed by applying the respective statutory income tax rate to pre-tax loss is as follows:

	For the year ended December 31,		
	2009	2010	2011
PRC statutory income tax rate	(25.0%)	(25.0%)	(25.0%)
Effect of preferential tax rate	—	—	8.4%
Effect of tax-exempt entities	1.0%	0.2%	(5.1%)
Permanent differences*	19.7%	25.1%	32.5%
Change in valuation allowance	6.7%	1.5%	(7.8%)
Effect of Super Deduction available to the Group	(1.6%)	(0.8%)	(4.9%)
Adjustments of deferred tax for changes in tax rates	—	—	3.6%
Effective income tax rate	0.8%	1.0%	1.7%

* Permanent differences mainly arise from expenses not deductible for tax purposes including primarily share-based compensation costs and expenses incurred by the subsidiaries and VIEs.

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15. Income tax (continued)

Deferred taxes were measured using the enacted tax rates for the periods in which they are expected to be reversed. The tax effects of temporary differences that give rise to the deferred tax asset balances as of December 31, 2010 and 2011 are as follows:

	December 31,	
	2010 RMB	2011 RMB
Deferred tax assets, current:		
Deferred revenue for online games	4,359	4,682
Allowance for doubtful accounts receivable, accrued expense and others not currently deductible for tax purposes	3,381	7,985
Valuation allowance	(6,097)	(180)
Total current deferred tax assets, net	1,643	12,487
Deferred tax assets, non-current:		
Tax loss carried forward	1,962	1,691
Impairment of equity investment	74	45
Impairment of cost investment	—	284
Valuation allowance	(2,036)	(1,691)
Total non-current deferred tax assets, net	—	329

The Group operates through multiple subsidiaries and VIEs and the valuation allowance is considered for each subsidiary and VIE on an individual basis. As of December 31, 2009, valuation allowances were fully provided for all the deferred income taxes because the Group considered that it was more likely than not that the benefits of the deferred income taxes will not be realized. As of December 31, 2010, the Group provided valuation allowance for the group companies' deferred income tax except for Zhuhai Duowan, which had derived taxable profit against the second year. The Group reassessed the earning history and the projected future taxable income of Zhuhai Duowan and concluded that deferred income tax of Zhuhai Duowan would be realized in the foreseeable future. Considering the other companies of the Group were still in loss positions, the Group provided full valuation allowance against their deferred income tax. As of December 31, 2011, Guangzhou Huaduo utilized all of the tax losses carried forward and had reported taxable profit. The Group reassessed the earning history and the projected future taxable income of Guangzhou Huaduo, concluded that deferred income tax of Guangzhou Huaduo would be realized in the foreseeable future, and accordingly no valuation allowance was provided. The other companies other than Guangzhou Huaduo and Zhuhai Duowan were still in loss position and full valuation allowance was provided. If events occur in the future that allow the Group to realize more of its deferred income tax than the presently recorded amounts, an adjustment to the valuation allowances will result in a decrease in tax expense when those events occur.

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15. Income tax (continued)

As of December 31, 2011, the Group had tax loss carry forwards of approximately RMB6,764, which can be carried forward to offset future taxable income. The net operating tax loss carry forwards will begin to expire as follows:

	Amount RMB
2012	—
2013	174
2014	3,184
2015	—
2016	3,406
Total	6,764

In accordance with PRC Tax Administration Law on the Levying and Collection of Taxes, the PRC tax authorities generally have up to five years to claw back underpaid tax plus penalties and interest for PRC entities' tax filings. In the case of tax evasion, which is not clearly defined in the law, there is no limitation on the tax years open for investigation. Accordingly, the PRC entities' tax years from 2007 to 2011 remain subject to examination by the tax authorities. There were no ongoing examinations by tax authorities as of December 31, 2011.

16. Common shares

Common Shares

The Company's Memorandum and Articles of Association authorized the Company to issue 946,074,577 and 1,022,785,225 common shares at US$0.00001 par value as of December 31, 2010 and 2011, respectively. Each common share is entitled to one vote. The holders of common shares are also entitled to receive dividends whenever funds are legally available and when declared by the Board of Directors, subject to prior rights of holders of all other classes of shares outstanding.

In January 2011, Duowan BVI entered into a common share and warrant purchase agreement with an independent institutional investor with respect to the issuance and sale of 51,140,432 common shares at an aggregate consideration of US$50,000 and a warrant to purchase up to an additional 25,570,216 common shares for an aggregate purchase price of US$25,000 ("Series D Common Share Financing"). The issuance price of each common share is US$0.9777, of which US$0.0830 per share relates to the fair value of the warrant. The related issuance costs were RMB1,208. In July 2011, the institutional investor exercised the warrant to acquire 25,570,216 common shares of Duowan BVI.

As of December 31, 2010 and 2011, there were 466,630,266 and 543,340,914 common shares outstanding, respectively.

Co-founder Common Shares

Of the common shares outstanding during 2009, 185,563,000 common shares relates to those issued to the Co-founder ("Co-founder Common Shares"), which has a liquidation preference of US$0.0021 per share after Series A, B, and C Preferred Shares, but prior to other common shares. The liquidation preference was subsequently waived by the Co-founder in February 23, 2010. All other rights are the same as the other common shares.

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16. Common shares (continued)

Repurchases

In connection with the November 2009 issuance of the Series C-1 Preferred Shares, Duowan BVI repurchased 10,206,700 common shares from the CEO for a total consideration of RMB5,576. The price paid for each common share was US$0.08 which was the then fair value. The common shares repurchased were immediately cancelled by Duowan BVI.

17. Convertible redeemable preferred shares

During the First Reorganization, Duowan Limited issued 54,488,000 Series A convertible preferred shares ("Series A Preferred Shares") and warrant to a third party investor ("Series A Investor") in exchange for an aggregate purchase price of RMB7,720, or US$0.0184 per share. During the Second Reorganization in June 2008, Duowan BVI issued an additional 81,612,930 Series A convertible preferred shares to the Series A Investor for an aggregate purchase price of RMB13,722. The related issuance costs were RMB172.

In August 2008, Duowan BVI issued 102,073,860 Series B convertible redeemable preferred shares ("Series B Preferred Shares") for aggregate cash consideration of RMB34,232 and issuance costs of RMB278.

In November 2009, Duowan BVI issued 16,249,870 Series C-1 convertible redeemable preferred shares ("Series C-1 Preferred Shares") and 104,999,650 C-2 convertible redeemable preferred shares ("Series C-2 Preferred Shares", collectively with Series C-1 Preferred Shares, "Series C Preferred Shares"), for aggregate cash considerations of RMB8,875 and RMB71,684 respectively. Series C Preferred Shares issuance costs were RMB274.

Series A Preferred Shares, Series B Preferred Shares and Series C Preferred Shares are collectively referred to as the "Preferred Shares".

As of December 31, 2010 and 2011, the Company has determined that the Preferred Shares should be classified as mezzanine equity since the Preferred Shares are contingently redeemable by the holders in the event that a qualified initial public offering has not occurred and the Preferred Shares have not been converted as of the redemption date.

The Company assessed beneficial conversion features attributable to the Preferred Shares and determined that in 2009 there was a beneficial conversion feature with an amount of RMB237, which was bifurcated from the carrying value of Series C Preferred Shares as a contribution to additional paid-in capital upon issuance of Series C Preferred Shares. The discount of RMB237 resulting from the recognition of the beneficial conversion feature was amortized immediately as a deemed dividend to preferred shareholders and charged against additional paid-in capital in the absence of any retained earnings at that time.

The Company determined that there were no embedded derivatives requiring bifurcation as the economic characteristics and risks of the conversion and redemption features embedded derivative instrument are not clearly and closely related to that of the convertible preferred shares. The convertible preferred shares are not readily convertible into cash as there is no a market mechanism in place for trading its share.

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17. Convertible redeemable preferred shares (continued)

As of December 31, 2011, the Preferred Shares comprised of the following:

Series	Issuance Date	Shares Issued and Outstanding	Issue Price Per Share (US$)	Proceeds from Issuance, Net of Issuance Costs (US$)	Carrying Amount (RMB)
A	December 1, 2006	54,488,000	0.0184	1,000	374,332
A	June 2, 2008	81,612,930	0.0245	1,975	560,681
B	August 8, 2008	102,073,860	0.0490	4,959	703,901
C-1	November 22, 2009	16,249,870	0.0800	1,300	112,556
C-2	November 22, 2009	104,999,650	0.1000	10,460	729,464

All Preferred Shares' par value is US$0.00001. The rights, preferences and privileges of the Preferred Shares are as follows:

Conversion

Each Preferred Share is convertible, at the option of the holders, at any time after the date of issuance of such preferred shares into such number of common shares according to a conversion price. Each share of Series A, Series B, Series C Preferred Shares is convertible into one common share and is subject to adjustments for certain events, including but not limited to additional equity securities issuance, share dividends, subdivisions, redemptions, combinations, or consolidation of common shares. The conversion price is also subject to adjustment in the event the Company issues additional common shares at a price per share that is less than such conversion price. In such case, the conversion price shall be reduced to adjust for dilution.

Each Preferred Share is automatically converted into common shares at the then effective conversion price with respect to such Preferred Share (i) at the closing of a qualified initial public offering ("Qualified IPO"), or (ii) at the election of the majority Series A, Series B, and Series C Preferred Shares holders (each voting or consenting as a separate class).

As of December 31, 2010, the Qualified IPO is defined as a firm-commitment public offering of common shares of the Company in the United States that has been registered under the Securities Act and on a recognized securities exchange such as NASDAQ or the New York Stock Exchange, or in a similar public offering of common shares in a jurisdiction and on a recognized securities exchange outside of the United States, including without limitation, the Hong Kong Stock Exchange, provided that (a) the market capitalization of the Company upon completion of such initial public offering shall be no less than US$400,000 and such public offering and the aggregate proceeds (before deduction of underwriting discounts and registration expenses) is approved by majority of the Board of Directors (including the affirmative consent of the majority of the Series A, Series B, and Series C Preferred Shares director), or (b) such public offering and the aggregate proceeds (before deduction of underwriting discounts and registration expenses) is approved by majority of the Board of Directors (including the affirmative consent of each of the Preferred Shares' directors), and provided further that such public offering is made at an equivalent price and yields equivalent offering proceeds and there is regulatory approval for such offering.

Subsequent to the Series D Common Share Financing in January 2011, the Qualified IPO is defined as a firm-commitment public offering of common shares of the Company in the United States that has been registered under the Securities Act and on a recognized securities exchange such as NASDAQ or the New York Stock Exchange, or in a similar public offering of common shares in a jurisdiction and on a recognized securities exchange outside of the United States, including without limitation, the Hong Kong

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17. Convertible redeemable preferred shares (continued)

Stock Exchange, provided that (a) the market capitalization of the Company upon completion of such initial public offering shall be no less than US$1,500,000 and such public offering and the aggregate proceeds (before deduction of underwriting discounts and registration expenses) is approved by majority of the Board of Directors (including the affirmative consent of the majority of the Series A Director, the Series B Director, the Series C Director and the Series D director), or (b) such public offering and the aggregate proceeds (before deduction of underwriting discounts and registration expenses) is approved by majority of the Board of Directors (including the affirmative consent of each of the Series A Director, the Series B Director, the Series C Director and the Series D Director, if applicable), and provided further that such public offering is made at an equivalent price and yields equivalent offering proceeds and there is regulatory approval for such offering.

Redemption Right

As of December 31, 2010, at any time after the date that is the earlier of i) the date of the occurrence of a Default Redemption Event, and ii) five years following the Series C-1 original issue date and Series C-2 original issue date, at the election of the majority of Series C holders, the Company shall redeem all or any lesser portion of its then outstanding Preferred Shares. A Default Redemption Event shall be deemed to occur if the Company's corporate structure as a whole, including without limitation the VIE documents, is invalidated or otherwise challenged by any PRC governmental authority, court or other official governmental body as a result of the application of or interpretation of the PRC law. In connection with the Series D Common Share Financing in January 2011, the Default Redemption Event was removed and the redemption date was changed to any time after June 30, 2015.

The redemption date above is subject to postponement until the Company meets the financial thresholds of having at least US$3,000 of cash or cash equivalents on the balance sheet or the Company has generated over US$1,000 in free cash flows in the preceding twelve months.

The redemption price of Series A Preferred Shares is equal to (i) the fair market value of the Series A Preferred Shares as of the redemption date, or (ii) 150% of the original issue price of Series A Preferred Shares, plus all declared or accrued but unpaid dividends up until the date of redemption, plus an amount that would give the holders of the Series A Preferred Shares an internal rate of return of no less than 10% per annum.

The redemption price of Series B Preferred Shares is equal to (i) the fair market value of the Series B Preferred Shares as of the redemption date, or (ii) 100% original issue price of Series B Preferred Shares, plus all declared or accrued but unpaid dividends up until the date of redemption, plus an amount that would give the holders of the Preferred Shares an internal rate of return of no less than 10%.

The redemption price of Series C Preferred Shares is equal to (i) the fair market value of the Series C Preferred Shares as of the redemption date, or (ii) 100% original issue price of Series C-1 or C-2 Preferred Shares, plus all declared or accrued but unpaid dividends up until the date of redemption, plus an amount that would give the holders of the Series C-1 or C-2 Preferred Shares an internal rate of return of no less than 10% per annum.

Modification

Upon its issuance, Series A Preferred Shares were classified as permanent equity and are not redeemable. In association with the issuance of Series B Preferred Shares in August 2008, Series A Preferred Shares were granted redemption at the option of the holders and drag-along rights and accordingly are reclassified as

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17. Convertible redeemable preferred shares (continued)

mezzanine equity of the Company. The Company concluded that the addition of the redemption and drag-along rights is a modification of the terms of the Series A Preferred Shares. The incremental value received by the Series A Preferred Shareholders amount to RMB916 and is deemed to be a wealth transfer between the preferred shareholders and the common shareholders and charged to additional paid-in capital.

Upon its issuance, Series B Preferred Shares had a redemption right beginning on or after the seventh anniversary following the issuance of Series B Preferred Shares. In association of the issuance of Series C Preferred Shares, the redemption right for Series A and Series B Preferred Shares and drag along rights were amended. The Company concluded amendment of the redemption and drag-along rights is a modification of the terms of the Series A and Series B Preferred Shares. The incremental value received by Series A and Series B Preferred Shareholders amounted to RMB19 and RMB176, respectively, and is deemed to be a wealth transfer between the preferred share holders and the common share holders and charged to additional paid-in capital.

Accretion

Due to the redemption features described above, the Company classified the Preferred Shares in the mezzanine equity section of the consolidated balance sheets. The Company recognizes the changes in the redemption value immediately as they occur and adjust the carrying amount of the Preferred Shares to equal the redemption value at the end of each reporting period. The fair market value of the Preferred Shares was greater than their original purchase price as of December 31, 2009, 2010, and 2011. As a result, the Company recorded accretion to the redemption value immediately and adjust the carrying amount of the instrument to equal the redemption value at the end of each reporting period. Upon the closing of this offering, the Preferred Shares will convert into common shares and this preferred shares redemption value accretion will cease. The accretion was recorded against retained earnings, or in the absence of retained earnings, by charges against additional paid-in capital. Once additional paid-in capital has been exhausted, additional charges were recorded by increasing accumulated deficit.

The following table sets forth the changes of each of the convertible redeemable preferred shares for years ended December 31, 2009, 2010 and 2011:

Series A Preferred Shares

	For the year ended December 31,		
	2009 RMB	2010 RMB	2011 RMB
Beginning balance	39,973	154,393	846,752
Deemed dividend—modification of terms	19	—	—
Accretion to redemption value	114,401	692,359	88,261
Ending balance	154,393	846,752	935,013

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17. Convertible redeemable preferred shares (continued)

Series B Preferred Shares

	For the year ended December 31,		
	2009 RMB	2010 RMB	2011 RMB
Beginning balance	44,786	124,173	639,799
Deemed dividend—modification of terms	176	—	—
Accretion to redemption value	79,211	515,626	64,102
Ending balance	124,173	639,799	703,901

Series C Preferred Shares

	For the year ended December 31,		
	2009 RMB	2010 RMB	2011 RMB
Beginning balance	—	169,852	770,720
Issuance of preferred shares, net of issuance cost	80,285	—	—
Beneficial conversion feature of redeemable preferred shares	(237)	—	—
Amortization of beneficial conversion feature of redeemable preferred shares	237	—	—
Accretion to redeemable value	89,567	600,868	71,300
Ending balance	169,852	770,720	842,020

The Company engaged an independent valuation firm to assist them in determining the fair values of the preferred and common shares which were estimated as of the date of issuance and at each financial statement reporting date using the "Discounted Cash Flow Method" , the "Guideline Transaction Method" and the "Backsolve Method", where methodologies, approaches and assumptions are consistent with the current working draft of the American Institute of Certified Public Accountants practice aid *Valuation of Privately Held Company Equity Securities Issued as Compensation.* The Guideline Transaction Method is a form of market approach based on the enterprise value to revenue multiples of the Group's own equity transactions close to the valuation date. The Backsolve Method is a form of market approach to valuation that derives the implied equity value for one type of equity security (e.g. common equity) from a contemporaneous transaction involving another type of equity security (e.g., preferred share). The Discounted Cash Flow Method, a form of income approach, estimates the fair value based on projected cash flows at each of the valuation dates. The followings are assumptions in the Discounted Cash Flow Method:

	November 1, 2009	December 31, 2011
Risk-free interest rate	2.05%	2.53%
Volatility	66.61%	66.1%
Dividend yield	—	—
Discount rate	20.50%	16%

The Company estimated the risk-free interest rate based on yield-to-maturities in continuous compounding of the China Government Bond with the time to maturities similar to the Preferred Shares. The Company estimated volatility at the dates of appraisal based on average of historical volatilities of the comparable companies in the same industry. The Company has no history or expectation of paying dividend on the

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17. Convertible redeemable preferred shares (continued)

Preferred Shares. Discount rate is estimated by weighted average cost of capital as at each appraisal date. In addition to the above assumptions adopted, the Company's projections of future performance were also factored into the determination of the fair value of each Preferred Share.

Liquidity Preference

In the event of any liquidation, dissolution or winding up of the Company or any deemed liquidation event (e.g., change in control), the holders of Series B Preferred Shares and Series C Preferred Shares are entitled to receive an amount per share equal to 100% of the original issuance price plus all dividends accrued, or declared and unpaid. Series A Preferred Shares are entitled to receive an amount per share equal to 150% of the original issuance price plus all declared or accrued but unpaid dividends.

If the assets and funds distributed among the holders are insufficient to permit the payment of the full preferential amounts, then the holders of Series C Preferred Shares shall be entitled to be paid first, followed in sequence by Series B Preferred Shares, Series A Preferred Shares and common shares. After payment of the full amounts from above, the remaining assets of the Company available for distribution shall be distributed ratably among the holders of preferred shares and common shares in proportion to the number of outstanding shares held by each holder on an as converted basis.

Dividends

Each holder of Preferred Shares is entitled to receive dividends when and if declared by the Board of Directors of the Company. As long as the Preferred Shares are outstanding, the Company may not pay any dividend to common shareholders until all dividends declared and payable to the preferred shareholders have been paid. In the event the Company shall declare a dividend to the holders of common shares, then in each such case, the holders of the Preferred Shares shall be entitled to a proportionate share of such dividend on an as-converted basis.

Voting rights

Each Preferred Share conveys the right to the shareholder of one vote for each common share upon conversion.

18. Share-based compensation

(a) Share options

i) Pre-2009 Scheme Options

Grant of options

Before the adoption of the Employee Equity Incentive Scheme (the "2009 Incentive Scheme"), 12,705,700 and 8,499,050 share options were granted to employees through individually signed share option agreements, respectively to acquire common shares of Duowan BVI on a one-to-one basis on January 1, 2008 and 2009. In addition, on January 1, 2008, 3,832,290 share options were granted to one non-employee for the provision of consulting services to the Group (collectively defined as "Pre-2009 Scheme Options").

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18. Share-based compensation (continued)

(a) Share options (continued)

i) Pre-2009 Scheme Options (continued)

Vesting of options

These Pre-2009 Scheme Options will vest over a four year service period, with 25% of the options vesting after the first anniversary of the vesting inception date and the remaining 75% in six equal installments over the following 36 months. The options may be exercised provided that both the service conditions and a performance condition are met. The performance condition is defined to be i) an initial public offering, ii) completion of a financing meeting certain criteria, iii) an internal reorganization, or iv) a voluntary winding up of Duowan BVI. The performance condition that is tied to completion of a financing fulfilling certain criteria was met in June 2008 or November 2009.

The following table summarizes the activities of the Pre-2009 Scheme Options for employees and non-employee for the years ended December 31, 2009, 2010 and 2011:

	Number of options	Weighted average exercise price (US$)	Weighted average grant-date fair value (US$)	Weighted average remaining contractual life (years)	Aggregate intrinsic value (US$)
Outstanding, January 1, 2009	16,537,990	0.0041		9.00	512
Granted	8,499,050	0.0067	0.0297		
Forfeited	(369,950)	0.0060			
Outstanding, December 31, 2009	24,667,090	0.0050		8.34	3,799
Exercised/Repurchased(1)	(4,867,170)	0.0025			
Forfeited	(57,330)	0.0067			
Outstanding, December 31, 2010	19,742,590	0.0056		7.39	18,372
Exercised/Repurchased(2)	(1,853,055)	0.0061			
Forfeited	—				
Outstanding, December 31, 2011(3)	17,889,535	0.0055		6.37	19,366
Vested and exercisable at December 31, 2011	15,821,980	0.0054		6.29	17,131
Expected to vest at December 31, 2011	2,026,204	0.0067		7.00	2,191

(1) In connection with the issuance of the Series C-1 Preferred Shares of Duowan BVI in November 2009 (refer to Note 17 to the financial statements, which triggered the exit condition of the Pre-2009 Scheme Options to be met for a trade sale of Duowan BVI. Certain employees and one non-employee were given the opportunity to cash settle their vested options and were simultaneously repurchased by Duowan BVI by utilizing a portion of the proceeds received from the issuance of the Series C-1 Preferred Shares. The repurchase price of each vested option/share was the difference between the stated exercise price of the Pre-2009 Scheme Option and US$0.08, which was the per share issuance price of the Series C-1 Preferred Shares. A total of 4,867,170 Pre-2009 Scheme Options were repurchased by Duowan BVI for cash consideration of RMB2,576 paid by Duowan BVI. The underlying options were cancelled immediately after the repurchase (the “First Repurchase”). The negotiation and execution of the First Repurchase had formed an expectation to the Pre-2009 Scheme Option holders, including employees of the Group and the non-employee, that it was a practice of Duowan BVI to repurchase vested options from the option holders. Accordingly, the Pre-2009 Scheme Options were deemed to be tainted and they were no longer equity-classified awards but liability-classified awards. Such re-designation of the awards was applied to the date when Duowan BVI entered into an definitive agreement with shareholders of the Series C preferred shares on November 22, 2009, which committed Duowan BVI for the First Repurchase. As a result, fair values of the outstanding Pre-2009 Scheme Options had to be re-measured at the end of each reporting period until either the repurchase obligation are extinguished or the holders were exposed to fluctuation the market value of the shares for a period of at least six months, or the awards were settled, cancelled or expire unexercised.

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18. Share-based compensation (continued)

(a) Share options (continued)

i) Pre-2009 Scheme Options (continued)

(2) In connection with the Series D Common Share Financing (Note 16) in January 2011, certain employees and the non-employee were given the opportunity to cash settle their vested options. The repurchase price of each vested option/share was the difference between the stated exercise price of the Pre-2009 Scheme Option and US$0.9777, which was the per share issuance price of the common shares issued to the new investor. A total of 1,853,055 Pre-2009 Scheme Options were exercised/repurchased by Duowan BVI for cash consideration of RMB11,701 paid by Duowan BVI. The underlying common shares were cancelled immediately after the repurchase (the "Second Repurchase"). Similar offer was made by Duowan BVI to the non-employee holding the Pre-2009 Scheme Options but that non-employee did not take up the offer.

(3) On September 15, 2011, the board of directors of the Company resolved not to undertake any repurchases of vested or unvested share-based compensation awards, except under those conditions specified in the relevant award scheme and grant documents. In addition, any proposed repurchase of vested or unvested share-based compensation awards should be approved by the majority votes of the board of directors. Such intention of the Company was specifically communicated to all employees with or without the awards. All the employees with vested or unvested awards also confirmed such understanding by a written confirmation. Accordingly, the classification of the liability-classified awards changed back to be equity-classified, and the related liability was reclassified to additional paid-in capital on the modification date.

Forfeitures are estimated at the time of grant. If necessary, forfeitures are revised in subsequent periods if actual forfeitures differ from those estimates.

The aggregate intrinsic value in the table above represents the difference between the estimated fair value of Duowan BVI's common shares as of December 31, 2009, 2010, the Company's common shares as of December 31, 2011 and the exercise price.

The Binomial option pricing model is used to determine the fair values of the share options granted to employees and the non-employee. The fair values of share options granted or remeasured during the years ended December 31, 2009, 2010 and 2011 were estimated using the following assumptions:

Pre-2009 Scheme Options granted to employees and a non-employee:

	2009	2010	2011
Risk-free interest rate(1)	2.81%-3.61%	3.01%-3.78%	3.34%-4.01%
Expected term(2)	8-10 years	7-9 years	6-8 years
Volatility rate(3)	62.50%-68.85%	54.60%-61.25%	53.06%-55.34%
Dividend yield(4)	—	—	—

(1) The risk-free interest rate of periods within the contractual life of the share option is based on the China Government Bond yield as at the valuation dates.
(2) The expected term is the contract life of the option.
(3) Expected volatility is estimated based on the average of historical volatilities of the comparable companies in the same industry as at the valuation dates.
(4) Duowan BVI and the Company has no history or expectation of paying dividend on its common shares. The expected dividend yield was estimated based on the Company's expected dividend policy over the expected term of the option.

The total intrinsic value of options exercised during the year ended December 31, 2009, 2010 and 2011 amounted to nil, RMB5,200 and RMB 11,912, respectively.

For the years ended December 31, 2009, 2010 and 2011, the Company recorded share-based compensation of RMB18,921, RMB92,226 and RMB 25,683, respectively, using the graded-vesting method for employees and non-employee.

As of December 31, 2011, there was RMB2,725 unrecognized share-based compensation expense relating to Pre-2009 Scheme Options granted to employees and the non-employee. The expense is expected to be recognized over a weighted-average remaining vesting period of 0.82 years using the graded vesting attribution method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

18. Share-based compensation (continued)

(a) Share options (continued)

ii) 2009 Incentive Scheme Options

On January 1, 2010, the Board of Directors of Duowan BVI formally approved the 2009 Incentive Scheme dated on December 3, 2009, which permits the grant of share options and restricted shares of up to 118,166,946 shares, to any qualified persons, as determined by the Board of Directors of Duowan BVI. The contractual life of all options under the 2009 Incentive Scheme is ten years.

Up to the date of approval of these financial statements, no options had been granted under the 2009 Incentive Scheme by Duowan BVI or the Company.

(b) Restricted shares

Since January 1, 2010, Duowan BVI granted 61,250,677 restricted shares to employees and 100,000 restricted shares to a non-employee pursuant to the 2009 Incentive Scheme.

Vesting of restricted shares

The restricted shares have vesting conditions and will vest 50% after 24 months of the grant date and the remaining 50% will vest in two equal installments over the next 24 months. Under the restricted shares agreement, no shares may be sold or transferred prior to the occurrence of an exit event, as defined in the respective restricted share agreements as: i) a listing on any recognized stock exchange, ii) a sale by Duowan BVI of all or substantially all of its assets, iii) a sale of all of the issued capital of Duowan BVI, or iv) passing for court order of winding up of Duowan BVI.

If the employee terminates employment, the service vested portion of the restricted shares may be subject to:

(i) repurchase (subject to Company's sole discretion) by Duowan BVI at fair value of common shares of Duowan BVI which is assessed by an independent valuation company; or

(ii) be held by a person who is an existing employee of the Group and is designated by the leaving restricted share holder according to a properly signed escrow agreement to hold such shares for and on his/her behalf. If the leaving employee fails to deliver a properly signed agreement to Duowan BVI within 30 days from receipt of the notification from Duowan BVI, such service vested shares shall automatically lapse and expire.

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18. Share-based compensation (continued)

(b) Restricted shares (continued)

The following table summarizes the restricted shares activity for the years ended December 31, 2010 and 2011:

	Number of restricted shares	Weighted average grant-date fair value (US$)
Outstanding, January 1, 2010	—	—
Granted	50,503,877	0.2934
Forfeited	(2,017,841)	0.2886
Outstanding, December 31, 2010	48,486,036	0.2936
Granted	10,846,800	0.9362
Forfeited	(2,726,024)	0.3917
Vested	(13,321,711)	0.1636
Outstanding, December 31, 2011	43,285,101	0.4885
Expected to vest at December 31, 2011	39,605,867	0.4885

Forfeitures are estimated at the time of grant. If necessary, forfeitures are revised in subsequent periods if actual forfeitures differ from those estimates.

For the years ended December 31, 2010 and 2011, the Company recorded share-based compensation of RMB24,525 and RMB57,805, respectively, using the graded-vesting method for employees and non-employee.

As of December 31, 2011, total unrecognized compensation expense relating to the restricted shares was RMB65,375. The expense is expected to be recognized over a weighted average period of 1.75 years using the graded vesting attribution method.

(c) Share-based awards granted to CEO and Chairman of the Company

On February 23, 2010, the CEO and the Chairman of the Company, also directors and shareholders were granted 13,369,813 and 29,678,483 restricted shares, respectively. The Chairman's shares have a service condition that vest over a four year period (50% after the second anniversary and 25% each year thereafter). Both the CEO's and the Chairman's shares are subject to a performance condition which relates to the number of peak concurrent users on the YY Client. Such performance condition was met as at December 31, 2010.

Pursuant to the provisions stipulated in the grant document relating to these restricted shares grant, upon the occurrence of an Acceleration Event, the restricted shares granted to the Chairman would also become fully vested. An "Accelerated Event" is defined as (i) a Listing, (ii) a sale of all or substantially all of the issued share capital of Duowan BVI, (iii) a sale by Duowan BVI of all or substantially all of its assets, (iv) the passing of an effective resolution or the making of an order of a competent court for the winding up of Duowan BVI.

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18. Share-based compensation (continued)

(c) Share-based awards granted to CEO and Chairman of the Company (continued)

The following table summarizes information regarding the restricted shares granted to the CEO and the Chairman:

	Number of restricted shares	Weighted average grant-date fair value (US$)
Outstanding, January 1, 2010	—	—
Granted	43,048,296	0.1875
Vested	(13,369,813)	0.1875
Outstanding, December 31, 2010 and 2011	29,678,483	

The fair value of the share-based awards above was determined at the respective grant dates by the Company with the assistance of an independent valuation company.

The Company recognized these awards as employee share-based compensation awards using fair value of the awards on the grant date. As of December 31, 2010, the performance condition was met. The compensation expense for the CEO's restricted shares was fully recognized and the compensation expense for the Chairman's restricted shares is recognized over the requisite service period using the graded vesting method.

The total fair value of restricted shares vested during the year ended December 31, 2010 and 2011 amounted to RMB16,602 and Nil, respectively.

Share-based compensation expenses related to the awards granted to the CEO and Chairman of RMB28,759 and RMB14,143 were recognized in general and administrative expenses in the consolidated statements of operations for the years ended December 31, 2010 and 2011.

As of December 31, 2011, there was RMB9,618 of total unrecognized compensation cost and expense related to the restricted shares. The cost and expense is expected to be recognized over a weighted average period of 1.51 years using the graded vesting attribution method.

(d) Share-based awards for former NeoTasks employees

On December 5, 2008, Duowan BVI granted the two founders of NeoTasks, 26,873,070 warrants to acquire common shares of Duowan BVI in connection with the NeoTasks acquisition for post-combination services at an exercise price of US$0. In October 2009, the Company converted the warrants into restricted shares having the same rights and vesting conditions as the original warrant grants. Accordingly, no incremental charge was recognized in the conversion. The shares were issued to the holders and legally registered in July 2010.

The awards shall vest over the earlier of (i) a three-year period, with one-third of the shares vesting annually or (ii) upon any sale, merger, amalgamation, liquidation or listing of Duowan BVI or the sale by Duowan BVI of all or substantially all of its assets (the "Awards to NeoTasks Founders").

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18. Share-based compensation (continued)

(d) Share-based awards for former NeoTasks employees (continued)

The following table summarizes information regarding the share-based award granted:

	Number of warrants	Number of restricted shares
Outstanding, January 1, 2009	26,873,070	—
Exercise of warrant with exercise price of US$0	(26,873,070)	26,873,070
Vested	—	(7,781,690)
Repurchases[(1)]	—	(1,176,000)
Outstanding, December 31, 2009	—	17,915,380
Vested	—	(8,957,690)
Outstanding, December 31, 2010	—	8,957,690
Vested	—	(8,957,690)
Outstanding, December 31, 2011[(2)]	—	—

(1) In connection with the First Repurchase occurred in November 2009, Duowan BVI repurchased a portion of their vested restricted shares by utilizing a portion of the proceeds obtained from the Series C preferred shares issuance. The negotiation and execution of the First Repurchase had formed an expectation to the holders of Awards to NeoTasks Founders that it was a practice of Duowan BVI to repurchase the vested restricted shares held by them. The Awards to NeoTasks Founders were deemed to be tainted and they were no longer equity-classified awards but liabilities-classified awards effective from November 2009. The awards would be re-measured at the end of each reporting period until either the repurchase obligation was extinguished or the awards holders were exposed to fluctuation of the market value of the shares for a period of at least six months, or the awards are settled, cancelled or expire unexercised.

(2) On September 15, 2011, the board of directors of the Company resolved not to undertake any repurchases of vested or unvested share-based compensation awards, except under those conditions specified in the relevant award scheme and grant documents. In addition, any proposed repurchase of vested or unvested share-based compensation awards should be approved by the majority votes of the board of directors. Such intention of the Company was specifically communicated to all employees with or without the awards. All the employees with vested or unvested awards also confirmed such understanding by a written confirmation. Accordingly, the classification of the liability-classified awards changed back to be equity- classified, and the related liability was reclassified to additional paid-in capital on the modification date.

The fair value of the restricted shares above was determined at the grant date. Effective from the re-designation of the award as liability-classified, it was re-measured at the end of each reporting date by the Company with the assistance of an independent valuation company. The change in fair value was recognized in the consolidated statements of operations. After the award was changed back to equity-classified awards, it was measured based on the fair value of the awards on September 15, 2011, and the expenses to be recognized over the remaining requisite service period using the graded vesting attribution method.

Share-based compensation expenses related to the above share-based award of RMB17,561, RMB91,426 and RMB27,726 were recognized in general and administrative expenses in the consolidated statements of operations for the years ended December 31, 2009, 2010 and 2011, respectively.

As of December 31, 2011, there were no unrecognized compensation costs related to restricted shares for NeoTasks acquisition.

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18. Share-based compensation (continued)

(e) Restricted Share Units

On September 16, 2011, the Board of the Directors of the Company approved the 2011 Share Incentive Plan, which permits the grant of share options, restricted shares and restricted share units of up to 43,000,000 shares, to any qualified persons, as determined by the Board of the Directors of the Company. On the same date, the Company granted 9,097,000 restricted share units to employees pursuant to the 2011 Share Incentive Plan, that are subject to vesting over a four to five year period. No restricted share units were granted to non-employees as at December 31, 2011.

The following table summarizes the restricted share units activity for the year ended December 31, 2011:

	Number of restricted shares	Weighted average grant-date fair value (US$)
Outstanding, December 31, 2010	—	
Granted	9,097,000	1.0630
Forfeited	(100,700)	
Outstanding, December 31, 2011	8,996,300	
Vested at December 31, 2011	—	
Expected to vest at December 31, 2011	8,699,422	

For the year ended December 31, 2011, the Company recorded share-based compensation of RMB9,644, using the graded-vesting attribution method.

As of December 31, 2011, total unrecognized compensation expense relating to the restricted share units was RMB49,317. The expense is expected to be recognized over a weighted average period of 2.66 years using the graded vesting attribution method.

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18. Share-based compensation (continued)

(f) Movements of equity-classified and liability-classified awards

The table below shows the movements and details of various equity-classified and liability-classified awards granted by the Company to its employees and non-employee for the years ended December 31, 2009, 2010 and 2011:

	Equity-classified Awards (RMB)						Liability-classified Awards (RMB)			
	Pre-2009 Scheme options	2009 Incentive Scheme–restricted shares	2011 Incentive Scheme–restricted share units	Share-based awards to CEO and Chairman	Awards to NeoTasks Founders	Sub-total	Pre-2009 Scheme options	Awards to NeoTasks Founders	Sub-total	Total
Balance as at January 1, 2009	**1,066**	**—**	**—**	**2,049**	**310**	**3,425**	**—**	**—**	**—**	**3,425**
Share-based compensation expenses	71	—	—	—	3,407	3,478	18,850	14,154	33,004	36,482
Reclassifications										
— From equity-awards to liability-awards*	(1,137)	—	—	—	(3,717)	(4,854)	1,137	3,717	4,854	—
Exercised/Repurchased	—	—	—	—	—	—	—	(642)	(642)	(642)
Foreign currency translation adjustment	—	—	—	—	—	—	(1)	—	(1)	(1)
Balance as at December 31, 2009	**—**	**—**	**—**	**2,049**	**—**	**2,049**	**19,986**	**17,229**	**37,215**	**39,264**
Balance as at January 1, 2010	—	—	—	2,049	—	2,049	19,986	17,229	37,215	39,264
Share-based compensation expenses	—	24,525	—	28,759	—	53,284	92,226	91,426	183,652	236,936
Exercised/Repurchased	—	—	—	—	—	—	(2,576)	—	(2,576)	(2,576)
Reclassifications										
— From liability-awards to common share**	—	—	—	—	—	—	—	(14,028)	(14,028)	(14,028)
Foreign currency translation adjustment	—	—	—	—	—	—	(601)	(538)	(1,139)	(1,139)
Balance as at December 31, 2010	**—**	**24,525**	**—**	**30,808**	**—**	**55,333**	**109,035**	**94,089**	**203,124**	**258,457**
Balance as at January 1, 2011	—	24,525	—	30,808	—	55,333	109,035	94,089	203,124	258,457
Share-based compensation expenses	2,219	57,805	9,644	14,143	3,359	87,170	23,464	24,367	47,831	135,001
Exercised/Repurchased	—	—	—	—	—	—	(11,701)	—	(11,701)	(11,701)
Reclassifications										
— From liability-awards to common share**	—	—	—	—	—	—	—	(57,692)	(57,692)	(57,692)
— From liability-awards to equity awards***	116,328	—	—	—	57,602	173,930	(116,328)	(57,602)	(173,930)	—
Foreign currency translation adjustment	—	—	—	—	—	—	(4,470)	(3,162)	(7,632)	(7,632)
Balance as at December 31, 2011	**118,547**	**82,330**	**9,644**	**44,951**	**60,961**	**316,433**	**—**	**—**	**—**	**316,433**

* As detailed in Note 18(a) and (d), the share options and the restricted shares to NeoTasks founders were tainted and they were reclassified from equity-classified awards to liability-classified awards in November 2009 accordingly.

** During the year ended December 31, 2010 and 2011, the restricted shares to NeoTasks founders were held by NeoTasks Founders for more than six months, therefore, the related awards amounting to RMB14,028 and RMB57,692 were reclassified back to common share respectively.

*** As detailed in Note 18(a) and (d), the share options and the restricted shares to NeoTasks founders were reclassified from liability-classified awards to equity-classified awards in September 2011, accordingly.

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19. Basic and diluted net loss per share

Basic and diluted net loss per share for the years ended December 31, 2009, 2010 and 2011 are calculated as follows:

	For the year ended December 31,		
	2009 RMB	2010 RMB	2011 RMB
Numerator:			
Net loss attributable to the Company	(47,116)	(238,857)	(83,156)
Amortization of beneficial conversion feature	(237)	—	—
Accretion to convertible redeemable preferred shares redemption value	(283,179)	(1,808,853)	(223,663)
Deemed dividend to Series A preferred shareholders	(19)	—	—
Deemed dividend to Series B preferred shareholders	(176)	—	—
Allocation of net income to participating preferred shareholders	—	—	—
Numerator of basic net loss per share	(330,727)	(2,047,710)	(306,819)
Dilutive effect of preferred shares	—	—	—
Numerator for diluted loss per share	(330,727)	(2,047,710)	(306,819)
Denominator:			
Denominator for basic and diluted net loss per share-weighted average shares outstanding	407,613,328	406,304,672	485,883,845
Basic net loss per share	(0.81)	(5.04)	(0.63)
Diluted net loss per share	(0.81)	(5.04)	(0.63)

The Company's preferred shares are participating securities and as such would be included in the calculation of basic earnings per share under the two-class method. According to the contractual terms of the preferred shares, the preferred shares do not have a contractual obligation to share in the losses of the Company. Therefore no loss was allocated to the preferred shares in the computation of basic loss per share for the years ended December 31, 2009, 2010 and 2011.

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19. Basic and diluted net loss per share (continued)

The Preferred Shares, share-based awards for former NeoTasks employees, the share-based awards granted to the CEO and Chairman, share option, restricted shares, restricted share units and warrants to an independent institutional investor were excluded from the computation of diluted net loss per common share for the periods presented because including them would have had an anti-dilutive effect. The following table summarizes information regarding weighted average of common shares equivalents which were excluded from the computation of diluted net loss per common share:

	For the year ended December 31,		
	2009	2010	2011
Preferred shares-weighted average	251,130,218	359,424,310	359,424,310
Share-based awards for NeoTasks acquisition-weighted average	26,234,988	17,277,298	8,319,608
Share-based awards granted to CEO and Chairman-weighted average	—	36,679,507	29,678,483
Share options-weighted average	24,930,643	19,805,981	18,488,604
Restricted shares-weighted average	—	38,138,860	54,045,124
Restricted share units-weighted average	—	—	2,625,039
Warrants to an independent institutional investor-weighted average	—	—	12,609,970

20. Related party transactions

The table below sets forth the related parties and their relationships with the Group:

Related Party	Relationship with the Group
Zhuhai Daren Computer Technology Company Limited ("Zhuhai Daren")	Equity Investment
Guangzhou Shanghang Information Technical Co., Ltd. ("Shanghang")	Significant influence exercised by the Chairman as key shareholder

During the years ended December 31, 2009, 2010 and 2011, significant related party transactions were as follows:

	For the year ended December 31,		
	2009 RMB	2010 RMB	2011 RMB
Online game revenue sharing from Zhuhai Daren	822	1,683	4,451
Bandwidth costs paid to Shanghang	—	1,760	21,985
Interest-free loan to Zhuhai Daren	—	1,500	500

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20. Related party transactions (continued)

As of December 31, 2010 and 2011, the amounts due from/to related parties were as follows:

	December 31,	
	2010 RMB	2011 RMB
Amount due from a related party		
Other receivables from Zhuhai Daren	1,500	2,000
Amounts due to related parties		
Account payables to Zhuhai Daren	386	793
Other payables to Shanghang	828	77
Total	1,214	870

The other receivables/payables from/to related parties are unsecured, interest-free and payable on demand.

21. Fair value measurements

Fair value reflects the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Group considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the assets or liabilities.

The Group applies a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. This guidance specifies a hierarchy of valuation techniques, which is based on whether the inputs into the valuation technique are observable or unobservable. The hierarchy is as follows:

Level 1—Valuation techniques in which all significant inputs are unadjusted quoted prices from active markets for assets or liabilities that are identical to the assets or liabilities being measured.

Level 2—Valuation techniques in which significant inputs include quoted prices from active markets for assets or liabilities that are similar to the assets or liabilities being measured and/or quoted prices for assets or liabilities that are identical or similar to the assets or liabilities being measured from markets that are not active. Also, model-derived valuations in which all significant inputs and significant value drivers are observable in active markets are Level 2 valuation techniques.

Level 3—Valuation techniques in which one or more significant inputs or significant value drivers are unobservable. Unobservable inputs are valuation technique inputs that reflect the Group's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The fair value guidance describes three main approaches to measure the fair value of assets and liabilities: (1) market approach; (2) income approach and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

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21. Fair value measurements (continued)

When available, the Group uses quoted market prices to determine the fair value of an asset or liability. If quoted market prices are not available, the Group will measure fair value using valuation techniques that use, when possible, current market-based or independently sourced market parameters, such as interest rates and currency rates. The Group did not have any financial instruments that were required to be measured at fair value on a recurring basis as of December 31, 2010 and 2011.

The Group's financial instruments consist principally of cash, short-term deposits, accounts receivable, amounts due to/from related parties, accounts payable and certain accrued expenses. The recorded values of cash, accounts receivable, amounts due to/from related parties, accounts payable and certain accrued expenses are recorded at cost which approximates fair value.

22. Commitments and contingencies

(a) Operating lease commitments

The Group leases facilities in the PRC under non-cancellable operating leases expiring on different dates. Payments under operating leases are expensed on a straight-line basis over the periods of the respective leases.

Total office rental expenses under all operating leases were RMB1,853, RMB4,506 and RMB6,361 for the years ended December 31, 2009, 2010 and 2011, respectively.

As of December 31, 2011, future minimum payments under non-cancellable operating leases consist of the following:

	Office rental RMB
2012	10,987
2013	12,448
2014	13,561
2015 and thereafter	13,837
	50,833

(b) Capital commitment

As of December 31, 2011, total capital commitments for leasehold improvement, which was contracted but not yet reflected in the financial statements, amounted to RMB920.

(c) Litigation

The Group is not currently a party to, nor is aware of, any legal proceeding, investigation or claim which is likely to have a material adverse effect on the Group's business, financial condition, results or operations, or cash flows. The Group did not record any legal contingencies as of December 31, 2011.

23. Subsequent events

The Group evaluated subsequent events through July 13, 2012, which was the date which these financial statements were issued.

(a) On February 2, 2012, the Group disposed of a cost investment to the chairman of the Company, who is also a director and a shareholder, for a cash consideration of RMB1,000.

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23. Subsequent events (continued)

(b) On March 12, 2012, the Group acquired the business of an internet platform for cash consideration of RMB11,722.

(c) On January 1 and March 31, 2012, the Group granted 1,668,000 and 6,597,921 restricted share units under the 2011 Incentive Scheme, respectively. The fair value of the restricted share units at the grant date was US$1.0869 and US$1.1530, respectively.

24. Restricted net assets

Relevant PRC laws and regulations permit payments of dividends by the Group's subsidiaries, the VIE and the subsidiary of the VIE incorporated in the PRC only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. In addition, the Company's subsidiaries, the VIE and the subsidiary of the VIE incorporated in the PRC are required to annually appropriate 10% of their net after-tax income to the statutory general reserve fund prior to payment of any dividends, unless such reserve funds have reached 50% of their respective registered capital. As a result of these and other restrictions under PRC laws and regulations, the Group's subsidiaries, the VIE and the subsidiary of the VIE incorporated in the PRC are restricted in their ability to transfer a portion of their net assets to the Company either in the form of dividends, loans or advances, which restricted portion as calculated under US GAAP amounted to approximately RMB84,501 and RMB151,096 as of December 31, 2010 and 2011, respectively. There are no differences between US GAAP and PRC accounting standards in connection with the reported net assets of the legally owned subsidiaries in the PRC and the VIEs. Even though the Company currently does not require any such dividends, loans or advances from the PRC entities for working capital and other funding purposes, the Company may in the future require additional cash resources from them due to changes in business conditions, to fund future acquisitions and development, or merely to declare and pay dividends or distributions to our shareholders. Except for the above, there is no other restriction on use of proceeds generated by the Group's subsidiaries, the VIE and the subsidiary of the VIE to satisfy any obligations of the Company.

25. Additional information: condensed financial statements of the Company

Rule 12-04(a) and 4-08(e)(3) of Regulation S-X require condensed financial information as to financial position, changes in financial position and results of operations of a parent company as of the same dates and for the same periods for which audited consolidated financial statements have been presented when the restricted net assets of consolidated and unconsolidated subsidiaries together exceed 25 percent of consolidated net assets as of the end of the most recently completed fiscal year. However, the Group was only reorganized with the Company being the ultimate holding company of the Group upon the completion of the Share Swap on September 6, 2011 as described in Note 1. Therefore, condensed financial statements for 2009 and 2010 relate to Duowan BVI and for 2011 relate to the Company. The Company records its investments in its subsidiaries and VIEs under the equity method of accounting. Such investments are presented on the separate condensed balance sheets of the Company as "Long-term investments in subsidiaries and VIEs".

The subsidiaries did not pay any dividends to the Company for the years presented. Certain information and footnote disclosures generally included in financial statements prepared in accordance with US GAAP have been condensed and omitted. The footnote disclosures represent supplemental information relating to the operations of the Company, as such, these statements should be read in conjunction with the notes to the consolidated financial statements of the Group.

As of December 31, 2010 and 2011, the Company had no significant capital and other commitments, long-term obligations, or guarantee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

25. Additional information: condensed financial statements of the Company (continued)

Condensed balance sheets

	As of December 31,		
	2010 RMB (a)	2011 RMB (b)	2011 US$
Assets			
Current assets			
Cash and cash equivalents	22,013	—	—
Short-term deposits	—	—	—
Interest Receivables	—	—	—
Due from employees	970	—	—
Due from subsidiaries and VIE	—	—	—
Total current assets	22,983	—	—
Non-current assets			
Intangible assets, net	11,307	—	—
Investments in subsidiaries and consolidated VIEs	75,007	619,241	98,449
Other non-current assets	—	—	—
Total non-current assets	86,314	619,241	98,449
Total assets	109,297	619,241	98,449
Current liabilities			
Accrued liabilities and other payables	203,531	—	—
Total liabilities	203,531	—	—
Mezzanine equity			
Series A convertible redeemable preferred shares (US$0.00001 par value, 136,100,930 shares authorized, issued and outstanding as of December 31, 2010 and 2011)	846,752	935,013	148,651
Series B convertible redeemable preferred shares (US$0.00001 par value, 102,073,860 shares authorized, issued and outstanding as of December 31, 2010 and 2011)	639,799	703,901	111,908
Series C-1 convertible redeemable preferred shares (US$0.00001 par value, 16,249,870 shares authorized, issued and outstanding as of December 31, 2010 and 2011)	102,754	112,556	17,894
Series C-2 convertible redeemable preferred shares (US$0.00001 par value, 104,999,650 shares authorized, issued and outstanding as of December 31, 2010 and 2011)	667,966	729,464	115,972
Shareholders' deficit			
Common shares (US$0.00001 par value; 946,074,577 and 1,022,785,225 shares authorized, 466,630,266 and 543,340,914 shares issued and outstanding as of December 31, 2010 and 2011, respectively)	32	37	6
Additional paid-in capital	—	584,093	92,861
Accumulated deficits	(2,350,448)	(2,433,604)	(386,900)
Accumulated other comprehensive loss	(1,089)	(12,219)	(1,943)
Total shareholders' deficit	(2,351,505)	(1,861,693)	(295,976)
Total liabilities, mezzanine equity and shareholders' deficit	109,297	619,241	98,449

(a) Represents condensed balance sheet of Duowan BVI for 2010
(b) Represents condensed balance sheet of the Company for 2011

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

25. Additional information: condensed financial statements of the Company (continued)

Condensed statements of operations

	For the year ended December 31,			
	2009 RMB (a)	2010 RMB (a)	2011 RMB (b)	2011 US$
Operating expenses				
General and administrative expenses	(32)	(2,489)	—	—
Operating loss	**(32)**	**(2,489)**	**—**	**—**
Share of losses from subsidiaries and VIEs	(47,084)	(236,368)	(83,156)	(13,221)
Net loss	**(47,116)**	**(238,857)**	**(83,156)**	**(13,221)**
Amortization of beneficial conversion feature	(237)	—	—	—
Accretion to convertible redeemable preferred shares redemption value	(283,179)	(1,808,853)	(223,663)	(35,559)
Deemed dividend to Series A preferred shareholders	(19)	—	—	—
Deemed dividend to Series B preferred shareholders	(176)	—	—	—
Net loss attributable to common shareholders	**(330,727)**	**(2,047,710)**	**(306,819)**	**(48,780)**

(a) Represents condensed statements of operations of Duowan BVI for 2009 and 2010
(b) Represents condensed statement of operations of the Company for 2011

Condensed statement of cash flows

	For the year ended December 31,			
	2009 RMB (a)	2010 RMB (a)	2011 RMB (b)	2011 US$
Net cash used in operating activities	(33)	(2,436)	—	—
Net cash used in investing activities	(10,941)	(66,432)	—	—
Net cash provided by/(used in) financing activities	74,629	(3,138)	—	—
Net increase/(decrease) in cash and cash equivalents	**63,655**	**(72,006)**	**—**	**—**
Cash and cash equivalents at the beginning of the year	32,070	95,726	—	—
Effect of exchange rates on cash and cash equivalents	1	(1,707)	—	—
Cash and cash equivalents at the end of the year	**95,726**	**22,013**	**—**	**—**

(a) Represents condensed statements of cash flows of Duowan BVI for 2009 and 2010
(b) Represents condensed statement of cash flows of the Company for 2011

26. Unaudited pro forma balance sheet and earnings per share for conversion of preferred shares

All of the Preferred Shares shall automatically be converted into common shares at the conversion ratio of one preferred share to one common share immediately prior to (i) the closing of the Qualified IPO or (ii) at the election of a majority of the Series A Holders, a majority of the Series B Holders and a majority of the Series C Holders (each voting or consenting as a separate class).

The unaudited pro forma balance sheet as of December 31, 2011 presents an adjusted financial position as if the conversion of the preferred shares into common shares occurred on December 31, 2011. Accordingly, the carrying value of the preferred shares, in the amount of RMB2,480,934, was reclassified from preferred shares to common shares and additional paid in capital for such pro forma presentation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

26. Unaudited pro forma balance sheet and earnings per share for conversion of preferred shares (continued)

The unaudited pro forma loss per share for the year ended December 31, 2011 after giving effect to the conversion of the Preferred Shares into common shares as if the conversion occurred at January 1, 2011, respectively was as follows:

	For the year ended December 31, 2011 RMB
Numerator:	
Net loss attributable to common shareholders	(306,819)
Pro forma effect of conversion of Preferred Shares	223,663
Pro forma net loss attributable to common shareholders—Basic and diluted	(83,156)
Denominator:	
Denominator for basic calculation—weighted average number of common shares outstanding	485,883,845
Pro forma effect of conversion of Preferred Shares	359,424,310
Denominator for pro forma basic and diluted calculation	845,308,155
Pro forma basic net loss per share attributable to common shareholders	(0.0984)
Pro forma diluted net loss per share attributable to common shareholders	(0.0984)

For the year ended December 31, 2011, of the 18,488,604 share options, 29,678,483 share-based awards granted to CEO and Chairman, 8,319,608 share-based awards for former NeoTasks employees and 12,609,970 warrants to an independent institutional investor, 54,045,124 restricted shares and 2,625,039 restricted share units were excluded from the computation of diluted net loss per common share for the periods presented because including them would had an anti-dilutive effect.

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UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2011 AND MARCH 31, 2012
(All amounts in thousands, except share and per share data)

	Notes	As of December 31, 2011	As of March 31, 2012			
		2011	2012	2012	2012	2012
		RMB	RMB	US$ (Note 2(b))	RMB Pro forma (Note 21)	US$ Pro forma (Note 21) (Note 2(b))
Assets						
Current assets						
Cash and cash equivalents	4	128,891	172,266	27,355	172,266	27,355
Short-term deposits		472,655	458,548	72,814	458,548	72,814
Accounts receivable, net	5	47,022	44,339	7,041	44,339	7,041
Amounts due from related parties	16	2,000	2,895	460	2,895	460
Prepayments and other current assets		9,742	9,645	1,531	9,645	1,531
Deferred tax assets		12,487	15,272	2,425	15,272	2,425
Total current assets		672,797	702,965	111,626	702,965	111,626
Non-current assets						
Deferred tax assets		329	411	65	411	65
Investments	6	5,244	4,559	724	4,559	724
Property and equipment, net	7	53,582	60,619	9,626	60,619	9,626
Intangible assets, net	8	10,814	21,071	3,346	21,071	3,346
Goodwill		706	1,605	255	1,605	255
Other non-current assets		1,954	2,331	370	2,331	370
Total non-current assets		72,629	90,596	14,386	90,596	14,386
Total assets		**745,426**	**793,561**	**126,012**	**793,561**	**126,012**
Liabilities and shareholders' equity						
Current liabilities						
Accounts payable		16,114	18,015	2,861	18,015	2,861
Deferred revenue	9	40,357	62,667	9,951	62,667	9,951
Advances from users		2,453	4,171	662	4,171	662
Income taxes payable		16,872	18,229	2,895	18,229	2,895
Accrued liabilities and other current liabilities	10	49,071	38,736	6,151	38,736	6,151
Amounts due to related parties	16	870	709	113	709	113
Total current liabilities		125,737	142,527	22,633	142,527	22,633
Non-current liabilities						
Deferred revenue	9	448	1,260	200	1,260	200
Total liabilities		**126,185**	**143,787**	**22,833**	**143,787**	**22,833**
Commitments and contingencies	18					

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UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2011 AND MARCH 31, 2012 (CONTINUED)
(All amounts in thousands, except share and per share data)

	Notes	As of December 31, 2011	As of March 31,			
		2011	2012	2012	2012	2012
		RMB	RMB	US$ (Note 2(b))	RMB Pro forma (Note 21)	US$ Pro forma (Note 21) (Note 2(b))
Mezzanine equity						
Series A convertible redeemable preferred shares (US$0.00001 par value, 136,100,930 shares authorized, issued and outstanding as of December 31, 2011 and March 31, 2012 (unaudited), and none outstanding on a pro forma basis as of March 31, 2012 (unaudited))		935,013	958,858	152,259	—	—
Series B convertible redeemable preferred shares (US$0.00001 par value, 102,073,860 shares authorized, issued and outstanding as of December 31, 2011 and March 31, 2012 (unaudited), and none outstanding on a pro forma basis as of March 31, 2012 (unaudited))		703,901	721,723	114,605	—	—
Series C-1 convertible redeemable preferred shares (US$0.00001 par value, 16,249,870 shares authorized, issued and outstanding as of December 31, 2011 and March 31, 2012 (unaudited), and none outstanding on a pro forma basis as of March 31, 2012 (unaudited))		112,556	115,378	18,321	—	—
Series C-2 convertible redeemable preferred shares (US$0.00001 par value, 104,999,650 shares authorized, issued and outstanding as of December 31, 2011 and March 31, 2012 (unaudited), and none outstanding on a pro forma basis as of March 31, 2012 (unaudited))		729,464	747,606	118,715	—	—

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2011 AND MARCH 31, 2012 (CONTINUED)
(All amounts in thousands, except share and per share data)

	Notes	As of December 31, 2011	As of March 31,			
			2012	2012	2012	2012
		RMB	RMB	US$ (Note 2(b))	RMB Pro forma (Note 21)	US$ Pro forma (Note 21) (Note 2(b))
Shareholders' (deficits) equity						
Common shares (US$0.00001 par value; 1,022,785,225 shares authorized, 543,340,914 shares issued and outstanding as of December 31, 2011 and March 31, 2012 (unaudited) and 902,765,224 outstanding on a pro forma basis as of March 31, 2012 (unaudited))	13	37	37	6	61	9
Additional paid-in capital		584,093	548,995	87,177	3,092,536	491,074
Accumulated deficits		(2,433,604)	(2,430,083)	(385,881)	(2,430,083)	(385,881)
Accumulated other comprehensive losses		(12,219)	(12,740)	(2,023)	(12,740)	(2,023)
Total shareholders' (deficits) equity		(1,861,693)	(1,893,791)	(300,721)	649,774	103,179
Total liabilities, mezzanine equity and shareholders' (deficits) equity		**745,426**	**793,561**	**126,012**	**793,561**	**126,012**

The accompanying notes are an integral part of these consolidated financial statements.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2012
(All amounts in thousands, except share and per share data)

	Notes	For the three months ended March 31,		
		2011	2012	2012
		RMB	RMB	US$ (Note 2(b))
Net revenues				
Internet value-added services				
—Online game		34,479	68,806	10,926
—YY music		40	33,763	5,361
—Others		686	13,427	2,132
Online advertising		12,152	20,667	3,282
Total net revenue		47,357	136,663	21,701
Cost of revenues[1]	11	(37,237)	(68,954)	(10,949)
Gross profit		10,120	67,709	10,752
Operating expenses[1]				
Research and development expenses		(21,172)	(36,719)	(5,831)
Sales and marketing expenses		(3,722)	(2,046)	(325)
General and administrative expenses		(28,210)	(25,330)	(4,022)
Total operating expenses		(53,104)	(64,095)	(10,178)
Government grants		—	642	102
Operating (loss) income		(42,984)	4,256	676
Foreign currency exchange gains, net		205	472	75
Interest income		484	2,487	395
(Loss) income before income tax expenses		(42,295)	7,215	1,146
Income tax expenses	12	(434)	(3,429)	(545)
(Loss) income before loss in equity method investments, net of income taxes		(42,729)	3,786	601
Loss in equity method investments, net of income taxes		(198)	(265)	(42)
Net (loss) income attributable to YY Inc.		(42,927)	3,521	559
Accretion to convertible redeemable preferred shares redemption value		(61,166)	(62,631)	(9,945)
Net loss attributable to common shareholders		**(104,093)**	**(59,110)**	**(9,386)**
Net (loss) income		(42,927)	3,521	559
Other comprehensive income (losses):				
Foreign currency translation adjustments, net of nil tax		400	(521)	(83)
Comprehensive (loss) income attributable to YY Inc		**(42,527)**	**3,000**	**476**
Net loss per share				
—basic	15	(0.23)	(0.11)	(0.02)
—diluted	15	(0.23)	(0.11)	(0.02)
Weighted average number of common shares used in calculating—basic loss per share	15	455,553,104	533,084,719	533,084,719
Weighted average number of common shares used in calculating—diluted loss per share	15	455,553,104	533,084,719	533,084,719

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UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2012 (CONTINUED)
(All amounts in thousands, except share and per share data)

(1) Share-based compensation was allocated in cost of revenues and operating expenses as follows:

	Notes	For the three months ended March 31,		
		2011	2012	2012
		RMB	RMB	US$ (Note 2(b))
Cost of revenues		4,408	2,171	345
Research and development expenses		6,624	9,641	1,531
Sales and marketing expenses		315	248	39
General and administrative expenses		22,983	15,473	2,457

The accompanying notes are an integral part of these consolidated financial statements.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICITS FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2012
(All amounts in thousands, except share and per share data)

	Notes	Common shares		Additional paid-in capital	Accumulated deficits	Accumulated other comprehensive losses	Total shareholders' deficits
		Number of shares	Amount				
		Note 13	RMB	RMB	RMB	RMB	RMB
Balance as of December 31, 2011		**543,340,914**	**37**	**584,093**	**(2,433,604)**	**(12,219)**	**(1,861,693)**
Share-based compensation—share options	14	—	—	1,123	—	—	1,123
Share-based compensation—restricted shares	14	—	—	12,687	—	—	12,687
Share-based compensation—restricted share units	14	—	—	10,986	—	—	10,986
Share-based compensation—restricted shares to the CEO and Chairman	14	—	—	2,737	—	—	2,737
Accretion of Series A convertible redeemable preferred shares to redemption value		—	—	(23,845)	—	—	(23,845)
Accretion of Series B convertible redeemable preferred shares to redemption value		—	—	(17,822)	—	—	(17,822)
Accretion of Series C convertible redeemable preferred shares to redemption value		—	—	(20,964)	—	—	(20,964)
Components of comprehensive income							
Net income		—	—	—	3,521	—	3,521
Foreign currency translation adjustment, net of nil tax		—	—	—	—	(521)	(521)
Balance as of March 31, 2012		**543,340,914**	**37**	**548,995**	**(2,430,083)**	**(12,740)**	**(1,893,791)**

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UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICITS FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2012 (CONTINUED)
(All amounts in thousands, except share and per share data)

	Notes	Common shares		Additional paid-in capital	Accumulated deficits	Accumulated other comprehensive losses	Total shareholders' deficits
		Number of shares	Amount				
		Note 13	RMB	RMB	RMB	RMB	RMB
Balance as of December 31, 2010		**466,630,266**	**32**	**—**	**(2,350,448)**	**(1,089)**	**(2,351,505)**
Issuance of common shares	13	51,140,432	3	328,129	—	—	328,132
Share-based compensation—restricted shares	14	—	—	15,389	—	—	15,389
Share-based compensation—restricted shares to the CEO and Chairman	14	—	—	3,610	—	—	3,610
Accretion of Series A convertible redeemable preferred shares to redemption value		—	—	(23,260)	—	—	(23,260)
Accretion of Series B convertible redeemable preferred shares to redemption value		—	—	(17,404)	—	—	(17,404)
Accretion of Series C convertible redeemable preferred shares to redemption value		—	—	(20,502)	—	—	(20,502)
Components of comprehensive losses							
Net loss		—	—	—	(42,927)	—	(42,927)
Foreign currency translation adjustment, net of nil tax		—	—	—	—	400	400
Balance as of March 31, 2011		**517,770,698**	**35**	**285,962**	**(2,393,375)**	**(689)**	**(2,108,067)**

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2012
(All amounts in thousands)

	Notes	For the three months ended March 31,		
		2011	2012	2012
		RMB	RMB	US$ (Note 2(b))
Cash flows from operating activities				
Net (loss) income		(42,927)	3,521	559
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities				
Depreciation of property and equipment	7	2,284	5,302	842
Amortization of acquired intangible assets	8	318	441	70
Allowance for doubtful accounts	5	—	1,175	187
Gain on disposal of property and equipment		(66)	—	—
Impairment of cost investment		—	420	67
Share-based compensation	14	34,330	27,533	4,372
Share of loss from equity investments		198	265	42
Deferred income taxes, net	12	(805)	(2,867)	(455)
Foreign exchange gains, net		(205)	(472)	(75)
Changes in operating assets and liabilities, net				
Accounts receivable	5	(4,911)	1,508	239
Prepayments and other current assets		489	(402)	(64)
Amounts due to related parties	16	(223)	(161)	(26)
Accounts payable		707	1,288	205
Deferred revenue	9	1,522	23,122	3,672
Advances from users		234	1,718	273
Income tax payable		1,240	1,357	215
Accrued liabilities and other current liabilities		5,920	(10,335)	(1,641)
Net cash (used in) provided by operating activities		(1,895)	53,413	8,482
Cash flows from investing activities				
Placements of short-term deposits		(258,451)	(165,893)	(26,344)
Maturities of short-term deposits		—	180,000	28,583
Purchase of property and equipment		(11,582)	(11,609)	(1,843)
Purchase of intangible assets		(71)	(80)	(13)
Cash paid for equity investments		(3,500)	(1,000)	(159)
Cash received from disposal of cost investment	6	—	1,000	159
Consideration paid in connection with business acquisition	3	—	(11,722)	(1,861)
Loan to a related party	16	(500)	(700)	(111)
Repayment of loan from a related party	16	—	250	40
Loans to employees		(1,025)	(490)	(78)
Repayment of loans from employees		21	167	27
Proceeds from disposal of property and equipment		260	11	2
Net cash used in investing activities		(274,848)	(10,066)	(1,598)
Cash flows from financing activities				
Proceeds from issuance of common shares and warrants, net of issuance costs	13	328,132	—	—
Net cash provided by financing activities		328,132	—	—
Net increase in cash and cash equivalents		51,389	43,347	6,884
Cash and cash equivalents at the beginning of the period		83,683	128,891	20,467
Effect of exchange rates change on cash and cash equivalents		(1,515)	28	4
Cash and cash equivalents at the end of the period		**133,557**	**172,266**	**27,355**
Supplemental disclosure of cash flows information				
—Income taxes paid		—	(4,939)	(784)

The accompanying notes are an integral part of these consolidated financial statements.

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NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

1. Organization and principal activities

(a) Principal activities

YY Inc. (the "Company") was incorporated in the Cayman Islands on July 22, 2011. The Company through its subsidiaries, and its variable interest entities ("VIEs") (collectively, the "Group") is principally engaged in operating an online social platform in the People's Republic of China (the "PRC" or "China") through its platform, YY Client and through its website *YY.com* and *Duowan.com*.

(b) Subsidiaries and VIEs

The details of the subsidiaries and VIEs as of March 31, 2012 are set out below:

Name	Place of incorporation	Date of incorporation	% of direct or indirect economic ownership	Principal activities
Subsidiaries				
Duowan Entertainment Corp. ("Duowan BVI")	British Virgin Islands	November 6, 2007	100%	Investment holding
NeoTasks Inc. ("NeoTasks")	Cayman Islands	April 26, 2006	100%	Investment holding
NeoTasks Limited	Hong Kong	June 16, 2005	100%	Investment holding
Huanju Shidai Technology (Beijing) Company Limited ("Huanju Shidai" or "Duowan Entertainment")	PRC	March 19, 2008	100%	Investment holding
Zhuhai Duowan Information Technology Company Limited ("Zhuhai Duowan" or "Guangzhou Duowan")	PRC	April 9, 2007	100%	Online advertising and software development
Zhuhai Duowan Technology Company Limited ("Zhuhai Duowan Technology")	PRC	December 2, 2010	100%	Software development
Variable Interest Entities ("VIEs")				
Guangzhou Huaduo Network Technology Company Limited ("Guangzhou Huaduo")	PRC	April 11, 2005	100%	Holder of internet content provider licenses and internet value added services
Beijing Tuda Science and Technology Company Limited ("Beijing Tuda")	PRC	June 2, 2005	100%	Holder of internet content provider licenses

2. Summary of significant accounting policies

(a) Basis of presentation and use of estimates

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the annual audited consolidated financial statements. In the opinion of management, all adjustments, consisting of normal recurring adjustments necessary for the fair statement of results for the periods presented, have been included. The results of operations of any interim period are not necessarily indicative of the results of operations for the full year or any other interim period.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

2. Summary of significant accounting policies (continued)

(a) Basis of presentation and use of estimates (continued)

The preparation of condensed consolidated financial statements requires management to make estimates and assumptions that affect the recorded amounts reported therein. A change in facts or circumstances surrounding the estimate could result in a change to estimates and impact future operating results.

The unaudited condensed consolidated financial statements and related disclosures have been prepared with the presumption that users of the unaudited condensed consolidated financial statements have read or have access to the audited consolidated financial statements for the preceding fiscal year. The condensed consolidated balance sheet at December 31, 2011 has been derived from the audited financial statements at that date but does not include all the information and footnotes required by accounting principles generally accepted in the United States of America. Accordingly, these unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2011.

(b) Convenience translation

Translations of amounts from RMB into US$ for the convenience of the reader were calculated at the noon buying rate of US$1.00 = RMB6.2975 on March 31, 2012 as set forth in the H.10 statistical release of the U.S. Federal Reserve Board. No representation is made that the RMB amounts could have been, or could be, converted into US$ at such rate.

(c) Statutory reserves

The Group did not make any appropriation to its general reserve fund, statutory surpluses fund, discretionary surplus fund, and the staff bonus and welfare fund for the three months ended March 31, 2011 and 2012, respectively, as the PRC subsidiaries and VIEs were in accumulated losses.

(d) Segment reporting

Operating segments are defined as components of an enterprise engaging in business activities for which separate financial information is available that is regularly evaluated by the Group’s chief operating decision makers in deciding how to allocate resources and assess performance. The Group’s chief operating decision maker has been identified as the Chief Executive Officer, who reviews consolidated results when making decisions about allocating resources and assessing performance of the Group. The Group has internal reporting of cost and expenses that does not distinguish between segments, and reports costs and expenses by nature as a whole. The Group does not distinguish between markets or segments for the purpose of internal reporting. Hence, the Group has only one operating segment. As the Group’s long-lived assets and revenue are substantially located in and derived from the PRC, no geographical segments are presented.

(e) Recently Adopted Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board (“FASB”) issued Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs, an accounting standard update which amended the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. The Group adopted this standard effective in the first quarter of 2012 with no material impact on the consolidated financial statements and disclosures.

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2. Summary of significant accounting policies (continued)

(e) Recently Adopted Accounting Pronouncements (continued)

In June 2011, the FASB issued an accounting standards update on the presentation of comprehensive income under which the option to present the components of other comprehensive income as part of the statement of shareholders' equity has been eliminated. The Group adopted this standard effective in the first quarter of 2012.

In September 2011, the FASB issued an amendment to the existing standard which provides entities with an option to perform a qualitative assessment to determine whether further impairment testing on goodwill is necessary. The Group adopted this standard effective in the first quarter of 2012 with no material impact on the consolidated financial statements and disclosures.

3. Business Acquisition

On March 12, 2012, the Group acquired a majority of the assets of an internet service company, which is in the business of operating an internet platform, for cash consideration of RMB11,722. As a result of the acquisition, the Group obtained the key intellectual property to develop and expand the platform of YY Client. The acquisition was recorded using the acquisition method of accounting and the allocation of the purchase price at the date of acquisition is as follows:

	RMB
Property and equipment	128
Intangible assets	
Technology	10,035
Software	660
Goodwill	899
Total	11,722

The excess of purchase price over tangible assets and identifiable intangible assets acquired and liabilities assumed was recorded as goodwill. The acquired goodwill is not deductible for tax purposes. Acquisition-related costs were immaterial and were included in general and administrative expenses for the period ended March 31, 2012.

Pro forma results of operations related to the acquisition have not been presented because they are not material to the Group's consolidated statements of operations for three months ended March 31, 2011 and 2012.

4. Cash and cash equivalents

Cash and cash equivalents represent cash on hand, demand deposits placed with banks or other financial institutions, which have original maturities of three months or less. Cash and cash equivalents balance as of December 31, 2011 and March 31, 2012 primarily consist of the following currencies:

	December 31, 2011		March 31, 2012	
	Amount	RMB equivalent	Amount	RMB equivalent
RMB	108,775	108,775	157,804	157,804
US$	3,193	20,116	2,298	14,462
Total		128,891		172,266

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5. Accounts receivable, net

	December 31, 2011 RMB	March 31, 2012 RMB
Accounts receivable, gross	47,022	45,514
Less: allowance for doubtful receivables	—	(1,175)
Accounts receivable, net	47,022	44,339

6. Investments

	December 31, 2011 RMB	March 31, 2012 RMB
Equity investments	3,142	3,877
Cost investments (Note i)	2,102	682
Total	5,244	4,559

(i) As of March 31, 2012, the Group's cost investment represents an equity interest of 25% in a private company. As part of the share purchase agreement, the Group is entitled to receive an amount equal to 100% of its original investment in the event of liquidation in preference to other common shareholders. As a result, the investment is not an investment in common stock or in-substance common stock and precluded from applying the equity method of accounting. The Group accounted for the investment under the cost method.

On February 2, 2012, the Group disposed of a cost investment to the Chairman of the Company at fair value for cash consideration of RMB1,000.

7. Property and equipment, net

Property and equipment consists of the following:

	December 31, 2011 RMB	March 31, 2012 RMB
Gross carrying amount		
Servers, computers and equipment	61,595	65,925
Furniture, fixture and office equipment	5,440	5,839
Leasehold improvement	3,759	3,759
Motor vehicles	1,149	1,278
Construction in progress	400	7,878
Total	72,343	84,679
Less: accumulated depreciation	(18,761)	(24,060)
Property and equipment, net	53,582	60,619

Depreciation expenses for the three months ended March 31, 2011 and 2012 were RMB2,284 and RMB5,302, respectively.

No impairment loss for property and equipment had been recognized for the three months ended March 31, 2011 and 2012.

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8. Intangible assets, net

The following table summarizes the Group's intangible assets:

	December 31, 2011 RMB	March 31, 2012 RMB
Gross carrying amount		
Domain name	11,504	11,493
Technology	—	9,968
Software	1,601	2,331
Total of gross carrying amount	13,105	23,792
Less: accumulated amortization		
Domain name	(1,389)	(1,584)
Technology	—	(181)
Software	(902)	(956)
Total of accumulated amortization	(2,291)	(2,721)
Intangible assets, net	10,814	21,071

Amortization expenses for the three months ended March 31, 2011 and 2012 were RMB318 and RMB441, respectively.

No impairment loss for intangible assets had been recognized for the three months ended March 31, 2011 and 2012.

The estimated amortization expenses for each of the following five years as of March 31, 2012 are as follows:

Twelve months ended March 31,	Domain name RMB	Software RMB	Technology RMB
2013	785	432	2,048
2014	785	432	2,048
2015	785	409	2,048
2016	755	72	2,048
2017	755	23	1,673

The weighted average amortization periods of intangible assets as of December 31, 2011 and March 31, 2012 are as below:

	December 31, 2011	March 31, 2012
Domain names	15 years	15 years
Technology	—	5 years
Software	5 years	3.7 years

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9. Deferred revenue

	December 31, 2011 RMB	March 31, 2012 RMB
Deferred revenue, current:		
Online game	31,215	43,307
Membership subscription	9,142	19,244
Government grant	—	116
Total current deferred revenue, net	40,357	62,667
Deferred revenue, non-current:		
Membership subscription	448	518
Government grant	—	742
Total non-current deferred revenue, net	448	1,260

10. Accrued liabilities and other current liabilities

	December 31, 2011 RMB	March 31, 2012 RMB
Accrued salaries and welfare	27,050	18,951
Business and other taxes payable	7,028	7,548
Accrued bandwidth costs	5,801	6,253
Deposits from advertising customers	6,250	3,250
Others	2,942	2,734
Total	49,071	38,736

11. Cost of revenue

	For the three months ended March 31,	
	2011 RMB	2012 RMB
Bandwidth costs	16,427	29,485
Salary and welfare	7,883	9,845
YY music activities costs	—	7,884
Business tax and subcharges	2,230	6,167
Depreciation and amortization	2,299	4,975
Payment handling costs	2,473	3,660
Share-based compensation	4,408	2,171
Others	1,517	4,767
Total	37,237	68,954

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12. Income Tax

(i) Cayman Islands ("Cayman")

Under the current tax laws of Cayman Islands, the Company and its subsidiary are not subject to tax on income or capital gains. Besides, upon payment of dividends by the Company to its shareholders, no Cayman Islands withholding tax will be imposed.

(ii) British Virgin Islands ("BVI")

Duowan BVI is exempted from income tax on its foreign-derived income in the BVI. There are no withholding taxes in the BVI.

(iii) Hong Kong profits tax

Entities incorporated in Hong Kong are subject to the Hong Kong profits tax at a rate of 16.5% on the estimated assessable profit for the period. No Hong Kong profits tax has been provided as the Group's subsidiary has no assessable profit arising in Hong Kong.

(iv) PRC Enterprise Income Tax ("EIT")

The Company's subsidiaries and VIEs are subject to EIT on their taxable income as reported in their respective statutory financial statements adjusted in accordance with the relevant tax laws and regulations in the PRC. All the PRC entities of the Group (including subsidiaries and VIEs) are subject to EIT at a rate of 25%. In 2011, Guangzhou Huaduo has been qualified as "High and New Technology Enterprise" ("HNTE") under the EIT Law. Therefore, it is entitled to a preferential tax rate of 15% from 2011 to 2012 and will continue to enjoy the preferential tax rate, provided that it continues to be qualified as HNTE during such period.

According to a policy promulgated by the State Tax Bureau of the PRC and effective from 2008 onwards, enterprises engaged in research and development activities are entitled to claim 150% of the research and development expenses so incurred in a year as tax deductible expenses in determining its tax assessable profits for that year ("Super Deduction"). Both Guangzhou Huaduo and Zhuhai Duowan are entitled to claim such Super Deduction in ascertaining their tax assessable profits for the three months ended March 31, 2012.

In addition, according to the EIT Law and its implementation rules, foreign enterprises, which have no establishment or place in the PRC but derive dividends, interest, rents, royalties and other income (including capital gains) from sources in the PRC shall be subject to PRC withholding tax ("WHT") at 10% (a further reduced WHT rate may be available according to the applicable double tax treaty or arrangement). The 10% WHT is applicable to any dividends to be distributed from Huanju Shidai to Duowan BVI out of any profits of Huanju Shidai and its subsidiaries derived after January 1, 2008.

Up to March 31, 2012, the Group does not have any present plan to pay out the retained earnings in the subsidiaries and VIEs in the foreseeable future. The Group currently intends to retain the available funds and any future earnings to operate and expand its business. Accordingly, no such WHT had been accrued.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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12. Income Tax (continued)

(iv) PRC Enterprise Income Tax ("EIT") (continued)

The current and deferred portions of income tax expense included in the consolidated statements of operations are as follows:

	For the three months ended March 31,	
	2011 RMB	2012 RMB
Current income tax expenses	1,239	6,296
Deferred income tax benefits	(805)	(2,867)
Income tax expense for the period	434	3,429

The reconciliation of total tax expense computed by applying the respective statutory income tax rate to pre-tax (loss) income is as follows:

	For the three months ended March 31,	
	2011	2012
PRC statutory income tax rate	(25.0%)	(25.0%)
Effect of preferential tax rate	6.7%	18.9%
Effect of tax-exempt entities	(0.2%)	3.8%
Permanent differences*	15.6%	(70.9%)
Changes in valuation allowance	(1.1%)	(3.0%)
Effect of Super Deduction available to the Group	(1.9%)	28.7%
Adjustments of deferred tax for changes in tax rates	6.9%	—
Effective income tax rate	1.0%	(47.5%)

* Permanent differences mainly arise from expenses not deductable for tax purposes including primarily share-based compensation costs and expenses incurred by the subsidiaries and VIEs.

13. Common shares

Common Shares

The Company's Memorandum and Articles of Association authorized the Company to issue 1,022,785,225 common shares at US$0.00001 par value as of March 31, 2012. Each common share is entitled to one vote. The holders of common shares are also entitled to receive dividends whenever funds are legally available and when declared by the Board of Directors, subject to prior rights of holders of all other classes of shares outstanding.

As of March 31, 2012, there were 543,340,914 common shares outstanding.

14. Share-based compensation

(a) Share option

i) Pre-2009 Scheme Options

Grant of options

Before the adoption of the Employee Equity Incentive Scheme (the "2009 Incentive Scheme"), 12,705,700 and 8,499,050 share options were granted to employees through individually signed share option

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14. Share-based compensation (continued)

(a) Share option (continued)

i) Pre-2009 Scheme Options (continued)

Grant of options (continued)

agreements, respectively to acquire common shares of Duowan BVI on a one-to-one basis on January 1, 2008 and 2009. In addition, on January 1, 2008, 3,832,290 share options were granted to one non-employee for the provision of consulting services to the Group (collectively defined as “Pre-2009 Scheme Options”).

Vesting of options

These Pre-2009 Scheme Options will vest over a four year service period, with 25% of the options vesting after the first anniversary of the vesting inception date and the remaining 75% in six equal installments over the following 36 months. The options may be exercised provided that both the service conditions and a performance condition are met. The performance condition is defined to be i) an initial public offering, ii) completion of a financing meeting certain criteria, iii) an internal reorganization, or iv) a voluntary winding up of Duowan BVI. The performance condition that is tied to completion of a financing fulfilling certain criteria was met in June 2008 or November 2009.

The following table summarizes the activities of the Pre-2009 Scheme Options for employees and non-employee for the three months ended March 31, 2012:

	Number of options	Weighted average exercise price (US$)	Weighted average remaining contractual life (years)	Aggregate intrinsic value (US$)
Outstanding, December 31, 2011	17,889,535	0.0055	6.37	19,366
Outstanding, March 31, 2012	17,889,535	0.0055	6.12	19,853
Vested and exercisable at March 31, 2012	15,821,980	0.0054	6.04	17,561
Expected to vest at March 31, 2012	2,026,204	0.0067	6.75	2,246

Forfeitures are estimated at the time of grant. If necessary, forfeitures are revised in subsequent periods if actual forfeitures differ from those estimates.

The aggregate intrinsic value in the table above represents the difference between the estimated fair value of the Company’s common shares as of March 31, 2012 and the exercise price.

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14. Share-based compensation (continued)

(a) Share option (continued)

i) Pre-2009 Scheme Options (continued)

Vesting of options (continued)

The Binomial option pricing model is used to remeasured the fair values of the share options granted to the non-employee. The following table summarized the assumptions used to remeasure the fair value as of March 31, 2012:

	As of March 31, 2012
Risk-free interest rate(1)	3.27%
Expected term(2)	5.75 years
Volatility rate(3)	55.46%
Dividend yield(4)	—

(1) The risk-free interest rate of periods within the contractual life of the share option is based on the China Government Bond yield as at the valuation dates.
(2) The expected term is the contract life of the option.
(3) Expected volatility is estimated based on the average of historical volatilities of the comparable companies in the same industry as at the valuation dates.
(4) The Company and Duowan BVI has no history or expectation of paying dividend on its common shares.

For the three months ended March 31, 2011 and 2012, the Group recorded share-based compensation of RMB7,136 and RMB1,123, respectively, using the graded-vesting method to the employees and a non-employee.

As of March 31, 2012, there was RMB1,794 unrecognized share-based compensation expense relating to Pre-2009 Scheme Options granted to employees and the non-employee. The expense is expected to be recognized over a weighted-average remaining vesting period of 0.61 years using the graded vesting attribution method.

ii) 2009 Incentive Scheme Options

On January 1, 2010, the Board of Directors of Duowan BVI formally approved the 2009 Incentive Scheme dated on December 3, 2009, which permits the grant of share options and restricted shares of up to 120,020,001 shares, to any qualified persons, as determined by the Board of Directors of Duowan BVI. The contractual life of all options and restricted shares under the 2009 Incentive Scheme is ten years.

Up to the date of approval of these financial statements, no options had been granted under the 2009 Incentive Scheme by Duowan BVI or the Company.

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14. Share-based compensation (continued)

(b) Restricted shares

Since January 1, 2010, Duowan BVI granted 61,250,677 restricted shares to employees and 100,000 restricted shares to a non-employee pursuant to the 2009 Incentive Scheme.

Vesting of restricted shares

The restricted shares have a vesting condition and will vest 50% after 24 months of grant and the remaining 50% will vest in two equal installments over the next 24 months. Under the restricted shares agreement, no shares may be sold or transferred prior to the occurrence of an exit event, as defined in the respective restricted share agreements as: i) a listing on any recognized stock exchange, ii) a sale by Duowan BVI of all or substantially all of its assets, iii) a sale of all of the issued capital of Duowan BVI, or iv) passing for court order of winding up of Duowan BVI.

If the employee terminates employment, the service vested portion of the restricted shares may be subject to:

(i) repurchase (subject to Company's sole discretion) by Duowan BVI at fair value of common shares of Duowan BVI which is assessed by an independent valuation company; or

(ii) be held by a person who is an existing employee of the Group and is designated by the leaving restricted share holder according to a properly signed escrow agreement to hold such shares for and on his/her behalf. If the leaving employee fails to deliver a properly signed agreement to Duowan BVI within 30 days from receipt of the notification from Duowan BVI, such service vested shares shall automatically lapse and expire.

The following table summarizes the restricted shares activities for the three months ended March 31, 2012:

	Number of restricted shares	Weighted average grant-date fair value (US$)
Outstanding, December 31, 2011	43,285,101	0.4885
Forfeited	(29,000)	0.9362
Vested	—	—
Outstanding, March 31, 2012	43,256,101	0.4882
Expected to vest at March 31, 2012	39,579,332	0.4882

For the three months ended March 31, 2011 and 2012, the Company recorded share-based compensation of RMB15,389 and RMB12,687, respectively, using the graded-vesting method.

As of March 31, 2012, total unrecognized compensation expense relating to the restricted shares was RMB52,636. The expense is expected to be recognized over a weighted average period of 1.61 years using the graded vesting attribution method.

(c) Share-based awards granted to CEO and Chairman of the Company

On February 23, 2010, the CEO and the Chairman of the Company, also directors and shareholders were granted 13,369,813 and 29,678,483 restricted shares, respectively. The Chairman's shares have a service condition that vest over a four year period (50% after the second anniversary and 25% each year thereafter). Both the CEO's and the Chairman's shares are subject to a performance condition which relates to the

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14. Share-based compensation (continued)

(c) Share-based awards granted to CEO and Chairman of the Company (continued)

number of peak concurrent users on the YY Client. Such performance condition was met as at December 31, 2010.

Pursuant to the provisions stipulated in the grant document relating to these restricted shares grant, upon the occurrence of an Acceleration Event, the restricted shares granted to the Chairman would become fully vested. An "Accelerated Event" is defined as (i) a Listing, (ii) a sale of all or substantially all of the issued share capital of Duowan BVI, (iii) a sale by Duowan BVI of all or substantially all of its assets, (iv) the passing of an effective resolution or the making of an order of a competent court for the winding up of Duowan BVI.

The following table summarizes the restricted shares activities for the three months ended March 31, 2012:

	Number of restricted shares	Weighted average grant-date fair value (US$)
Outstanding, December 31, 2011	29,678,483	0.1875
Vested	(14,839,242)	0.1875
Outstanding, March 31, 2012	14,839,241	0.1875

The total fair value of restricted shares vested for the three months ended March 31, 2011 and 2012 amounted to Nil and RMB17,515, respectively.

Share-based compensation expenses related to the awards granted to the Chairman of RMB3,610 and RMB2,737 were recognized in general and administrative expenses in the consolidated statements of operations for the three months ended March 31, 2011 and 2012.

As of March 31, 2012, there was RMB6,871 of total unrecognized compensation cost and expense related to the restricted shares, which is expected to be recognized over a weighted average period of 1.53 years using the graded vesting attribution method.

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14. Share-based compensation (continued)

(d) Restricted Share Units

On September 16, 2011, the Board of the Directors of the Company approved the 2011 Share Incentive Plan, which permits the grant of share options, restricted shares and restricted share units of up to 43,000,000 shares, to any qualified persons, as determined by the Board of the Directors of the Company. On the same date, the Company granted 9,097,000 restricted share units to employees pursuant to the 2011 Share Incentive Plan, that are subject to vesting over a four to five years period. No restricted share units were granted to non-employees as at December 31, 2011.

For the three months ended March 31, 2012, 8,265,921 restricted share units were granted to the Group's employees, that are subject to vesting over a two to four years period.

The following table summarizes the restricted share units activities for the three months ended March 31, 2012:

	Number of restricted shares	Weighted average grant-date fair value (US$)
Outstanding, December 31, 2011	8,996,300	
Granted	8,265,921	1.1096
Forfeited	(15,000)	
Outstanding, March 31, 2012	17,247,221	
Vested at March 31, 2012	—	
Expected to vest at March 31, 2012	16,764,299	

For the three months ended March 31, 2012, the Company recorded share-based compensation of RMB10,986, using the graded-vesting attribution method.

As of March 31, 2012, total unrecognized compensation expense relating to the restricted share units was RMB94,669. The expense is expected to be recognized over a weighted average period of 2.40 years using the graded vesting attribution method.

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14. Share-based compensation (continued)

(e) Movements of the equity-classified and liability-classified awards

The table below shows details of the movement of various equity-classified and liability-classified awards granted by the Company to its employees and non-employees for the three months ended March 31, 2011 and 2012:

	Equity-classified Awards(RMB)						Liability-classified Awards(RMB)			
	Pre-2009 Scheme options	2009 Incentive Scheme – restricted shares	2011 Incentive Scheme – restricted share units	Share-based awards to CEO and Chairman	Awards to NeoTasks Founders	Sub-total	Pre-2009 Scheme options	Awards to NeoTasks Founders	Sub-total	Total
Balance as of January 1, 2011	**—**	**24,525**	**—**	**30,808**	**—**	**55,333**	**109,035**	**94,089**	**203,124**	**258,457**
Share-based compensation expenses	—	15,389	—	3,610	—	18,999	7,136	8,195	15,331	34,330
Foreign currency translation adjustment	—	—	—	—	—	—	(1,118)	(1,089)	(2,207)	(2,207)
Balance as of March 31, 2011 (unaudited)	**—**	**39,914**	**—**	**34,418**	**—**	**74,332**	**115,053**	**101,195**	**216,248**	**290,580**
Balance as of January 1, 2012	**118,547**	**82,330**	**9,644**	**44,951**	**60,961**	**316,433**	**—**	**—**	**—**	**316,433**
Share-based compensation expense	1,123	12,687	10,986	2,737	—	27,533	—	—	—	27,533
Balance as of March 31, 2012 (unaudited)	**119,670**	**95,017**	**20,630**	**47,688**	**60,961**	**343,966**	**—**	**—**	**—**	**343,966**

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15. Basic and diluted net loss per share

Basic and diluted net loss per share for the three months ended March 31, 2011 and 2012 are calculated as follows:

	For the three months ended March 31,	
	2011 RMB	2012 RMB
Numerator:		
Net (loss) income attributable to the Company	(42,927)	3,521
Accretion to convertible redeemable preferred shares redemption value	(61,166)	(62,631)
Allocation of net income to participating preferred shareholders	—	—
Numerator of basic net loss per share	(104,093)	(59,110)
Dilutive effect of preferred shares	—	—
Numerator for diluted loss per share	(104,093)	(59,110)
Denominator:		
Denominator for basic and diluted net loss per share-weighted average shares outstanding	455,553,104	533,084,719
Basic net loss per share	(0.23)	(0.11)
Diluted net loss per share	(0.23)	(0.11)

The Company's preferred shares are participating securities and as such would be included in the calculation of basic earnings per share under the two-class method. According to the contractual terms of the preferred shares, the preferred shares do not have a contractual obligation to share in the losses of the Company. Therefore no loss was allocated to the preferred shares in the computation of basic loss per share for the three months ended March 31, 2011 and 2012.

The Preferred Shares, share-based awards for former NeoTasks employees, the share-based awards granted to the CEO and Chairman, share options, restricted shares, restricted share units and warrants to an independent institutional investor were excluded from the computation of diluted net loss per common share for the periods presented because including them would have had an anti-dilutive effect. The following table summarizes information regarding weighted average of common shares equivalents which were excluded from the computation of diluted net loss per common share:

	For the three months ended March 31,	
	2011	2012
Preferred shares-weighted average	359,424,310	359,424,310
Share-based awards for former NeoTasks employees—weighted average	8,957,690	—
Share-based awards granted to the CEO and Chairman—weighted average	29,678,483	23,577,906
Share options-weighted average	19,742,590	17,889,535
Restricted shares-weighted average	59,212,316	43,266,090
Restricted share units-weighted average	—	10,654,467
Warrants to an independent institutional investor-weighted average	17,046,811	—

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16. Related party transactions

The table below sets forth the related parties and their relationships with the Group:

Related Party	Relationship with the Group
Zhuhai Daren Computer Technology Company Limited ("Zhuhai Daren")	Equity Investment
Guangzhou Shanghang Information Technical Co., Ltd. ("Shanghang")	Significant influence exercised by the Chairman as key shareholder
Zhuhai Lequ Technology Co., Ltd. ("Zhuhai Lequ")	Equity Investment

During the three months ended March 31, 2011 and 2012, significant related party transactions were as follows:

	For the three months ended March 31,	
	2011 RMB	2012 RMB
Online game revenue sharing from Zhuhai Daren	1,030	1,252
Bandwidth costs paid to Shanghang	5,174	3,203
Interest-free loan to Zhuhai Daren	500	—
Repayment of interest-free loan from Zhuhai Daren	—	250
Interest-free loan to Zhuhai Lequ	—	700
Disposal of a cost investment to the Chairman and Co-founder, who is also a director of the Company	—	1,000

As of December 31, 2011 and March 31, 2012, the amounts due from/to related parties were as follows:

	December 31, 2011 RMB	March 31, 2012 RMB
Amounts due from related parties		
Other receivable from Zhuhai Daren	2,000	1,750
Other receivable from Zhuhai Lequ	—	1,145
Total	2,000	2,895
Amounts due to related parties		
Accounts payable to Zhuhai Daren	793	666
Other payables to Shanghang	77	43
Total	870	709

The amounts due from/to related parties are unsecured, interest-free and payable on demand.

17. Fair value measurements

Fair value reflects the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Group considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the assets or liabilities.

The Group applies a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

17. Fair value measurements (continued)

within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. This guidance specifies a hierarchy of valuation techniques, which is based on whether the inputs into the valuation technique are observable or unobservable. The hierarchy is as follows:

Level 1—Valuation techniques in which all significant inputs are unadjusted quoted prices from active markets for assets or liabilities that are identical to the assets or liabilities being measured.

Level 2—Valuation techniques in which significant inputs include quoted prices from active markets for assets or liabilities that are similar to the assets or liabilities being measured and/or quoted prices for assets or liabilities that are identical or similar to the assets or liabilities being measured from markets that are not active. Also, model-derived valuations in which all significant inputs and significant value drivers are observable in active markets are Level 2 valuation techniques.

Level 3—Valuation techniques in which one or more significant inputs or significant value drivers are unobservable. Unobservable inputs are valuation technique inputs that reflect the Group's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The fair value guidance describes three main approaches to measure the fair value of assets and liabilities: (1) market approach; (2) income approach and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

When available, the Group uses quoted market prices to determine the fair value of an asset or liability. If quoted market prices are not available, the Group will measure fair value using valuation techniques that use, when possible, current market-based or independently sourced market parameters, such as interest rates and currency rates. The Group did not have any financial instruments that were required to be measured at fair value on a recurring basis as of March 31, 2012.

The Group's financial instruments consist principally of cash, short-term deposits, accounts receivable, amounts due to/from related parties, accounts payable and certain accrued expenses. The recorded values of cash, accounts receivable, amounts due to/from related parties, accounts payable and certain accrued expenses are recorded at cost which approximates fair value.

18. Commitments and contingencies

(a) Operating lease commitments

The Group leases facilities in the PRC under non-cancellable operating leases expiring on different dates. Payments under operating leases are expensed on a straight-line basis over the periods of the respective leases.

Total office rental expenses under all operating leases were RMB834 and RMB2,306 for the three months ended March 31, 2011 and 2012, respectively.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

18. Commitments and contingencies (continued)

(a) Operating lease commitments (continued)

As of March 31, 2012, future minimum payments under non-cancellable operating leases consist of the following:

Twelve months ended March 31,	Office rental RMB
2013	16,111
2014	15,437
2015	14,142
2016 and thereafter	7,723
Total	53,413

(b) Capital commitments

As of March 31, 2012, total capital commitments for leasehold improvement, which was contracted but not yet reflected in the financial statements, amounted to RMB5,208.

(c) Litigation

The Group is not currently a party to, nor is aware of, any legal proceeding, investigation or claim which is likely to have a material adverse effect on the Group's business, financial condition, results or operations, or cash flows. The Group did not record any legal contingency accruals as of March 31, 2012.

19. Subsequent events

The Group evaluated subsequent events from April 1, 2012 to July 13, 2012, which is the date when the consolidated financial statements were issued, and there were no significant subsequent events.

20. Restricted net assets

Relevant PRC laws and regulations permit payments of dividends by the Group's subsidiaries and VIEs incorporated in the PRC only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. In addition, the Company's subsidiaries and VIEs incorporated in the PRC are required to annually appropriate 10% of their net after-tax income to the statutory general reserve fund prior to payment of any dividends, unless such reserve funds have reached 50% of their respective registered capital. As a result of these and other restrictions under PRC laws and regulations, the Group's subsidiaries and VIEs incorporated in the PRC are restricted in their ability to transfer a portion of their net assets to the Company either in the form of dividends, loans or advances, which restricted portion amounted to approximately RMB151,096 and RMB181,018 as of December 31, 2011 and March 31, 2012, respectively, as calculated under US GAAP. There are no differences between the US GAAP and PRC accounting standards in connection with the reported net assets of the legally owned subsidiaries in the PRC and VIEs. Even though the Company currently does not require any such dividends, loans or advances from the PRC entities for working capital and other funding purposes, the Company may in the future require additional cash resources from them due to changes in business conditions, to fund future acquisitions and development, or merely to declare and pay dividends or distributions to our shareholders. Except for the above, there is no other restriction on use of proceeds generated by the Group's subsidiaries and VIEs to satisfy any obligations of the Company.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

21. Unaudited pro forma balance sheet and earnings per share for conversion of preferred shares

All of the Preferred Shares shall automatically be converted into common shares at the conversion ratio of one preferred share to one common share immediately prior to (i) the closing of the Qualified IPO or (ii) at the election of a majority of the Series A Holders, a majority of the Series B Holders and a majority of the Series C Holders (each voting or consenting as a separate class).

The unaudited pro forma balance sheet as of March 31, 2012 presents an adjusted financial position as if the conversion of the preferred shares into common shares occurred on March 31, 2012. Accordingly, the carrying value of the preferred shares, in the amount of RMB2,543,565, was reclassified from preferred shares to common shares and additional paid in capital for such pro forma presentation.

The unaudited pro forma loss per share for the three months ended March 31, 2012 after giving effect to the conversion of the preferred shares into common shares as if the conversion occurred at January 1, 2012, respectively was as follows:

	For the three months ended March 31, 2012 RMB
Numerator:	
Net loss attributable to common shareholders	(59,110)
Pro forma effect of conversion of preferred shares	62,631
Pro forma net income attributable to common shareholders—Basic and diluted	3,521
Denominator:	
Denominator for basic calculation—weighted average number of common shares outstanding	533,084,719
Pro forma effect of conversion of preferred shares	359,424,310
Denominator for pro forma basic calculation	892,509,029
Dilutive effect of share options	17,456,075
Dilutive effect of restricted shares	34,641,984
Dilutive effect of restricted share units	3,137,332
Dilutive effect of share-based awards granted to CEO and Chairman	22,372,885
Denominator of pro-forma diluted calculation	970,117,305
Pro forma basic net income per share attributable to common shareholders	0.0039
Pro forma diluted net income per share attributable to common shareholders	0.0036

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American Depositary Shares

YY Inc.

Representing Common Shares

Deutsche Bank Securities **Morgan Stanley**

Until , 2012 (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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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 6. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences or committing a crime. Our second amended and restated articles of association provide for indemnification of officers and directors for losses, damages, costs and expenses incurred in their capacities as such, except through their fraud or dishonesty.

Pursuant to the form of indemnification agreements filed as Exhibit 10.3 to this Registration Statement, we will agree to indemnify our directors and officers against certain liabilities and expenses incurred by such persons in connection with claims made by reason of their being such a director or officer.

The form of Underwriting Agreement to be filed as Exhibit 1.1 to this Registration Statement will also provide for indemnification of us and our officers and directors.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended (the "Securities Act") may be permitted to directors, officers or persons controlling us pursuant to the foregoing provisions, we have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

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ITEM 7. RECENT SALES OF UNREGISTERED SECURITIES.

During the past three years, we issued (including options and warrants to acquire its common shares), which were outstanding prior to the share exchange between Duowan Entertainment Corp. and YY Inc. on September 6, 2011. We believe that each of the following issuances was exempt from registration under the Securities Act in reliance on Regulation S under the Securities Act regarding sales by an issuer in offshore transactions. On September 6, 2011, YY Inc. entered into a share exchange agreement with the then shareholders of Duowan Entertainment Corp., under the terms of which YY Inc. issued one preferred or common share in exchange for each preferred or common share that the shareholders held in Duowan Entertainment Corp. As a result of the share exchange, YY Inc. became our ultimate holding company.

Purchaser	Date of Sale or Issuance	Number of Securities	Consideration	Underwriting Discount and Commission
Tony Bin Zhao	December 5, 2008	Warrant to purchase 36,562 common shares(1)	Termination of the option to purchase 5,553,000 common shares in NeoTasks Inc.(2)	Not applicable
Jin Cao	December 5, 2008	Warrant to purchase 18,281 common shares(1)	Termination of the option to purchase 2,777,000 common shares in NeoTasks Inc.(3)	Not applicable
Morningside Technology Investments Limited	December 19, 2008	21,327 common shares(1)	Transfer of the whole of the issued share capital of NeoTasks Inc. to Duowan Entertainment Corp.	Not applicable
An executive officer and employees	January 1, 2009	Options to purchase 17,345 common shares(1)	Past and future services	Not applicable
Tony Bin Zhao	July 1, 2009	2,554,401 restricted shares	Past and future services	Not applicable
Jin Cao	July 1, 2009	1,702,934 restricted shares	Past and future services	Not applicable
Granite Global Ventures III L.P.	December 3, 2009	21,755 series C-1 preferred shares(1)	US$852,796	Not applicable

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Purchaser	Date of Sale or Issuance	Number of Securities	Consideration	Underwriting Discount and Commission
Granite Global Ventures III L.P.	December 3, 2009	140,571 series C-2 preferred shares(1)	US$6,887,979	Not applicable
GGV III Entrepreneurs Fund L.P.	December 3, 2009	354 C-1 preferred shares(1)	US$13,867.80	Not applicable
GGV III Entrepreneurs Fund L.P.	December 3, 2009	2,286 series C-2 preferred shares(1)	US$112,014	Not applicable
Steamboat Ventures Asia, L.P.	December 3, 2009	7,896 C-1 preferred shares(1)	US$309,523.20	Not applicable
Steamboat Ventures Asia, L.P.	December 3, 2009	51,020 series C-2 preferred shares(1)	US$2,499,980	Not applicable
Morningside China TMT Fund I, L.P.	December 3, 2009	3,158 C-1 preferred shares(1)	US$123,793.60	Not applicable
Morningside China TMT Fund I, L.P.	December 3, 2009	20,408 series C-2 preferred shares(1)	US$999,992	Not applicable
An executive officer and employees	January 1, 2010	23,686,542 restricted shares	Past and future services	Not applicable
An employee	April 1, 2010	2,000,000 restricted shares	Past and future services	Not applicable
Employees	July 1, 2010	20,060,000 restricted shares	Past and future services	Not applicable
David Xueling Li	July 9, 2010	13,369,813 common shares	Agreeing to enter into an employment agreement and a restricted share agreement with Duowan Entertainment Corp.	Not applicable

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Purchaser	Date of Sale or Issuance	Number of Securities	Consideration	Underwriting Discount and Commission
Jun Lei	July 9, 2010	29,678,483 common shares	Agreeing to enter into an employment agreement and a restricted share agreement with Duowan Entertainment Corp.	Not applicable
Tony Bin Zhao	August 13, 2010	17,768,380 common shares upon exercise of the warrant	None	Not applicable
Jin Cao	August 13, 2010	7,928,690 common shares upon exercise of the warrant	None	Not applicable
An employee	October 1, 2010	500,000 restricted shares	Past and future services	Not applicable
Executive officers and employees	January 1, 2011	10,850,800 restricted shares	Past and future services	Not applicable
Tiger Global Six YY Holdings	January 21, 2011	25,570,216 common shares	US$25,000,000	Not applicable
Tiger Global Six YY Holdings	January 21, 2011	Warrant to purchase 25,570,216 common shares	US$25,000,000	Not applicable
Tiger Global Six YY Holdings	February 11, 2011	25,570,216 common shares	US$25,000,000	Not applicable
Tiger Global Six YY Holdings	July 29, 2011	25,570,216 common shares upon exercise of the warrant	None	Not applicable
An executive officer and employees	September 16, 2011	9,097,000 restricted share units	Past and future services	Not applicable
Employees	January 1, 2012	1,688,000 restricted share units	Past and future services	Not applicable
An executive officer and employees	March 31, 2012	6,597,921 restricted share units	Past and future services	Not applicable

(1) The number of the securities is presented to give retroactive effect to a 1:490 share split effected by Duowan Entertainment Corp. on July 9, 2010.

(2) Apart from the warrant to purchase 36,562 common shares in Duowan Entertainment Corp., Duowan Entertainment Corp. also paid Mr. Tony Bin Zhao RMB0.8 million in exchange for Mr. Zhao’s termination of the option to purchase 5,553,000 common shares in NeoTasks Inc.

(3) Apart from the warrant to purchase 18,281 common shares in Duowan Entertainment Corp., Duowan Entertainment Corp. also paid Mr. Jin Cao RMB0.4 million in exchange for Mr. Cao’s termination of the option to purchase 2,777,000 common shares in NeoTasks Inc.

ITEM 8. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) Exhibits

See Exhibit Index beginning on page II-9 of this registration statement.

(b) Financial Statement Schedules

Schedules have been omitted because the information required to be set forth therein is not applicable or is shown in the Consolidated Financial Statements or the Notes thereto.

ITEM 9. UNDERTAKINGS.

The undersigned registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the provisions described in Item 6, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant under Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form F-1 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in , on , 2012.

YY INC.

By: ______________________________
Name: David Xueling Li
Title: Chief Executive Officer

POWERS OF ATTORNEY

Each person whose signature appears below constitutes and appoints and as attorneys-in-fact with full power of substitution, for him or her in any and all capacities, to do any and all acts and all things and to execute any and all instruments which said attorney and agent may deem necessary or desirable to enable the registrant to comply with the Securities Act of 1933, as amended (the "Securities Act"), and any rules, regulations and requirements of the Securities and Exchange Commission thereunder, in connection with the registration under the Securities Act of common shares of the registrant (the "Shares"), including, without limitation, the power and authority to sign the name of each of the undersigned in the capacities indicated below to the Registration Statement on Form F-1 (the "Registration Statement") to be filed with the Securities and Exchange Commission with respect to such Shares, to any and all amendments or supplements to such Registration Statement, whether such amendments or supplements are filed before or after the effective date of such Registration Statement, to any related Registration Statement filed pursuant to Rule 462(b) under the Securities Act, and to any and all instruments or documents filed as part of or in connection with such Registration Statement or any and all amendments thereto, whether such amendments are filed before or after the effective date of such Registration Statement; and each of the undersigned hereby ratifies and confirms all that such attorney and agent shall do or cause to be done by virtue hereof.

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Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
David Xueling Li	Chief Executive Officer and Director (principal executive officer)	
Eric He	Chief Financial Officer (principal financial and principal accounting officer)	
Jun Lei	Chairman of the Board of Directors	
Qin Liu	Director	
Alexander Barrett Hartigan	Director	
Jenny Hong Wei Lee	Director	
Tony Bin Zhao	Director	
Nazar Abdenabi Yasin	Director	

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SIGNATURE OF AUTHORIZED REPRESENTATIVE IN THE UNITED STATES

Pursuant to the Securities Act of 1933, the undersigned, the duly authorized representative in the United States of YY Inc. has signed this registration statement or amendment thereto in   on   , 2012.

Authorized U.S. Representative

By: ______________________________

Name:

Title:

YY INC.

EXHIBIT INDEX

Exhibit Number	Description of Document
1.1*	Form of Underwriting Agreement.
3.1*	Amended and Restated Memorandum and Articles of Association of the Registrant, as currently in effect.
3.2*	Form of Second Amended and Restated Memorandum and Articles of Association of the Registrant, as effective upon the completion of this offering.
4.1*	Registrant's Specimen American Depositary Receipt (included in Exhibit 4.3).
4.2*	Registrant's Specimen Certificate for Common Shares.
4.3*	Deposit Agreement, dated as of , 2011, among the Registrant, the depositary and holder of the American Depositary Receipts.
4.4*	Investors' Rights Agreement dated September 6, 2011 among the Registrant, its common shareholders, preferred shareholders and several other parties named therein.
4.5*	Right of First Refusal and Co-Sale Agreement dated September 6, 2011 among the Registrant, its common shareholders, preferred shareholders and several other parties named therein.
4.6*	Share Exchange Agreement dated September 6, 2011, relating to Duowan Entertainment Corp.
5.1*	Form of opinion of Conyers Dill & Pearman regarding the validity of the common shares being registered.
8.1*	Form of opinion of Conyers Dill & Pearman regarding certain Cayman Islands tax matters.
8.2*	Form of opinion of Skadden, Arps, Slate, Meagher & Flom LLP regarding certain U.S. tax matters.
8.3*	Form of opinion of Zhong Lun Law Firm regarding certain PRC tax matters (included in Exhibit 99.2).
10.1*	2009 Employee Equity Incentive Scheme, as amended and restated.
10.2*	2011 Share Incentive Plan.
10.3*	Form of Indemnification Agreement with the Registrant's directors.
10.4*	Form of Employment Agreement between the Registrant and an Executive Officer of the Registrant.
10.5*	English translation of Exclusive Business Cooperation Agreement dated August 12, 2008 between Huanju Shidai (formerly known as Duowan Entertainment Information Technology (Beijing) Company Limited) and Guangzhou Huaduo.
10.6*	English translation of Exclusive Technology Support and Technology Services Agreement dated August 12, 2008 between Huanju Shidai and Guangzhou Huaduo.
10.7*	English translation of Powers of Attorney issued to Huanju Shidai by the shareholders of Guangzhou Huaduo.
10.8*	English translation of Exclusive Option Agreement between Huanju Shidai, Guangzhou Huaduo and the shareholders of Guangzhou Huaduo.
10.9*	English translation of Equity Interest Pledge Agreement between Huanju Shidai and the shareholders of Guangzhou Huaduo.
10.10*	English translation of Exclusive Business Cooperation Agreement dated December 3, 2009 between Huanju Shidai and Beijing Tuda.
10.11*	English translation of Exclusive Technology Support and Technology Services Agreement dated December 3, 2009 between Huanju Shidai and Beijing Tuda.

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Exhibit Number	Description of Document
10.12*	English translation of Powers of Attorney issued to Huanju Shidai by the shareholders of Beijing Tuda on May 27, 2011.
10.13*	English translation of Exclusive Option Agreement dated May 27, 2011 between Huanju Shidai, Beijing Tuda and the shareholders of Beijing Tuda.
10.14*	English translation of Equity Interest Pledge Agreement dated July 1, 2011 between Huanju Shidai and the shareholders of Beijing Tuda.
10.15	English translation of the Joint Operation Agreement dated July 1, 2011 between the Zhuhai branch of Guangzhou Huaduo Network Technology Co., Ltd. and Shenzhen 7th Road Technology Co., Ltd.
21.1*	Subsidiaries of the Registrant.
23.1*	Consent of PricewaterhouseCoopers Zhong Tian CPAs Limited Company, Independent Registered Public Accounting Firm.
23.2*	Consent of Conyers Dill & Pearman (included in exhibit 5.1).
23.3*	Consent of Skadden, Arps, Slate, Meagher & Flom LLP (included in exhibit 8.2).
23.4*	Consent of Zhong Lun Law Firm (included in exhibit 99.2).
23.5*	Consent of iResearch Consulting Group.
24.1*	Powers of Attorney (included on signature page).
99.1*	Code of Business Conduct and Ethics of the Registrant.
99.2*	Form of Opinion of Zhong Lun Law Firm regarding certain PRC law matters.

* To be filed by amendment.

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Exhibit 10.15

Joint Operation Agreement with respect to Web Game "Dandan Tang"

This agreement (the "Agreement") was signed in Tianhe District of Guangzhou City on July 1st, 2011 by the following two parties:

Parties:

Party A: Shenzhen 7th Road Technology Co., Ltd. (the "Party A")
Address: 16# Floor Yanxiang Technology Building, No.31 Gao Xin Zhong Si Road, Nanshan District, Shenzhen
Person in charge: Cao Kai

Party B: Guangzhou Huaduo Network Technology Co., Ltd. Zhuhai Branch (the "Party B")
Address: 13# Floor, A1 Building, South Software Park, Tangjia Town, Xiangzhou Distirct, Zhuhai
Person in charge: Li Xueling

Whereas:

1. Party A is a limited liability company that is established and legally exists according to the laws of the People's Republic of China. It is an integrated interactive entertainment corporation owning advanced operation principles and management methods with qualification and capability for legal development and sales of products related to web game and complete copyright of "Dandan Tang", and the representative of Party A has already obtained the approval and authorization of its board of directors for entering into this agreement.
2. Party B is subsidiary of a limited liability company that is established and legally exists according to the laws of the People's Republic of China. It is a service supplier of game operation with improved marketing network and favorable operation capability; Party B intends to offer its users group to join the operation combined with the game product of Party A, and the representative of Party B has already obtained the approval and authorization of its board of directors for entering this agreement.
3. Both parties agree to cooperate, according to their respective interests, in order to jointly develop the web game market and provide more relevant services to all users.
4. The term of this Agreement is 1 year from the signing date, and both parties will negotiate the renewal of this Agreement before the expiry date. The arrangement between both parties with respect to the game of "Dandan Tang" will be automatically governed by this agreement after the expiration of the existing two-year contract between the parties with respect to the game (the expiryn date for the existing contract with respect to Dandan Tang is August 1, 2011).

In view of the foregoing and under the premise of equality and voluntariness, after amicable negotiation, both parties hereby sign the Agreement and agree to the following terms based on the principle of mutual benefit:

Article 1 Definitions

1.1 Intellectual Property Right: It refers to all rights representing the fruits of intellectual work related to copyright, trademark right, patent right, domain name, and trade secret stipulated in China's Copyright Law, Trademark Law, Patent Law, Anti-unfair Competition Law, and other relevant laws, regulations, and rules.

1.2 Authorized Game: It refers to "Dandan Tang," a multi-user web game developed and operated by Party A, which is properly authorized for use by the cooperative party under this Agreement and according to the agreed terms and conditions stipulated in this Agreement and jointly operated with the cooperative party.

1.3 Users' Data: It refers to the end users' data related to a game, including but not limited to the appearance (face/body) and characteristics (level/experience points) of the roles within the game, material box, and other all data related to the end users of the game, and all payment information of the end users, including the actual name, ID card number, credit card number, address, fixed-line telephone number, mobile number, e-mail address, or other identification information of the end users.

1.4 Server Group: It refers to an online network that includes the game server, database server, download server, network server, and other required server, which provide services in relation to the Authorized Game.

1.5 IDC Resources: They refer to the telecommunication resources that may ensure the provision of regular services for the Server Group, including but not limited to IP address, bandwidth, server hosting cabinet, and other software and hardware required for internet connection.

1.6 Operation Income of Authorized Game: It refers to the recharge income from the Authorized Game generated as a result of Party B's promotion, users' log in to independent authorized server, and use of Authorized Game service within the game's formal operation period (namely the period beginning from the time the Authorized Game begins to claim charge from users when selling the virtual materials). Within the Authorized Game, the "recharge income" specifically refers to the total amount that is exchanged to points after being recharged by users through Party B's recharge platform (exchange ratio from RMB to Points being 1:100, excluding the amount involved in channel premium and any recharge premium activity offered by either of the parties to game users).

1.7 Shared Proportion: It refers to a certain ratio, according to which both parties shared the recharge income in accordance with the terms of this Agreement. The specific shared proportion shall be stipulated according to Clause 5.1 herein.

1.8 Channel Cost: It refers to the commission and payment generated in the game service sold and provided by Party B to users through third party online payment and consumption systems, which are to be paid to third parties other than Party B. During the term of this Agreement, the Channel Cost shall be borne by the users within the recharge process, and the rates of Channel Cost shall be calculated according to the market standard (refer to the following notes for clarification). Within this agreement, Party A shall not bear the channel cost of recharge, and Party B shall treat it as premium when applicable, on a case-by-case basis.

1.9 Authorized Regions: The Mainland of People's Republic of China, not including Hong Kong, Macau, and Taiwan, is the Authorized Regions under the applicable scope of this Agreement. Server shall not be added or recharge channel shall not be opened out of the Authorized Regions.

2.0 Joint Operation: Party A owns advanced manufacturing and maintenance technology for web game products, while Party B has quality and improved network promotion channels and abundant experience on web game promotion and customer services in relation to web games. By using their respective expertise and resources, both parties hereby agree to cooperate with respect to the Authorized Game of "Dandan Tang" for the purpose of generating business income; the game usage service provided by both parties to end users shall generate service charges, including but not limited to: services for log in, operation, and offering payment channels for designated game service purchase, customer service and technical support to end users, and release and sales of products related to web games. In their cooperation under this Agreement, both parties shall be honest in their dealings, and respective rights and obligations shall be clear. Either party may raise some suggestions on the modification of the working content of the other party, but shall not interfere with the normal work of the other party. Both parties shall play the leading role in the respective domains in which they are the expert in order to achieve the ultimate goal of mutual benefit.

Article 2 Contents of Authorization

2.1 Operation Right: In terms of this Agreement, Party A hereby grants Party B a non-exclusive, non-transferable, non-sublicensed, consideration-required and limited right (hereinafter referred to as "Operation Right") to conduct the following activities with respect to the Authorized Game:

1) Promotion in types of executable code on the web game for the purpose of game operation and maintenance, including production of [all sorts of promotion materials and advertisement-related games] for the online and offline promotion of the game. No pornographic, feudalistic, or superstitious content shall be used in the advertising of the Authorized Game.

2) Recharge service to be offered to users within authorized Server Group for the purpose of game operation and maintenance, including but not limitED to online banking, Easyown, and audio signal recharge.

3) "Promotion", "Sales" mentioned above or similar concepts only refer to authorizing game content to end users for use through cooperation with Party B other than to transfer the ownership of any software to Party B or end users.

2.2 Authorized Trademark

1) According to all terms and conditions herein, within the term of this Agreement, Party A, for the purpose of game operation, hereby grants a non-exclusive, non-transferable and non-sublicensed right that shall copy, use, and display the authorized trademark within the authorized region according to the usage rules of authorized trademark.

2) Without the prior written consent of Party A, Party B shall not register any trademark related to Party A's trade name, corporate logo, or game (including but not limited to the name or maps of game, or the name of roles or materials). Otherwise, Party B shall repeal or transfer it to Party A without any charge according to the instruction of Party A and compensate Party A's loss arising from this. The fee related to trademark transfer shall be borne by Party B.

2.3 Domain Name

For the purpose of game operation, Party B may use the domain name that has already existed or has been newly registered, which shall be owned by Party B.

2.4 Rights Retainment

Besides the rights clearly authorized to Party B according to this article, Party A retains all rights that have not been authorized, including but not limit to all ownerships and intellectual property rights related to the game, especially the right of game modification, and the right of production and sales of products related to the game.

Article 3 Cooperative Operation

3.1 Sever Group Installation

1) Party B shall be responsible for providing all necessary hardware equipments and broadband resource, installing the game server, database server, download server, network server, and other required servers into an online network that is applicable to provide game service.

2) Server Bug: Party B shall guarantee the smooth operation of the servers and the network within the terms of this Agreement, and shall guarantee the security of the software and hardware of servers and the data. Party A shall be responsible for solving any bugs found in the game server.

3.2 Game Update: Only Party A has the right to complete the work of game update, and the update program agreed by both parties shall be as follows:

1) Product Update of Party A. Party A shall conduct necessary update to the game. Before each update, Party A shall notify the update content, maintenance time, and other information in writing to Party B 3 working days in advance. Once Party A issues the notification for game update on its official website, Party A shall complete the update work on cooperative Server Group within 5 working days. In addition, Party A shall guarantee that the version of the game on the cooperative server will not be inferior to the operation version owned by Party A officially or by Party A and other cooperative party at the same period.

2) Update required by Party B. When Party B finds any bug within the game or has any requirement to specific version within the cooperative area, Party B shall immediately notify to Party A, and Party A shall reply to Party B within 3 working days. The content of reply may be as follows: (i) to confirm the type of bug and notify the schedule for solving such bug; (ii) to agree the requirement to version modification raised by Party B, and notify the schedule for modification; (iii) to approve the suggestion of Party B, but to ask Party B to modify the demand, for the demand may not be completely implemented; (iv) to completely deny the requirement of Party B and explain the reasons.

3) Party B shall not update the game voluntarily without written consent of Party A.

4) Non-Differentiation Operation Bug. The product update provided by Party A to Party B, including but not limited to version update, game activity, game sequence number, and gifts, shall not be later than the offer by the third party.

3.3. Technical Support

1) Solution to Game Error: For the error appeared in the program and data during the game operation, Party A has the obligation to solve it thoroughly. Within 60 minutes after submission of error by Party B, Party A shall give feedback in terms of error type, error affect, and solution schedule.

2) Other Emergency: For any emergency of the game that the technical support shall be provided (such as material problem of customer service, any virtual material owned by the user with accumulated consumption of RMB1000 has been stolen), Party A shall give feedback in terms of emergency type, affect, and solution schedule within 30 minutes after problem submission of Party B, and shall solve the problem within 24 hours.

3.4 Data Record

1) Both parties shall verify the consumption record on basis of working day according to the recharge interfaces. Within 5 working days at the beginning of each month, both parties shall verify data of online amount produced from game servers related to Authorized Game operations and the operation income of the Authorized Game. When the verified difference in proportion is within 1%, data shall be subject to those of Party B; otherwise, if such proportion exceeds 1%, it shall be subject to the results of negotiation by both parties.

2) Party A shall provide sorts of data produced from Party B's platform during the period of joint operation, including but not limited to data of registration, log in, online, recharge, churn rate, levels data of users, and others.

Article 4 Promotion, Marketing, and Operation

4.1 Promotion and Marketing:

1) Party A shall be responsible for providing operation materials of subject matter so that Party B may plan for the promotion of subject matter. In addition, for the design template of subject matter, Party B may adopt or optimize it according to self requirement. However, Party A shall not participate the production of any operation material and prefecture.

2) Specification, Monitoring and Punishment of Promotion and Marketing:

A. Pulp Promotion: Party B shall guarantee that any pornographic, violent, pulp, feudalistic, superstitious, and any other material with temptation nature or any content that violates national laws and regulations shall not be included in the self-made operation materials;

B. Ballyhoo: When promoting the advertisement materials, Party B shall consider the actual status, and the following matters shall not happen, such as: second version of "Dandan Tang", private server, update version, only designated official website, and other words that are obviously inconsistent with the fact.

C. Wicked Client Soliciting: Party B shall make the most of self advantages and make great effort to promote, and shall not maliciously publish information of server opening,

award policy for entrance when server opening, and other activity of client soliciting through chat channel, forum, e-mail within game, and QQ groups of users; if it is actually the individual activity of user, it shall be mediated by platform, relevant user group shall be dismissed, and corresponding responsibility shall be borne.

For the abovementioned status, if it fails to be remedied within 1 day after dissuasion of Party A, Party A has the right to stop Party B's platform from opening new server;

If the foregoing prohibited matter has happened for more than 3 times, Party A has the right to unilaterally terminate this Agreement and close the server.

4.2 Promotion Activity

1) Activity Conduction: For all operational activities of the game, Party B shall plan for them, and Party A shall coordinate to execute them. Party B may obtain online support of Party A, the support types include but not limit to game updates required by online activity, promotion sequence number, and virtual materials required by online activity. If Party A asks Party B to assign staffs to participate or monitor, Party B shall provide necessary coordination.

2) During the period of cooperation, both parties may plan for activities related to recharge within the authorized servers. Party B may conduct non-recharge activity according to platform characteristics, but the relevant plan document and standard for award issuance shall be implemented after confirmation of Party A.

3) If Party B voluntarily makes decision for special compensation without consent of Party A, Party A has the right to refuse to coordinate with it.

4.4 Point Application

1) If Party B needs points and stage property for game experience or internal server support, it may submit application to Party A. Specific issuance rules may be drafted by Party A.

2) Party B shall not use the user account to replace with the points or stage property application, or trade the points or stage property obtained by application with internal account to the user. If Party A discovers the forgoing event, Party A has the right to refuse to coordinate with it. If the dissuasion of Party A fails, Party A has the right to stop Party B's platform from opening new server; for any serious event, Party A has the right to unilaterally terminate this Agreement.

4.5 Game Charge: All rules related to charge and present for the game shall be formulated by Party A.

Article 5 Charge, Settlement, and Payment

5.1 Both parties shall settle and share income according to revenue generated from consumption (recharge revenue of prefecture user) related to subject matter on prefecture server by prefecture users. The shared income shall be Net Income after deduction of channel cost from consumption income, namely the remaining amount after deduction of channel cost from consumption recharge by prefecture users (hereinafter referred to as Net Income).

5.1.1 Before signing this contract, Party A shall provide complete data and materials of channel cost approved by both parties as appendix of this Agreement with equal legal force to this Agreement.

5.1.2 Both parties shall share income according to the actual amount of subject matter on monthly basis, and the specific proportion shall be as follows:

5.1.3 The proportion of income due to each of Party A and Party B, as represented in net income terms, are:

Income due to Party A = Net income × ***%

Income due to Party B = Net income × ***%

5.2 Payment Method: After confirmation by both parties, Party A shall give the value-added invoice of corresponding amount to Party B before the 10th day of each month, and Party B shall pay the share of income due in the last settlement month to Party A within [ ] working days after receipt of invoice. If there is any dispute regarding the reconciliation data, both parties shall solve it with amicable negotiation. If the difference of data is less than plus-minus 1%, it shall be subject to Party B's data; otherwise, if the difference of data is more than plus-minus 1%, detail reconciliation shall be conducted, and the specific details shall be determined in negotiation by both parties.

5.4 Closed Cycle: The closed cycle agreed in this Agreement shall be from 00:00 of the 1st day of each month until 24:00 of the last day of such month.

5.5 Account Information of Party A

Company name: Shenzhen 7th Road Technology Co., Ltd.

Deposit bank: China Merchant Bank Shenzhen Keyuan Branch

Account No.: 755916317610818

When the account information of Party A is changed, Party A shall notify Party B in writing 10 working days in advance; otherwise, it shall bear any resulting loss.

5.6 For the settlement method for shared income of the operation income for the last 2 months within joint operation period, it shall be separately stipulated in Clause 10.8.

Article 6 Main Rights and Obligations of Both Parties

6.1 Rights and Obligations of Party A

6.1.1 Party A has the right to supervise the operation of Party B within the authorized scope according to this Agreement. If Party B modifies the Authorized Game, changes the name, or adds, deletes, separates, or decompiles content of the game without written consent of Party A, Party A has the right to object, take action and investigate the legal liability of Party B, which actions include but are not limit to unilaterally terminating this Agreement and requiring Party B to recover the reputation of Party A and to bear the loss suffered by Party A due to these actions of Party B.

6.1.2 Party A shall deliver the game and relevant documents and materials according to the content and time stipulated herein.

* Indicate that certain information contained herein has been omitted. Confidential treatment has been requested with respect to the omitted portions.

6.1.3 Party A shall provide technical support to Party B according to this Agreement. If Party B asks technical support staffs of Party A to offer on-site technical support, Party B shall undertake the travelling fee of technical staffs of Party A such as conveyance fee and accommodation charge.

6.1.4 If there is any update program or patch program of the game, Party A shall timely notify Party B and solve any resulting problems according to this Agreement.

6.1.5 Party A shall designate a staff as project manager and the main contact person of Party B. In addition, Party A promises that at least one technical support staff will offer technical support to Party B at any time. If Party A changes any contact staff in terms of business, finance, technique, customer service, and others related to joint operation, it shall notify Part B of the information and new contact method of the new contact staff through formal mail.

6.1.6 Party A shall guarantee that all products related to this Agreement (including the game, and the font, image, and promotion materials related to the game) have legal and complete intellectual property right, ownership, and other rights, and relevant products or services shall be consistent with existing laws or rules on public order and moral custom. If any dispute arising from this, Party A shall unilaterally solve it and bear the responsibility.

6.1.7 Party A shall provide relevant qualification certificates to Party B for verification (such as: business license of Party A, network certificate, copyright certificate of the game, and software product certificate), and shall put the game for reference according to requirements of Ministry of Culture, Copyright Administration, and other relevant departments. If it fails to complete relevant filing procedures when signing this Agreement, Party A shall complete it within three months and provide relevant certificates. If Party A still fails to complete the above procedures within 5 working days after receipt of Party B’s written notification, Party B may immediately terminate this Agreement.

6.1.8 Party A has the obligation to provide the following product materials to Party B for game promotion of “Dandan Tang” without any charge:

1) Game instruction and materials required in building and operating the web-pages of the game;

2) Update version of the game, including the improved BUG, added content, and improved system;

3) Materials for production of promotion pictures, official website, and videos;

4) Other materials required for cooperation.

6.1.9 Party A shall guarantee that the pages of “Dandan Tang” will not appear in any other links in domain names other than www.duowan.com, www.yy.com (but allowing the appearance of the game name in the sub-domain names of these two domain names).

6.2 Rights and Obligations of Party B

6.2.1 Party B has the right to ask Party A to deliver the game and relevant materials and to provide technical support and training according to this Agreement.

6.2.2 Party B shall pay for agreed fee to Party A according to the agreed time and method.

6.2.3 Party B shall not modify the game, change the name, or add, delete, separate, or decompile content of game without written consent of Party A.

6.2.4 Party B shall perform its obligation of game operation and maintenance within the authorized agent period, and shall build up the official website of the game, and shall guarantee the sustainable and stable operation of such website.

6.2.5 Party B shall open the charge channel to claim fees from the users.

6.2.6 If the local government of the agent region requires approval, filing, and registration of the game agency and operation, Party B shall be responsible to deal with it and bear the relevant fees, and shall guarantee the legal operation of the game within the agent region.

6.2.7 Party B shall promise to provide quality customer service and bear all fees arising from this, and shall attract and retain the end users of subject matter with favorable operation service. Party B shall timely give feedback of end users to Party A for game improvement.

6.2.8 Party B shall be responsible to operate and maintain a set of safe payment system, and shall guarantee that such payment system will be able to establish account for new end user (prefecture user), authenticate the password, and calculate the payment amount in an accurate way.

6.2.9 Party B shall not conduct any activity that may damage the game and the benefit of Party A within the term herein, and shall not make false statement on the game to Party A for misdirection or cheat of users. Without written permit of Party A, Party B shall not transfer its rights herein to its clients, partners, or any other third party.

6.2.10 Party B shall not conduct any activity that may prejudice to the game or may be irrelevant to this Agreement beyond the agreed region herein.

6.2.11 Party B shall properly complete the establishment and management of management Server Group in order to guarantee the game versionbe operated in a stable way. If the server shall be ceased for maintenance, or shall be moved to another place, Party B shall notify to Party A at least 3 working days in advance in order to leave enough time for Party A to make corresponding adjustment and coordination.

Article 7 Term

7.1 The term of this Agreement shall be 1 year from the signing date. Within 30 days before expiry, if either party does not submit written termination notification to the other party, this agreement will be automatically renewed for another 1 year; if both parties fail to be consistent on renewal, this Agreement may be terminated when expiry.

7.2 Both parties may separately negotiate on the renewal matters and sign corresponding agreement one month before the expiry date.

Article 8 Confidentiality

8.1 “Exclusive Information” refers to information related one party that has been known, directly or indirectly, by the director, staff, employee, agent, or consultant of the other party from the previous party or its consultant before or after signing this Agreement (including information

of business, finance, operation, management, legal affairs, or others); such information may be disclosed in any way, including but not limited to in writing, oral, or electronic transmission. Confidential information includes but not limits to sales data, marketing scheme, business plan, financial information, client information, supplier information, staff information, know-how, trade secret, and other information with technical, technological, or business nature; in addition, it also includes the analysis report, list, research report, and similar documents manufactured based on the abovementioned information, and all documents and materials contained or reflect the abovementioned information or based on, which are manufactured by the director, staff, employee, agent, or consultant of the other party.

8.2 Without Disclosing Party's prior written consent, either party shall keep secret on any exclusive information, and shall not use or disclose such information to any person or entity, except need of normal performance of obligations herein.

8.3 Both parties shall be responsible to keep secret on the cooperation and the specific content herein, and either party shall not disclose the cooperation and the specific content herein to any third party without prior written consent of the other party.

8.4 This confidentiality article shall survive for three years after the termination of business cooperation by both parties.

Article 9 Breach for Liability of Contract

9.1 If either party (Non-default Party) states that the other party (Default Party) has any breach for liability of contract and provides relevant evidence to prove that such breach may cause non-performance, non-complete performance, or delay performance of this Agreement, Non-default Party has the right to require the Default Party to bear the responsibility, and may cease to perform its obligations herein in the premise of non-termination of this Agreement.

9.2 Default Party shall conduct any remedy within 15 days after receipt of the written notification with facts of breach from Non-default Party, otherwise, Non-default Party has the right to terminate this Agreement and ask the Default Party to compensate all economic losses (including direct and indirect loss, and all reasonable fees and expenses caused by the compensation). No matter why this Agreement is terminated, this article will still be valid.

9.3 If there is any specific article that clearly stipulates the breach and responsibility of breach to either party, and such article may be different from this article, such article shall prevail on the situation stated in such article.

9.4 If Party B fails to pay for monthly shared income to Party A according to this Agreement, Party B shall pay for *** of payable at current period per overdue day to Party A as overdue fee. If Party B fails to pay such income for more than 15 days, Party A has the right to unilaterally terminate this Agreement.

9.5 If Party A fails to operate the cooperation according to the standard agreed in Article 3 herein, Party B has the right to temporarily deduct the shared income of current month until Party A conforms to the standard and eliminates all relevant negative influence. If the abovementioned event has happened for 3 times, Party B has the right to unilaterally terminate this Agreement.

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* Indicate that certain information contained herein has been omitted. Confidential treatment has been requested with respect to the omitted portions.

Article 10 Termination

10.1 Termination Right: Except the termination stipulated by laws, if one of the following event happens, this Agreement will be immediately terminated:

1) Relevant operation qualification owned by Party B or Party A has been canceled or withdrawn by administrative department;

2) Non-default Party terminates this Agreement according to Clause 6.1.7 and 9.2;

3) Either party has been in or applied by the third party to be in bankrupt or liquidation procedures.

10.2 Force majeure refers to any objective status that cannot be predicted, and the happen and aftermath cannot be avoided and encountered, including but not limited to: serious natural disaster (such as typhoon, flood, thundering, earthquake, fire, and explosion), war (no matter declare or not), riot, etc.

10.3 If either party delays to perform this Agreement due to force majeure, the period of performance delay shall be the same as the continuous time of the force majeure, but the pricing article herein will not be adjusted due to such delay.

10.4 Either party that has been affected by force majeure shall immediately notify to the other party in any possibly fastest way after such force majeure event happened, and shall issue valid certificate to the other party in writing to prove such force majeure event within five days after such force majeure event happened. Either party that has been affected by force majeure shall adopt any active and valid measure in order to reduce loss caused to the other party due to non-performance or delay performance of this Agreement to the largest extent. Once the affect of such force majeure has been eliminated, it shall immediately notify to the other party.

10.5 If the party that is not affected by force majeure evaluates that the force majeure will continue for more than 30 days with enough evidence, both parties shall solve the performance problem of this Agreement with amicable negotiation.

10.6 If this Agreement has been terminated according to this article, the observation party may ask the breach party to bear the liability and compensate the loss. The compensation scope shall include all economic losses suffered by observation party due to breach party.

10.7 During the cooperative period, if the monthly total recharge amount is lower than RMB200,000 yuan or the maximum number of online users is less than 2000 for consecutive 2 natural months after game operation, both parties has the right to cease the operation and to terminate this Agreement.

10.8 If both parties cease the joint operation, according to Temperary Method for Management of Web Game issued by Ministry of Culture, both parties shall notify to users on server closure 60 days in advance, and shall share the compensation to users according to the same proportion as the agreed proportion of shared income. The operation income gained in the last 2 months of joint operation shall be used to compensate to users in advance, and both parties may shared the remaining amount after settling all debts according to the proportion agreed in Clause 5.1 herein.

Article 11 Contact

Party A: Shenzhen 7th Road Technology Co., Ltd.
Address: 16# Floor Yanxiang Technology Building, No 31Gao Xin Zhong Si Road, Nanshan District, Shenzhen
Person in charge: ***
Mobile: ***
Postcode: 518057
Tel: ***
Fax: ***
E-mail: ***
Party B: Guangzhou Huaduo Network Technology Co., Ltd. Zhuhai Branch
Address: 13# Floor, A1 Building, South Software Park, Tangjia Town, Xiangzhou Distirct, Zhuhai
Person in charge: ***
Mobile: ***
Postcode: 519080
Tel: ***
Fax: ***
E-mail: ***

Article 12 Representation and Warranty

11.1 Party A represents and warrants that:

1) Party A is a limited liability company that has been established and existed legally according to laws of People's Republic of China;

2) Signature and performance of Party A herein are conformed to laws and articles of association;

3) This Agreement constitutes valid, binding, enforceable legal obligations to Party A;

4) Party A has no need to ask for approval of any third party or filing in any third party on the signature and performance herein;

5) Party A will strictly abide by China's laws and relevant policies and regualtions applicable in the authorized region;

11.2 Party B represents and warrants that:

1) Party B is a limited liability company that has been established and existed legally according to laws of People's Republic of China;

2) Signature and performance of Party B herein are conformed to laws and articles of association;

3) This Agreement constitutes valid, binding, enforceable legal obligations to Party B;

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* Indicate that certain information contained herein has been omitted. Confidential treatment has been requested with respect to the omitted portions.

4) Party B has no need to ask for approval of any third party or filing in any third party on the signature and performance herein;

5) Party A will strictly abide by China's laws and relevant policies and regualtions applicable in the authorized region;

Article 13 Other Matters

12.1 Transfer: without written consent of the other party, either party shall not transfer any and all rights and obligations herein, but either party has the right to transfer and/or sub-license its rights and obligations herein to its affiliated company without consent of the other party. Under the above condition, such party shall notify the other party in writing fifteen days in advance and provide certificate that may prove the relationship between such party and the transferee. Such party shall guarantee in writing that: transferee is able to properly perform the obligations herein, and the transfer will not affect the rights and interest of the other party.

12.2 Constraint Force: This agreement and appendixes will be valid from the date when authorized representatives of both parties sign on this agreement. This agreement is stipulated for both parties and their legal successors and transferee, and legally binds them. This agreement shall only be modified with written consent of both parties.

12.3 Notification: Any written notification required or allowed herein shall be served on the address of the other party listed in Article 11 herein, and the notification will be valid from the receipt date of the mail. Other notification and instruction required herein may be served on the e-mail address designated herein.

12.4 For any outstanding matters during the performance herein, or any supplement, change, or modification to the existing content herein due to business development, both parties or either party may raise the suggestion or plan on supplement, change, or modification, and then such document will become the supplemental document to this Agreement with equal legal force after negotiation of both parties, and signing and affixing seals on the written documents.

12.5 Any dispute on the establishment, effect, explanation, and performance of this Agreement shall be solved according to laws of the People's Republic of China. For any dispute caused by this Agreement or the performance of this Agreement, both parties shall solve it based on principle of amicable negotiation. If the negotiation fails, either party has the right to submit it to the people's court of the location where this Agreement is signed for hearing.

12.6 This Agreement will become formally effective after the authorized representatives of both parties' signatories and affix seals on it.

12.7 This Agreement is made in Chinese and in quadruplicate with Party B and Party A holding two respectively, all of which have equal legal force.

(Hereinafter blank)

This is the signature page without any text:

In view of the above text, Party A and Party B have respectively authorized their designated representatives to sign this agreement on the date listed in the head page herein.

Party A: Shenzhen 7th Road Technology Co., Ltd.

/s/ Hu Xiaoli

Signature of authorized representative: Hu Xiaoli

Party B: Guangzhou Huaduo Network Technology Co., Ltd. Zhuhai Branch

/s/ Peng Haifeng

Signature of authorized representative: Peng Haifeng

Exhibit 99.4

CONFIDENTIAL TREATMENT REQUESTED BY THE REGISTRANT
AS CONFIDENTIALLY SUBMITTED TO THE SECURITIES AND EXCHANGE COMMISSION ON AUGUST 27, 2012

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM F-1
REGISTRATION STATEMENT

UNDER
THE SECURITIES ACT OF 1933

YY INC.

(Exact name of Registrant as specified in its charter)

Not Applicable
(Translation of Registrant's name into English)

Cayman Islands	**7389**	**Not Applicable**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

Building 3-08, Yangcheng Chuangyi Chanye Park
No. 309 Huangpu Dadao Central
Tianhe District, Guangzhou 510655
People's Republic of China
Tel: (+86 20) 2916 2114
(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

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

Copies to:

Z. Julie Gao, Esq. **Skadden, Arps, Slate, Meagher & Flom LLP** **c/o 42/F, Edinburgh Tower** **The Landmark** **15 Queen's Road Central** **Hong Kong** **(+852) 3740-4700**	**Leiming Chen, Esq.** **Simpson Thacher & Bartlett LLP** **c/o 35th Floor, ICBC Tower** **3 Garden Road** **Central, Hong Kong** **(+852) 2514-7600**

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	Proposed maximum aggregate offering price(1)	Amount of registration fee
Common shares, par value US$0.00001 per share(2)(3)	US$	US$

(1) Estimated solely for the purpose of determining the amount of registration fee in accordance with Rule 457(o) under the Securities Act of 1933.

(2) Includes 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, and also includes common shares that may be purchased by the underwriters pursuant to an over-allotment option. These common shares are not being registered for the purpose of sales outside the United States.

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

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 preliminary prospectus is not complete and may be changed. [Neither we nor the selling shareholders] may sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and we [and the selling shareholders] are not soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

PROSPECTUS (SUBJECT TO COMPLETION)
DATED , 2012

AMERICAN DEPOSITARY SHARES

YY Inc.

Representing Common Shares

This is an initial public offering of American depositary shares, or ADSs, of YY Inc. Each ADS represents common shares, par value US$0.00001 per share. We are offering ADSs[, and the selling shareholders identified in this prospectus are offering ADSs. We will not receive any of the proceeds from the ADSs sold by the selling shareholders]. Prior to this offering, there has been no public market for our common shares or ADSs. We anticipate the initial public offering price will be between US$ and US$ per ADS.

We are an "emerging growth company" under applicable U.S. federal securities laws and are eligible for reduced public company reporting requirements.

We have applied to have our ADSs listed on [Nasdaq Global Market/NYSE] under the symbol "YY."

Investing in our ADSs involves a high degree of risk. See "Risk Factors" beginning on page 13.

PRICE US$ PER ADS

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Us, Before Expenses	[Proceeds to the Selling Shareholders]
Per ADS	US$	US$	US$	US$
Total	US$	US$	US$	US$

The underwriters have an option to purchase up to additional ADSs from us [and an aggregate of additional ADSs from the selling shareholders] at the initial public offering price, less underwriting discounts and commissions, within 30 days from the date of this prospectus, to cover over-allotments. Upon the completion of this offering, our senior management and existing shareholders holding more than 5% of our outstanding shares will own an aggregate of % of the total voting power of our outstanding shares.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the ADSs to purchasers on or about , 2012.

Deutsche Bank Securities **Morgan Stanley**

The date of this prospectus is , 2012.

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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.

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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 prospectus contains information from a consumer survey commissioned by us and conducted by iResearch Consulting Group, or iResearch, a third party market research firm, in July 2012 to provide information on our market position in China. We refer to this report as the iResearch Report in this prospectus.

Overview

YY is a revolutionary rich communication social platform that engages users in real-time online group activities through voice, text and video. YY Client, our core product launched in China in July 2008, has attracted 344.6 million registered user accounts as of June 30, 2012 and had 66.3 million monthly active users in June 2012.

People are social creatures with a fundamental desire to connect, interact and communicate with each other. YY empowers users to create and organize groups of varying sizes to discover and participate in a wide range of online activities, including online games, karaoke, music concerts, education, live shows and conference calls.We believe that our proprietary technology infrastructure was the first to develop the capacity to support simultaneous communication among millions of concurrent users in a single channel. YY's scale, social features and high quality voice and video make it popular among internet users in China, as evidenced by the 10.0 million peak concurrent users on YY in August 2012 and 260.9 billion voice minutes that users spent on YY Client in the first six months of 2012. "Voice minute" means a minute in which the user is using our voice- and video-enabled services, such as listening to or talking on YY channels.

Our platform consists of YY Client, the YY.com and Duowan.com web portals and Mobile YY. YY Client is our personal computer, or PC-based user software that provides real-time access to online activities groups, which we refer to as channels. Although online communication tools such as instant messenger and social networking services existed when we introduced YY Client in July 2008, these tools and services were confined to text or limited-scale voice or video communications. YY Client has transformed online social communications by enabling large-scale group activities through our platform. In 2011, we held an approximate 84.2% market share in the real-time online group voice communications market in China in terms of user time spent, according to the iResearch Report. On average, each active user spent approximately 53.5 hours on YY Client in June 2012. YY Client is available for free download from YY.com, our online portal and guide to channels, events and content available across our platform. We also operate Duowan.com, which provides access to and interactive resources for online games, and was ranked the No. 2 game media website in China in terms of monthly unique visitors in the three months ended March 31, 2012 according to iResearch. To increase the accessibility and usage of YY Client, we introduced our mobile application, Mobile YY, in September 2010.

Delivering superior user experience is our core focus, and it relies on our proprietary technology and industry know-how. A single YY channel can currently have from only a handful to more than 1.3 million concurrent users. YY enables users to continually create new channels to engage in activities on our open platform designed to make offline group activities more effective and efficient online. YY is supported by our highly scalable infrastructure throughout China, and our proprietary algorithms enabling low latency, low jitter and low loss rates in delivering voice and video data.

While the basic use of our platform is currently free, we monetize our user base through internet value-added services, or IVAS, and online advertising. Currently, revenues from IVAS are primarily generated through

sales of virtual items and game tokens that our users may purchase for use in online activities on our platform, including online games, which are all web games, and YY Music, our music channels on YY Client. Online advertising revenues are primarily generated from sales of different forms of advertising on Duowan.com. We believe that we will be able to capitalize on the large and highly engaged user base of our open platform by exploring additional monetization opportunities and diversifying our revenue sources.

We have achieved significant growth in recent years. Our total net revenues increased from RMB32.7 million in 2009 to RMB128.3 million in 2010 and to RMB319.7 million (US$50.8 million) in 2011, representing a CAGR of 212.6% from 2009 to 2011. For the six months ended June 30, 2012, our total net revenues grew to RMB324.5 million (US$51.1 million), representing a 173.2% increase from RMB118.8 million for the six months ended June 30, 2011. We had a net loss of RMB47.1 million, RMB238.9 million and RMB83.2 million (US$13.2 million) in 2009, 2010 and 2011, respectively, and in the six months ended June 30, 2012, we had a net income of RMB20.8 million (US$3.3 million). Our adjusted net loss, a non-GAAP measure, decreased from RMB10.6 million in 2009 to RMB1.9 million in 2010, and in 2011, we had an adjusted net income of RMB51.8 million (US$8.2 million). In the six months ended June 30, 2012, our adjusted net income amounted to RMB75.1million (US$11.8 million) compared to an adjusted net loss of RMB3.3 million in the same period in 2011. Our adjusted net (loss) income excludes non-cash share-based compensation expenses. For information regarding adjusted net (loss) income and a reconciliation of each to net (loss) income, see "—Our Summary Consolidated Financial Data—Non-GAAP Financial Measure" on page 11.

The PRC government extensively regulates foreign ownership of, and the licensing and permit requirements pertaining to, companies that provide internet-based services such as our YY platform. To comply with these restrictions, we conduct our operations principally through our consolidated affiliated entities in China. We face risks and uncertainties associated with our corporate structure, as our control over these consolidated affiliated entities is based on contractual arrangements rather than equity ownership. See "Risk Factors—Risks Relating to Our Corporate Structure and Our Industry" and "Corporate History and Structure."

Our Strengths

We believe the following factors have contributed to the success of our rich communication social platform:

- Large and highly engaged user base;
- Powerful network effects;
- Superior user experience;
- Scalable platform serving a broad range of potential end markets; and
- Proprietary and scalable technology infrastructure.

Our Strategies

Our mission is to make offline group activities available and better online. We are dedicated to continue to pursue our mission by pursuing the following strategies:

- Further expand our user base;
- Increase the monetization of our user base;
- Further develop and expand the use of Mobile YY; and
- Continue to invest in our leading technology infrastructure.

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Monetization Opportunities

As users continue to unlock the full potential of our platform, we believe we will have increasing opportunities to expand our portfolio of products and services, and monetize them in various manners. Currently, we derive revenues from our users and third party advertisers.

Internet Value Added Services

We primarily generate revenues from paying users of online web games, YY Music and membership. We believe the following areas represent the most significant monetization opportunities for our platform:

Online Games. Online games, which include massive multiplayer online games and web games, have become an increasingly popular source of entertainment for individuals and groups of internet users. According to the iResearch Report, China's online games market generated RMB32.7 billion (US$5.1 billion) of revenue in 2010, and is expected to grow to RMB43.5 billion (US$6.8 billion) in 2013. Our platform attracts a large number of online game players and is particularly attractive to online game players' guilds, the members of which congregate on YY Client to discuss gaming strategies and to communicate during online games. Our platform provides users with access to a wide variety of games which we monetize. In the future, we intend to develop and introduce more online games-related services such as the recently introduced live broadcasting of online games to a large audience.

Music. YY has become a popular platform for live music performances on music channels. YY provides a stage for grassroots musicians, celebrities and professional performers to perform live. Starting from March 2011, users can purchase and present virtual gifts to their favorite performers to show support. According to a report we commissioned in 2012 conducted by the Data Center of China Internet, or DCCI, the total market size for karaoke and live music performance in ten major cities in China, including Beijing, Shanghai and Shenzhen, was US$8.6 billion. We have encouraged and facilitated numerous large-scale music events such as fan club gathering and meet-and-greets with various performers, as well as concerts and singing competitions for performers. In the future, we intend to encourage more live music events which users can access in real-time for an entry fee.

Membership. We provide enhanced membership privileges to users who pay a monthly fee and subscribe to our membership program. Enhanced privileges include access to special features, such as experimental channel functions including additional video usage. In the future, we intend to continue exploring different ways to expand our members-only offerings so as to better serve our members and attract a larger membership base.

Education. YY provides a convenient and efficient platform for lectures or personal tutoring sessions to be conducted in real time. Our education channels provide numerous classes that cover diverse subjects such as foreign languages, the PRC government civil employee examination and IT training. In the future, we intend to continue enabling users to conduct education courses and cooperate with various educational institutions to provide online classes on YY for a fee.

Advertising Services

We believe that our extensive user base represents an attractive demographic target for advertisers. We believe our advertising business will continue to develop as we grow our user base and advertisers embrace our platform and solutions for them.

Online Display Advertising. According to iResearch, Duowan was the No. 2 game media website in China in the three months ended March 31, 2012, with a market share of 15.7% in terms of monthly unique visitors during that period. Also, according to the iResearch Report, total online advertising spending by game developers in China was approximately RMB690.0 million (US$108.6 million) in 2010, while the overall online advertising market in China was RMB32.6 billion (US$5.1 billion). According to the iResearch Report, the overall online advertising market in China is expected to grow to as much as RMB143.1 billion (US$22.5 billion) in 2014, representing a CAGR of 34.5% from 2010 to 2014.

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The vast majority of our current advertising revenues are generated from advertisements on Duowan.com; in the future, we intend to expand our capacity and advertisement solutions for online advertising as our user base grows and to launch additional special interest content-driven portals to complement Duowan.com. Currently, a significant majority of our advertisers are game developers and we intend to further diversify our advertising client base.

Our Challenges

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

- successfully implement our relatively new business model, grow and monetize our user base and expand our product and service offerings;
- continue developing innovative technologies in response to evolving user demand and maintain our technological leadership;
- develop and maintain relationships with advertisers in a broad range of industries;
- generate and increase revenues from a diverse group of online games; and
- attract and retain qualified personnel.

In addition, we expect to face risks and uncertainties related to our corporate structure and doing business in China, including:

- risks associated with our control over our consolidated affiliated entities in China, which is based on contractual arrangements rather than equity ownership; and
- uncertainties associated with our compliance with applicable PRC regulations and policies, including those relating to various channels on our YY platform.

Corporate Information

Our principal executive offices are located at Building 3-08, Yangcheng Chuangyi Chanye Park, No. 309 Huangpu Dadao Central, Tianhe District, Guangzhou 510655, People's Republic of China. Our telephone number at this address is (+86 20) 2916 2114. Our registered office in the Cayman Islands is located at the offices of Codan Trust Company (Cayman) Limited of Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KYI-1111, Cayman Islands. Our agent for service of process in the United States is .

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

Corporate History

We commenced operations in April 2005 in China. In November 2007, we established Duowan Entertainment Corp., or Duowan BVI, in the British Virgin Islands. Through its wholly owned subsidiary, Duowan BVI entered into a series of contractual arrangements with certain PRC consolidated affiliated entities and their shareholders through which it exercises effective control over the operations of these PRC consolidated affiliated entities. Our current holding company, YY Inc., was incorporated in July 2011 as a limited liability company in the Cayman Islands. Through a share exchange in September 2011, the shareholders of Duowan BVI exchanged all of their outstanding common and preferred shares in Duowan BVI for common shares, meaning common shares with a par value US$0.00001 per share, and preferred shares, meaning series A, B, C-1 and C-2 preferred shares with a par value of US$0.00001 per share, of YY Inc. on a pro rata basis. No additional consideration was paid in connection with the share exchange. As a result, Duowan BVI became a wholly owned subsidiary of YY Inc. For more details, see "Corporate History and Structure."

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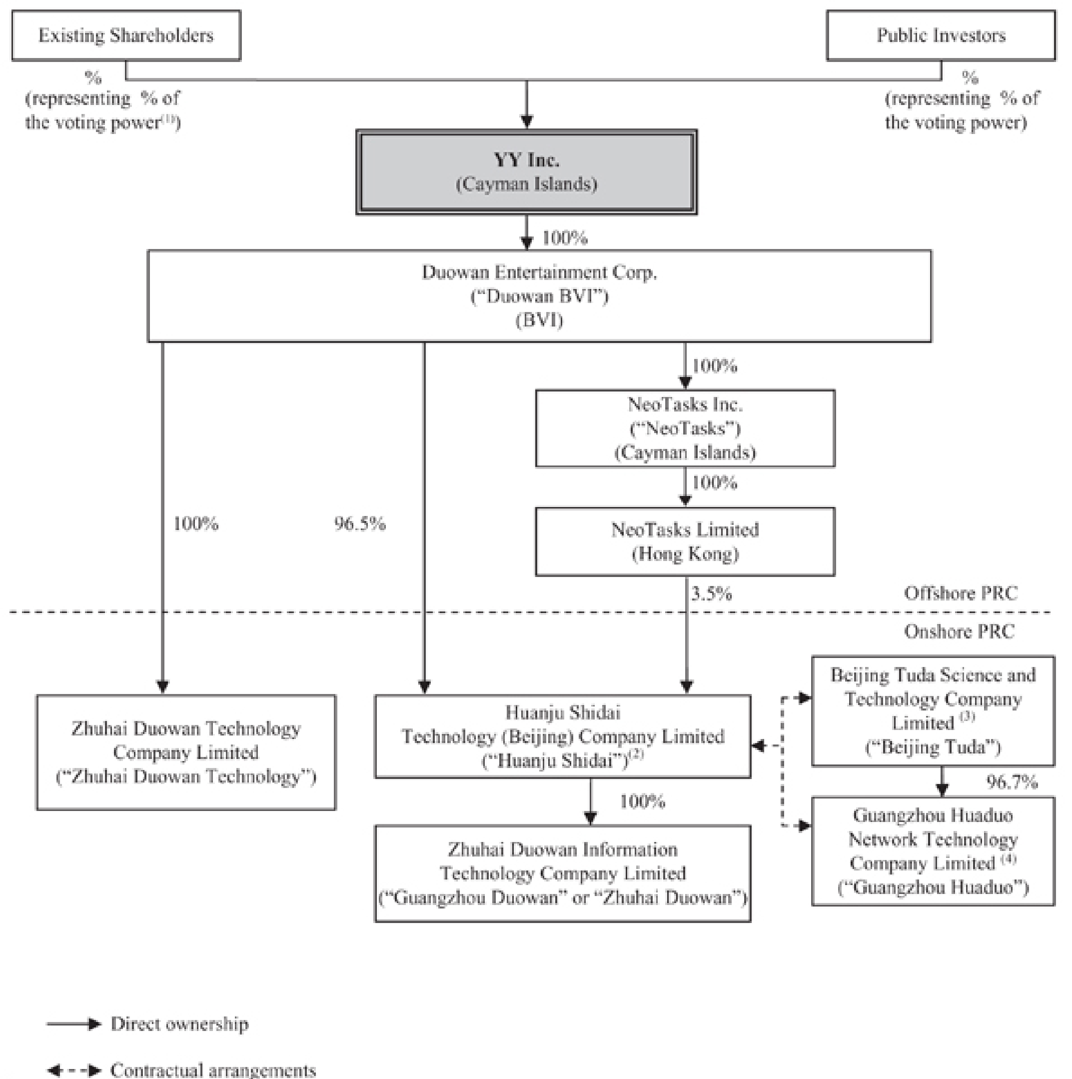
The following diagram illustrates our corporate structure upon the completion of this offering, assuming that the underwriters do not exercise their option to purchase additional shares:



(1) Upon the completion of this offering, our senior management and existing shareholders holding more than 5% of our outstanding shares will own an aggregate of % of the total voting power of our outstanding shares.

(2) Formerly known as Duowan Entertainment Information Technology (Beijing) Company Limited.

(3) Beijing Tuda is our PRC consolidated affiliated entity. Mr. David Xueling Li, our co-founder, chief executive officer and director, Mr. Tony Bin Zhao, our chief technology officer and Mr. Jin Cao, the general manager of our website department, own 97.7%, 1.5% and 0.8% of Beijing Tuda's equity interests, respectively.

(4) Guangzhou Huaduo is our PRC consolidated affiliated entity. Mr. David Xueling Li, Mr. Jun Lei, our co-founder and chairman, Mr. Tony Bin Zhao, Mr. Jin Cao and Beijing Tuda own approximately 1.7%, 1.5%, 0.1%, 0.1% and 96.6% of Guangzhou Huaduo's equity interests, respectively.

Implications of Being an Emerging Growth Company

As a company with less than US$1.0 billion in revenue for our last fiscal year, we qualify as an “emerging growth company” pursuant to the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include exemption from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, in the assessment of the emerging growth company’s internal control over financial reporting. The JOBS Act also provides that an emerging growth company does not need to comply with any new or revised financial accounting standards until such date that a private company is otherwise required to comply with such new or revised accounting standards. However, we have elected to “opt out” of this provision and, as a result, we will comply with new or revised accounting standards as required when they are adopted for public companies. This decision to opt out of the extended transition period under the JOBS Act is irrevocable.

We will remain an emerging growth company until the earliest of (a) the last day of our fiscal year during which we have total annual gross revenues of at least US$1.0 billion; (b) the last day of our fiscal year following the fifth anniversary of the completion of this offering; (c) the date on which we have, during the previous three-year period, issued more than US$1.0 billion in non-convertible debt; or (d) the date on which we are deemed to be a “large accelerated filer” under the Securities Exchange Act of 1934, as amended, or the Exchange Act, which would occur if the market value of our ADSs that are held by non-affiliates exceeds US$700 million as of the last business day of our most recently completed second fiscal quarter. Once we cease to be an emerging growth company, we will not be entitled to the exemptions provided in the JOBS Act discussed above.

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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$ and US$ per ADS.
ADSs offered by us	ADSs
[ADSs offered by the selling shareholders]	ADSs
Common shares outstanding immediately after this offering	shares (or shares if the underwriters exercise their over-allotment option in full)
ADSs outstanding immediately after this offering	ADSs (or ADSs if the underwriters exercise their over-allotment option in full)
The ADSs	Each ADS represents common shares, par value US$0.00001 per share.
	The depositary will hold the common shares underlying your ADSs. You will have rights as provided in the deposit agreement.
	If we declare dividends on our common shares, the depositary will pay you the cash dividends and other distributions it receives on our common shares, after deducting its fees and expenses.
	You may turn in your ADSs to the depositary in exchange for 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.
	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.
Over-allotment option	We [and the selling shareholders] 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 ADSs.

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Use of proceeds	We plan to use the net proceeds we receive from this offering for investing in our voice and video technology and infrastructure, expanding our product development and services offerings, expanding our sales and marketing activities and other general corporate purposes, including working capital needs. See "Use of Proceeds" for additional information. [We will not receive any of the proceeds from the sale of ADSs by the selling shareholders.]
Lock-up	We, [our directors and executive officers, our existing shareholders and certain of our options, restricted shares and restricted share units holders] 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 after the date of this prospectus. See "Underwriting" for more information.
Proposed [Nasdaq Global Market/ NYSE] symbol	We have applied to have the ADSs listed on the [Nasdaq Global Market/NYSE] under the symbol "YY." Our ADSs and common shares will not be listed on any other stock exchange or traded on any automated quotation system.
Payment and settlement	The underwriters expect to deliver the ADSs against payment therefor through the facilities of the Depository Trust Company on , 2012.
Depositary	
Directed share program	[At our request, the underwriters have reserved for sale, at the initial public offering price, up to ADSs offered by this prospectus to some of our directors, officers, employees, business associates and related persons.]
Risk factors	See "Risk Factors" and other information included in this prospectus for a discussion of risks that 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 series A, B, C-1 and C-2 preferred shares into 359,424,310 common shares immediately upon the completion of this offering;
- assumes no exercise of the underwriters' over-allotment option;
- excludes common shares issuable upon the exercise of options outstanding at a weighted average exercise price of US$ per share as well as restricted shares and restricted share units that have vested as of the date of this prospectus; and
- excludes common shares reserved for future issuances under the 2009 Scheme, and common shares reserved for future issuance under the 2011 Plan.

Our Summary Consolidated Financial Data

The following summary consolidated statements of operations data for the years ended December 31, 2009, 2010 and 2011 and the summary balance sheet data as of December 31, 2010 and 2011 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. Our consolidated financial statements are prepared and presented in accordance with U.S. GAAP. The summary consolidated statements of operations data for the six months ended June 30, 2011 and 2012 and the summary consolidated balance sheet data as of June 30, 2012 have been derived from our unaudited consolidated financial statements included elsewhere in this prospectus. The unaudited consolidated financial statements have been prepared 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 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.

	For the Year Ended December 31,				For the Six Months Ended June 30,		
	2009	2010	2011		2011	2012	
	RMB	RMB	RMB	US$	RMB	RMB (Unaudited)	US$
	(in thousands, except for share, per share and per ADS data)						
Summary Consolidated Statements of Operations Data:							
Internet value-added service							
—Online game	12,976	86,316	165,933	26,830	71,679	150,398	23,674
—YY Music	—	—	52,854	8,403	9,645	92,721	14,595
—Others	853	1,282	13,589	2,161	1,969	30,961	4,873
Online advertising	18,881	40,740	87,279	13,876	35,467	50,370	7,929
Total net revenue	32,710	128,338	319,665	50,820	118,760	324,450	51,071
Cost of revenues[(1)]	(28,849)	(110,062)	(182,699)	(29,046)	(78,349)	(164,138)	(25,836)
Gross profit	3,861	18,276	136,956	21,774	40,411	160,312	25,235
Operating expenses[(1)]:							
Research and development expenses	(12,597)	(49,219)	(106,804)	(16,980)	(43,215)	(77,809)	(12,248)
Sales and marketing expenses	(4,951)	(12,363)	(13,381)	(2,127)	(7,917)	(4,862)	(765)
General and administrative expenses	(32,878)	(192,222)	(118,241)	(18,798)	(59,165)	(50,170)	(7,897)
Total operating expenses	(50,426)	(253,804)	(238,426)	(37,905)	(110,297)	(132,841)	(20,910)
Operating (loss) income	(46,565)	(235,528)	(99,488)	(15,816)	(69,886)	28,142	4,431
(Loss) income before income tax expenses	(46,534)	(236,023)	(80,455)	(12,791)	(64,524)	32,342	5,092
Net (loss) income attributable to YY Inc.	(47,116)	(238,857)	(83,156)	(13,221)	(68,635)	20,816	3,277
Amortization of beneficial conversion feature	(237)	—	—	—	—	—	—
Accretion to convertible redeemable preferred shares redemption value	(283,179)	(1,808,853)	(223,663)	(35,559)	(157,859)	(126,621)	(19,931)
Deemed dividend to series A preferred shareholders	(19)	—	—	—	—	—	—
Deemed dividend to series B preferred shareholders	(176)	—	—	—	—	—	—
Net loss attributable to common shareholders	(330,727)	(2,047,710)	(306,819)	(48,780)	(226,494)	(105,805)	(16,654)
Weighted average number of common shares used in calculating:							
Basic	407,613,328	406,304,672	485,883,845	485,883,845	467,627,928	537,420,517	537,420,517
Diluted	407,613,328	406,304,672	485,883,845	485,883,845	467,627,928	537,420,517	537,420,517
Net loss per share:							
Basic	(0.81)	(5.04)	(0.63)	(0.10)	(0.48)	(0.20)	(0.03)
Diluted	(0.81)	(5.04)	(0.63)	(0.10)	(0.48)	(0.20)	(0.03)
Loss per ADS[(2)]:							
Basic							
Diluted							

(1) Share-based compensation was allocated in cost of revenues and operating expenses as follows:

	For the Year Ended December 31,				For the Six Months Ended June 30,		
	2009	2010	2011		2011	2012	
	RMB	RMB	RMB	US$	RMB	RMB (Unaudited)	US$
	(in thousands)						
Cost of revenues	5,269	31,709	15,449	2,456	9,240	4,386	690
Research and development expenses	2,475	21,627	31,672	5,035	13,887	19,731	3,106
Sales and marketing expenses	194	1,499	1,336	212	660	500	79
General and administrative expenses	28,544	182,101	86,544	13,759	48,181	29,643	4,666
Total	36,482	236,936	135,001	21,462	71,968	54,260	8,541

(2) Each ADS represents common shares.

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	As of December 31,				As of June 30,					
	2009	2010	2011		2012					
	RMB	RMB	RMB	US$	RMB	US$	RMB	US$	RMB	US$
	Actual	Actual	Actual	Actual	Actual	Actual	Pro forma[1] (Unaudited)	Pro forma[1] (Unaudited)	Pro forma as adjusted[2] (Unaudited)	Pro forma as adjusted[2] (Unaudited)
					(in thousands)					
Summary Consolidated Balance Sheet Data:										
Cash and cash equivalents	106,427	83,683	128,891	20,491	187,934	29,582	187,934	29,582		
Total assets	131,003	158,767	745,426	118,510	903,152	142,161	903,152	142,161		
Total current liabilities	52,757	253,001	125,737	19,990	205,689	32,376	205,689	32,376		
Total mezzanine equity	448,418	2,257,271	2,480,934	394,425	2,607,555	410,444	—	—		
Accumulated deficits	(370,045)	(2,350,448)	(2,433,604)	(386,900)	(2,412,788)	(379,787)	(2,412,788)	(379,787)		
Total shareholders' (deficits) equity	(370,172)	(2,351,505)	(1,861,693)	(295,976)	(1,911,347)	(300,857)	696,208	109,587		

(1) The unaudited consolidated balance sheet data as of June 30, 2012 on a pro forma basis reflect the automatic conversion of all of our outstanding series A, B, C-1 and C-2 preferred shares into 359,424,310 common shares immediately upon the completion of this offering.

(2) The unaudited consolidated balance sheet data as of June 30, 2012 on a pro forma as adjusted basis reflect (a) the automatic conversion of all of our outstanding series A, B, C-1 and C-2 preferred shares into 359,424,310 common shares immediately upon the completion of this offering; and (b) the sale of common shares in the form of ADSs by us in this offering at an assumed initial public offering price of US$ 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.

Non-GAAP Financial Measure

Adjusted Net Loss or Income

To provide investors with additional information about our financial results, we disclose within this prospectus adjusted net loss or income, a non-GAAP financial measure. We have provided below a reconciliation between adjusted net loss or income and net loss or income, the most directly comparable GAAP financial measure.

We have included adjusted net loss or income in this prospectus because it is a key measure we use to evaluate our operating performance, generate future operating plans and make strategic decisions for the allocation of capital. Accordingly, we believe that adjusted net loss or income provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors. While we believe that this non-GAAP financial measure is useful in evaluating our business, this information should be considered as supplemental in nature and is not meant as a substitute for the related financial information prepared in accordance with GAAP.

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The following table presents a reconciliation between adjusted net loss or income and net loss or income, the most directly comparable GAAP financial measure.

	For the Year Ended December 31,				For the Six Months Ended June 30,		
	2009	2010	2011		2011	2012	
	RMB	RMB	RMB	US$	RMB	RMB	US$
					(Unaudited)		
			(in thousands)				
Reconciliation of Net (Loss) Income to Adjusted Net (Loss) Income:							
Net (loss) income	(47,116)	(238,857)	(83,156)	(13,221)	(68,635)	20,816	3,277
Share-based compensation	(36,482)	(236,936)	(135,001)	(21,462)	(71,968)	(54,260)	(8,541)
Adjusted net (loss) income	(10,634)	(1,921)	51,845	8,241	3,333	75,076	11,818

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 Relating to Our Business

Our business is based on a relatively new business model that may not be successful, and we may not be able to effectively manage our growth or implement our future business strategies, in which case our business and results of operations would be materially and adversely affected.

Many of the elements of our business are unique, evolving and relatively unproven. The markets for our technology, especially our voice- and video-based technology, and products and services are relatively new and rapidly developing and are subject to significant challenges. Our business plan relies heavily upon increased revenues from IVAS and online advertising, and our ability to successfully monetize our user base and products and services, and we may not succeed in any of these respects.

Some of our current monetization methods are in a very preliminary stage; for example, we began selling virtual items on YY's music channels in March 2011. If we fail to properly manage the supply and timing of our in-game virtual items and the appropriate price points for these products and services, our users may be less likely to purchase in-game virtual items from us. The prices for our in-game virtual items reflect the terms of our agreements with the third party game developers. For non-game virtual items, we consider industry standards and expected user demand in determining how to most effectively optimize virtual item merchandizing. Furthermore, as the online music industry in China is relatively young and untested, there are few proven methods of projecting user demand or available industry standards on which we can rely. We cannot assure you that our attempts to monetize our user base and products and services will be successful, profitable or widely accepted and therefore the future revenue and income potential of our business are difficult to evaluate.

We have experienced a period of significant rapid growth and expansion that has placed, and continues to place, significant strain on our management and resources. We cannot assure you that this level of significant growth will be sustainable or achieved at all in the future. We believe that our continued growth will depend on our ability to develop new sources of revenue, increase monetization, attract new users, retain and expand paying users, encourage additional purchases by our paying users, continue developing innovative technologies in response to user demand, increase brand awareness through marketing and promotional activities, react to changes in user access to and use of the internet, expand into new market segments, integrate new devices, platforms and operating systems, attract new advertisers and retain existing advertisers and take advantage of any growth in the relevant markets. We cannot assure you that we will achieve any of the above.

To manage our growth and attain and maintain profitability, we anticipate that we will need to implement a variety of new and upgraded operational and financial systems, procedures and controls, including the improvement of our accounting and other internal management systems. We will also need to further expand, train, manage and motivate our workforce and manage our relationships with users, third party game developers and advertisers. All of these endeavors involve risks and will require substantial management efforts and skills and significant additional expenditures. We cannot assure you that we will be able to effectively manage our growth or implement our future business strategies effectively, and failure to do so may materially and adversely affect our business and results of operations.

We have experienced net losses in the past, and you should consider our prospects in light of the risks and uncertainties which early-stage companies in evolving industries in China with limited operating histories may be exposed to or encounter, including possible volatility in the trading prices of ADSs.

We had a net loss of RMB47.1 million, RMB238.9 million and RMB83.2 million (US$13.1 million) in 2009, 2010 and 2011, respectively, and a net income of RMB20.8 million (US$3.3 million) in the six months ended June 30, 2012. Our net losses and income reflect the aggregate impact of non-cash items relating to share-based compensation, amortization of intangible assets and depreciation. In addition to the aggregate impact of these non-cash items, our results of operations for these periods were affected by costs and expenses required to build, operate and expand our platform, grow our user base, develop products and services, license third party products and services and make strategic investments. We expect that we will continue to incur costs and expenses such as research and development costs to launch new services and increasing bandwidth costs to support our video function, grow our user and advertiser base and generally expand our business operations. We have only recently become profitable, and may not generate sufficient revenues to offset such costs to achieve or sustain profitability in the future. In addition, we expect to invest heavily in our operations to support our anticipated future growth and to meet our expanded reporting and compliance obligations as a public company.

Our profitability is also affected by other factors beyond our control. For example, we cannot assure you that advertisers will increase or maintain their spending on game media websites or online social platforms, including our platform. The continued success of YY Client depends on our ability to identify which IVAS will appeal to our user base and to obtain them on commercially acceptable terms. Our ability to finance our planned expansion also depends in part on our ability to attract advertisers and successfully compete in a very competitive market.

We have a limited history operating our business. We only introduced YY Client in July 2008 and have experienced a high growth rate since then. As a result, our historical results of operations may not provide a meaningful basis for evaluating our business, financial performance and future prospects. We may not be able to achieve similar growth rates in future periods. Accordingly, you should not rely on our results of operations for any prior periods as an indication of our future performance. We may again incur net losses in the future and you should consider our prospects in light of the risks and uncertainties which early-stage companies in evolving industries in China with limited operating histories such as ours may be exposed to or encounter, including risks associated with being a public company with business operations located mainly in China. See "—Risks Relating to Our ADSs and This Offering—The trading prices of our ADSs are likely to be volatile, which could result in substantial losses to investors."

We generate a significant portion of our revenues from a limited number of popular online games. If we cannot continue to offer these popular games for any reason, or if we are unable to successfully source new online games, or the terms of the revenue-sharing arrangements become less favorable, our revenues from online games may decrease, and our financial condition and results of operations may be materially and adversely affected.

We generate a significant portion of our revenues from a limited number of popular online games on YY, all of which are web games, primarily through selling of game tokens to users for their purchase of in-game virtual items. For example, Dandan Tang, one of our most popular online games, contributed 62.8%, 46.5% and 18.0% of our online game revenues, 62.0%, 33.3% and 9.9% of our total IVAS revenues as well as 42.3%, 24.2% and 8.4% of our total revenues in 2010, 2011 and the six months ended June 30, 2012, respectively. A majority of our popular online web games are created by third party game developers under revenue-sharing arrangements that typically last one to two years, and which typically provide for automatic extension or renewal. If we fail to maintain or renew these contracts on acceptable terms or at all, we may be unable to continue offering these popular online games, and our operating results will be adversely affected. In addition, if our users decide to access these games through our competitors, or if they prefer other online games hosted by our competitors, our operating results could be materially and adversely affected.

Our revenues from online games accounted for 39.7%, 67.3%, 51.9% and 46.4% of our total revenues in 2009, 2010, 2011 and the six months ended June 30, 2012, respectively. We believe that most online games have a limited commercial lifespan. For instance, we believe that Dandan Tang, launched in March 2009, is in a relatively mature stage of its commercial lifespan, and that the revenues we derive from it may decrease in the future. As a result, we must continually source new online games that appeal to our game players. We had previously developed some of our online games internally but source our new online games primarily through revenue-sharing arrangements with third party game developers. We must maintain good relationships with our third party game developers to have access to new popular games with reasonable revenue-sharing terms. Under our current revenue-sharing arrangements, we retain a majority of the gross revenues generated from each particular game. In the future, we may not be able to achieve similarly attractive revenue-sharing terms, which may adversely affect our net revenues. Additionally, we depend upon these third party game developers to provide the technical support necessary to operate their online games on our platform and to develop updates and expansion packs to sustain player interest in a game. Most of our third party game developers have limited operating histories and financial resources, and the contracts we enter into with them do not clearly provide for remedies to us in the event they fail to deliver the games as scheduled.

If we are not successful in sourcing and providing popular new online games, our revenues from online games under revenue-sharing arrangements and in-game virtual items may decrease. If this were to happen, our financial condition and results of operations may be materially and adversely affected.

We rely on online advertising for a significant proportion of our revenues. If we fail to attract more advertisers to our platform or if advertisers are less willing to advertise with us, our revenues, profitability and prospects may be materially and adversely affected.

In 2009, 2010, 2011 and the six months ended June 30, 2012, online advertising accounted for 57.7%, 31.7%, 27.3% and 15.5%, respectively, of our total revenues. Consequently, our profitability and prospects depend on the continuous development of the online advertising industry in China and advertisers' allocation of budgets to internet advertising. In addition, companies that decide to advertise online may utilize more established methods or channels for online advertising, such as more established Chinese internet portals or search engines, over advertising on our platform. If the online advertising market size does not increase from current levels, or if we are unable to capture and retain a sufficient share of that market, our ability to maintain or increase our current level of online advertising revenues and our profitability and prospects could be materially and adversely affected. These risks may increasingly affect our revenues because we intend to offer new and different forms of online advertising in addition to online game-related advertising on Duowan.com from which we have historically derived the majority of our revenues.

We offer advertising services substantially through contracts entered into with third party advertising agencies. We cannot assure you that we will be able to retain existing direct advertisers or advertising agencies or attract new direct advertisers and advertising agencies. In addition, if any direct advertisers or advertising agencies determine that their expenditures on YY do not generate expected returns, they may allocate a greater portion or all of their advertising budgets to others and reduce or discontinue business with us. Since our arrangements with third party advertising agencies typically involve one-year framework agreements, these advertising arrangements may be easily amended or terminated without incurring liabilities. Failure to retain existing advertisers and advertising agencies or attract new direct advertisers and direct advertising agencies may materially and adversely affect our business, financial condition and results of operations.

We have granted employee stock options and other share-based awards in the past and will continue to do so in the future. We recognize share-based compensation expenses in our consolidated statements of income in accordance with the relevant rules under U.S. GAAP, which have had and may continue to have a material and adverse effect on our results of operations.

We have granted share-based compensation awards, including share options, restricted shares and restricted share units, to various employees, key personnel and other non-employees to incentivize performance and align

their interests with ours. Under our 2009 employee equity incentive scheme, or the 2009 Scheme, we are authorized to grant options or restricted shares to purchase a maximum of 118,166,946 common shares. Under our 2011 share incentive plan, or the 2011 Plan, we are authorized to grant options, restricted shares or restricted share units to purchase a maximum of 43,000,000 common shares. As of the date of this prospectus, options to purchase 17,870,425 common shares, 56,221,732 restricted shares and 17,453,421 restricted share units were outstanding under the 2009 Scheme and the 2011 Plan. As of the date of this prospectus, 14,839,242 restricted shares were granted to management and outstanding outside of the 2009 Scheme and the 2011 Plan. As a result of these grants and potential future grants, we had incurred in the past and expect to continue to incur in future periods significant share-based compensation expenses. The amount of these expenses is based on the fair value of the share-based awards. We account for compensation costs for certain share-based compensation awards granted in the past using a graded-vesting method and recognize expenses in our consolidated statements of operations in accordance with the relevant rules under U.S. GAAP. The expenses associated with share-based compensation have materially increased our net losses and may reduce our net income in the future, and any additional securities issued under share-based compensation schemes will dilute the ownership interests of our shareholders, including holders of our ADSs. However, if we limit the scope of the share-based compensation schemes, we may not be able to attract or retain key personnel who expect to be compensated by options, restricted shares or restricted share units.

The rate at which we gain registered user accounts may decline, the number of active users we have may fluctuate and we may fail to attract more paying users. As a result, our revenues may fail to grow and our results of operations and financial condition may suffer.

We have attracted 344.6 million registered user accounts as of June 30, 2012 and had approximately 66.3 million monthly active users in June 2012. However, we may fail to attract new registered user accounts at a similar rate in the future and the number of our monthly active users may substantially fluctuate from time to time. If we are unable to attract new registered users and retain them as active users and convert non-paying active users into paying users, our revenues may fail to grow and our results of operations and financial condition may suffer.

We may not be able to keep our users highly engaged, which may in turn reduce our monetization opportunities and as a result, our revenues, profitability and business prospects may be materially and adversely affected.

Our success depends on our ability to maintain and grow our user base and keep our users highly engaged. In order to attract and retain users and remain competitive, we must continue to innovate our products and services, implement new technologies and functionalities and improve the features of our platform in order to entice users to use our products and services more frequently and for longer durations.

The internet industry is characterized by constant changes, including rapid technological evolution, continual shifts in customer demands, frequent introductions of new products and services and constant emergence of new industry standards and practices. Thus our success will depend, in part, on our ability to respond to these changes on a cost-effective and timely basis; failure to do so may cause our user base to shrink and user engagement level to decline and our results of operations would be materially and adversely affected. For example, our plan to more fully extend online video-enabled services across our rich communication social platform and retain the ability to offer high quality delivery of voice and video data may cause us to incur significant additional costs and may not succeed.

Because of the viral nature of online social interactions, users may leave us for competitors' platforms more quickly than in other online sectors. A decrease in the number of active YY users may reduce the diversity and vibrancy of YY Client's online social ecosystem and affect our user-generated channels, which may in turn reduce our monetization opportunities and have a material and adverse effect on our business, financial condition and results of operations.

We cannot assure you that our platform will continue to be sufficiently popular with our users to offset the costs incurred to operate and expand it. User satisfaction is particularly difficult to predict as internet users in

China may not be familiar with the concept of a rich communication social platform such as ours which provides real-time voice, text and video online. We have historically relied on word of mouth referrals to increase user awareness of our products and services and to expand our user base. If we decide to engage in more conventional advertising or marketing campaigns, our sales and marketing expenses will increase, which could have an adverse effect on our results of operations. Failure to maintain or grow our user base in a cost-effective manner, or at all, and keep our users highly engaged would materially and negatively affect our results of operations.

We face competition in several major aspects of our business. If we fail to compete effectively, we may lose users, and make us less attractive to advertisers which could materially and adversely affect our business, financial condition and results of operations.

We face competition in several major aspects of our business, particularly from companies that provide social networking, internet communication services and online games. Some of our competitors may have longer operating histories and significantly greater financial, technical and marketing resources than we do, and in turn may have an advantage in attracting and retaining users and advertisers. In addition, competitors in some areas of our business may have significantly larger user bases and more established brand names than we do and may be able to more effectively leverage their user bases and brand names to provide integrated social networking, internet communication, online games and other products and services, and thereby increase their respective market shares.

We may face potential competition from global online social networking service providers that seek to enter the China market, whether independently or through the formation of alliances with, or acquisition of, PRC domestic internet companies. In relation to voice-enabled technology, several internet voice communication service providers in China, including iSpeak, Tencent’s QQtalk and Dudu, and leading international internet voice communication service providers such as Skype are also expanding into the China market, and some other leading Chinese internet companies have announced the launch of internet voice communication services. Competition in the online game media market in China and the overseas markets is also intense. Duowan.com’s primary competitor is 17173.com. Our competitors also include other major platforms that host online games, such as QQ, Renren and Qihoo 360. In addition, we compete with other internet companies that provide voice and video services to Chinese internet users.

If we are not able to effectively compete in any of our lines of business, our overall user base and level of user engagement may decrease, which could reduce our paying users or make us less attractive to advertisers. We may be required to spend additional resources to further increase our brand recognition and promote our products and services, and such additional spending could adversely affect our profitability. Furthermore, if we are involved in disputes with any of our competitors that result in negative publicity to us, such disputes, regardless of their veracity or outcome, may harm our reputation or brand image and in turn lead to reduced number of users and advertisers. Any legal proceedings or measures we take in response to such disputes may be expensive, time-consuming and disruptive to our operations and divert our management’s attention.

Our competitors may unilaterally decide to adopt a wide range of measures targeted at us, including possibly designing their products to negatively impact our operations, such as sending virus-like programs to attack elements of our platform. Some competitors may also make their applications incompatible with ours, effectively requiring users to either stop using our competitors’ products or uninstall our products, leading to a reduction in our number of users. For example, in a widely publicized dispute between two of the largest companies providing user-end software in China, one of the companies announced that it would disable its own software on computers that had installed its rival’s products. As a result, a significant number of users stopped using products from either or both of these companies. Due to the large number of internet users that were affected, the Ministry of Industry and Information Technology of China, or the MIIT, ordered the parties to ensure the compatibility of the relevant products. Similar events may occur in the future between our competitors and us, which may reduce our market share, negatively affect our brand and reputation, and materially and adversely affect our business, financial condition and results of operations.

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Spammers and malicious applications may affect user experience, which could reduce our ability to attract users and advertisers and materially and adversely affect our business, financial condition and results of operations.

Spammers may use YY to send targeted and untargeted spam messages to users, which may affect user experience. As a result, our users may use our products and services less or stop using them altogether. In spamming activities, spammers typically create multiple user accounts for the purpose of sending spam messages. Although we attempt to identify and delete accounts created for spamming purposes, we may not be able to effectively eliminate all spam messages from our platform in a timely fashion. Any spamming activities could have a material and adverse effect on our business, financial condition and results of operations.

The revenue model we adopt for online games may not remain effective, causing us to lose game players, which may materially and adversely affect our business, financial condition and results of operations.

We currently operate substantially all of our online games on YY, all of which are web games, using the virtual items-based revenue model, whereby players can play games for free, but have the option of purchasing in-game virtual items, such as items that improve the strength of game characters, and in-game accessories. We have generated, and expect to continue to generate, a substantial majority of our online game revenues using this revenue model. However, we may not be able to continue successfully implementing the virtual items-based revenue model as we may not be able to develop or obtain the rights to host online games that attract game players or cause such game players to increase the amount of time spent playing and the amount of money spent on purchasing in-game virtual items. The sale of virtual items requires us to closely track game players' tastes and preferences and in-game consumption patterns. If we fail to offer popular virtual items, we may not be able to effectively convert our game player base into paying users or encourage existing paying users to spend more on YY.

In addition, PRC regulators have been implementing regulations designed to reduce the amount of time that youths in China spend playing online games. See "PRC Regulation—Anti-fatigue Compliance System and Real-name Registration System." A revenue model that does not charge for playing time may be viewed by the PRC regulators as inconsistent with this goal. If we were to start charging for playing time, we may lose game players who may choose to play online games from other providers and on other platforms or choose to engage in other alternative forms of entertainment, including traditional offline PC or video games.

We cannot assure you that the revenue model that we have adopted for any of our online games will continue to be suitable for that game, or that we will not in the future need to change our revenue model or introduce a new revenue model for that game. We may change the revenue model for some of our online games if we believe the existing models are not generating adequate revenues. A change in revenue model could result in various adverse consequences, including disruptions of our online games operations, criticism from game players who have invested time and money in a game, decrease in the number of our game players and decrease in the revenues we generate from our online games. Therefore, such a change in revenue model may materially and adversely affect our business, financial condition and results of operations.

The revenue models for each of YY Music and our membership program is relatively new and may not remain effective, which may cause us to lose users and materially and adversely affect our business, financial condition and results of operations.

We operate YY Music using a virtual items-based revenue model whereby YY Music users can listen to music for free, but have the option of purchasing in-channel virtual items, such as monthly tickets, lollipops, flowers, glow sticks, beer and chocolate, as gifts to the performers. We have generated, and expect to continue to generate, a substantial majority of our YY Music revenues using this revenue model. YY Music has begun to contribute an increasingly larger portion of our total revenues, reaching 28.6% of our total revenues in the six months ended June 30, 2012.

However, we may not be able to continue successfully implementing the virtual items-based revenue model for YY Music, as popular performers may leave YY Music and we may be unable to attract new talents that bring in YY Music users or cause such users to increase the amount of time spent engaging in various activities on our music channels as well as the amount of money spent on purchasing in-channel virtual items.

Furthermore, under our current arrangements with performers and channel owners, we typically provide them with a portion of the gross revenues we generate from in-channel virtual item sales on YY Music. In the future, the amount we pay to music channel performers and channel owners may increase or we may fail to reach mutually acceptable terms with respect to these arrangements, which may adversely affect our net revenues or cause them to leave our platform. In addition, we are currently a pioneer in offering YY Music performers and YY users an online concert platform. However, if our users decide to access online concert sources or channels offered by our current or future competitors, our operating results could be materially and adversely affected.

In our membership program, users pay a flat monthly subscription fee in order to become members, and in exchange, we give them access to various privileges and enhanced features on our channels. We generated membership subscription fees of RMB25.7 million (US$4.0 million) in the six months ended June 30, 2012. However, we may not be able to further build or maintain our membership base in the future for various reasons; for example, if we fail to continue to provide innovative products and services that are attractive to members.

We use third party services and technologies in connection with our business, and any disruption to the provision of these services and technologies to us could result in adverse publicity and a slowdown in the growth of our users, which could materially and adversely affect our business and results of operations.

Our business depends upon services provided by, and relationships with, third parties. Substantially all of our online advertising revenues are generated through agreements entered into with various third party advertising agencies that represent advertisers. We do not have long-term cooperation agreements or exclusive arrangements with these agencies and they may elect to direct business opportunities to other advertising service providers. If we fail to retain and enhance our business relationships with these third party advertising agencies, we may suffer from a loss of advertisers and our business and results of operations may be materially and adversely affected.

A significant portion of our IVAS revenues are generated from online games, all of which are web games, and increasingly, from YY Music. If we are unable to obtain or retain rights to host popular online games or popular in-game virtual items, or if we are required to share a bigger portion of our revenues with third party game developers, we could be required to devote greater resources and time to obtain hosting rights for new games and applications from other parties, and our results of operations may be impacted. Furthermore, if we are unable to attract popular talents such as performers, channel managers and hosts for YY Music channels or if these talents cannot draw large numbers of fans or participants, our results of operations may be adversely affected. Also, if channel owners are unable to reach or maintain mutually satisfactory cooperation arrangements with the performers on their channels, we may lose popular performers and our business and operations may be adversely affected. In addition, some third party software we use in our operations are currently publicly available without charge. If the owner of any such software decides to charge users or no longer makes the software publicly available, we may need to incur significant cost to license the software, find replacement software or develop it on our own. If we are unable to find or develop replacement software at a reasonable cost, or at all, our business and operations may be adversely affected.

Some of the games offered on our platform run on a complex network of servers located in and maintained by third party data centers throughout China and our overall network relies on broadband connections provided by third party operators. We expect this dependence on third parties to continue. The networks maintained and services provided by such third parties are vulnerable to damage or interruption, which could impact our results of operations. See "—System failure, interruptions and downtime can result in adverse publicity for our products

and result in net revenue losses, a slowdown in the growth of our registered user accounts and a decrease in the number of our active users. If any of these system disruptions occurs, our business, financial condition and results of operations may be materially and adversely affected.”

In addition, we sell a significant portion of our products and services through third party online payment systems. If any of these third party online payment systems suffer from security breaches, users may lose confidence in such payment systems and refrain from purchasing our virtual items online, in which case our results of operations would be negatively impacted. See “—The security of operations of, and fees charged by, third party online payment platforms may have material and adverse effects on our business.”

We exercise no control over the third parties with whom we have business arrangements. If such third parties increase their prices, fail to provide their services effectively, terminate their service or agreements or discontinue their relationships with us, we could suffer service interruptions, reduced revenues or increased costs, any of which may have a material and adverse effect on our business, financial condition and results of operations.

System failure, interruptions and downtime can result in adverse publicity for our products and result in net revenue losses, a slowdown in the growth of our registered user accounts and a decrease in the number of our active users. If any of these system disruptions occurs, our business, financial condition and results of operations may be materially and adversely affected.

Although we seek to reduce the possibility of disruptions or other outages, our services may be disrupted by problems with our own technology and system, such as malfunctions in our software or other facilities and network overload. Our systems may be vulnerable to damage or interruption from telecommunication failures, power loss, computer attacks or viruses, earthquakes, floods, fires, terrorist attacks and similar events. We have experienced system failures, including a partial system outage in 2009 caused by hackers hired by a competing business intending to maliciously overwhelm and clog our servers and our routing system. Those responsible were subsequently found guilty and penalized by the PRC courts and we have subsequently updated our system to make it more difficult for similar attacks to succeed in the future, but we cannot assure you that there will be no similar failures in the future. Parts of our system are not fully redundant, and our disaster recovery planning is not sufficient for all eventualities. Despite any precaution we may take, the occurrence of a natural disaster or other unanticipated problems at our hosting facilities could result in lengthy interruptions in the availability of our products and services. Any interruption in the ability of our users to use our products and services could reduce our future revenues, harm our future profits, subject us to regulatory scrutiny and lead users to seek alternative forms of online social interactions.

Our servers that process user payments experience some downtime on a regular basis, which may negatively affect our brand and user perception of the reliability of our systems. Any scheduled or unscheduled interruption in the ability of users to use our payment systems could result in an immediate, and possibly substantial, loss of revenues.

Almost all internet access in China is maintained through state-owned telecommunication operators under the control and supervision of the MIIT, and we use a limited number of telecommunication service providers to provide us with data communications capacity through local telecommunications lines and internet data centers to host our servers. Internet data centers in China are generally owned by telecommunication service providers with their own broadband networks and are leased to various customers through third party agents. These third party agents negotiate the terms of the leases, enter into lease agreements with end customers, handle customer interactions and manage the data centers on behalf of the data center owners. In the past, we signed data center lease agreements with multiple third party agents. With the expansion of our business, we may be required to purchase more bandwidth and upgrade our technology and infrastructure to keep up with the increasing traffic on our websites and increasing user levels on our platform overall. We cannot assure you that the telecommunications providers whose networks we lease or the third party agents that operate our data centers

would be able to accommodate all of our requests for more bandwidth or upgraded infrastructure or network, or that the internet infrastructure and the fixed telecommunications networks in China will be able to support the demands associated with the continued growth in our internet usage.

Our users may use our products or services for critical transactions and communications, especially business communications. As a result, any system failures could result in damage to such users' businesses. These users could seek significant compensation from us for their losses. Even if unsuccessful, this type of claim likely would be time consuming and costly for us to address.

We have limited control over the prices of the services provided by telecommunication service providers and may have limited access to alternative networks or services. If the prices we pay for telecommunications and internet services rise significantly, our results of operations may be materially and adversely affected. Furthermore, if internet access fees or other charges to internet users increase, our user traffic may decline and our business may be harmed.

The respective number of our registered user accounts, active users, paying users and unique visitors may overstate the number of unique individuals who register to use our products and services, log onto YY Client, purchase virtual items or other products and services on our platform or access Duowan.com, respectively. Such overstatement may lead to an inaccurate evaluation of our business operations by our management and by investors, and may affect advertisers decision on the amount spent on advertising with us, which may materially and adversely affect our business and results of operations.

We calculate certain operating metrics in the following ways: (a) the number of registered user accounts is the cumulative number of user accounts at the end of the relevant period that have logged onto YY Client at least once after registration, (b) the number of active users is the cumulative number of user accounts at the end of the relevant period that have signed onto YY Client at least once during the relevant period, (c) the number of paying users is the cumulative number of registered user accounts that have purchased virtual items or other products and services on our platform at least once during the relevant period, and (d) the number of unique visitors is the number of visits to Duowan.com from specific IP addresses for the relevant period, with each IP address counting as a separate unique visitor. The actual number of unique individual users, however, is likely to be lower than that of registered user accounts, active users, paying users and unique visitors, potentially significantly, for three primary reasons. First, each individual user may register more than once and therefore have more than one account, and sign onto each of these accounts during a given period. For example, a user may (a) create separate accounts for community and personal use and log onto each account at different times for different activities or (b) if he or she lost his or her original YY Client username or password, he or she can simply register again and create an additional account. Second, we experience irregular registration activities such as the creation of a significant number of spurious user accounts by a limited number of individuals, which may be for the purpose of clogging our network or posting spam to our channels. We believe that some of these accounts may also be created for the sole purpose of voting for certain performers in various contests, but the number of registered user accounts and active users do not exclude user accounts created for this purpose. We have limited ability to validate or confirm the accuracy of information provided during the user registration process to ascertain whether a new user account created was actually created by an existing user who is registering duplicative accounts. Third, each individual user may access Duowan.com from more than one IP address; although subsequent visits from the same IP address do not add to our total unique visitors count, each new IP address used by an individual would be counted as a different unique visitor to Duowan.com. For example, a user would be counted as a unique visitor three times if he or she accessed Duowan.com from the user's home computer, office computer and mobile phone. Thus, the respective number of our registered user accounts, active users, paying users and unique visitors may overstate the number of unique individuals who register on our platform, sign onto YY Client, purchase virtual items or other products and services on our platform and access Duowan.com, respectively. If the growth in the number of our registered user accounts, active users, paying users or unique visitors is lower than the actual growth in the number of unique individual registered, active or paying users or unique visitors, our user engagement level, sales of IVAS and our business

may not grow as quickly as we expect, and advertisers may reduce the amount spent on advertising with us, which may harm our business, financial condition and results of operations. In addition, such overstatement may cause inaccurate evaluation of our business operations by our management and by investors, which may also materially and adversely affect our business and results of operations.

If we are unable to successfully capture and retain the growing number of users that access internet services through mobile devices or successfully monetize Mobile YY, our business, financial condition and results of operations may be materially and adversely affected.

YY is now available to users from PCs, as well as mobile devices. An increasing number of users are accessing our platform through Mobile YY. For example, there were approximately 0.9 million and approximately 2.2 million activations of Mobile YY in January 2012 and June 2012, respectively. An important element of our strategy is to continue to further develop enhanced features for Mobile YY to capture a greater share of the growing number of users that access internet services such as ours through mobile devices.

As new laptops, mobile devices and operating systems are continually being released, it is difficult to predict the problems we may encounter in developing versions of our products and services for use on these devices and operating systems, and we may need to devote significant resources to create, support and maintain these services. Devices providing access to our products and services are not manufactured and sold by us, and we cannot assure you that the companies manufacturing or selling these devices would always ensure that their devices perform reliably and are maximally compatible with our systems. Any faulty connection between these devices and our products and services may result in consumer dissatisfaction with us, which could damage our brand and have a material and adverse effect on our financial results. In addition, the lower resolution, functionality and memory associated with some mobile devices make the use of our products and services through such devices more difficult and the versions of our products and services we develop for these devices may fail to attract users. Manufacturers or distributors may establish unique technical standards for their devices and, as a result, Mobile YY may not work or be viewable on these devices. Furthermore, new social platforms or services may emerge which are specifically created to function on mobile operating systems, as compared to our platform that was originally designed to be accessed from PCs, and such new entrants may operate more effectively on mobile devices than Mobile YY does.

Although we currently do not monetize Mobile YY in any way, if we are unable to attract and retain the increasing number of Mobile YY users, or if we are slower than our competitors in developing attractive services adaptable for mobile devices, we may fail to capture a significant share of an increasingly important portion of the market or may lose existing users. In addition, even if we are able to retain the increasing number of Mobile YY users, we may not be able to successfully monetize them in the future. For example, because mobile phones usually have smaller display screen space as compared to PCs, we may not be able to offer as many kinds of virtual items on Mobile YY as we can on YY Client, which may limit the monetization potential of Mobile YY. Any of the above may have a material and adverse effect on our business, financial condition and results of operations.

Concerns about collection and use of personal data could damage our reputation and deter current and potential users from using our products and services, which could lead to lower advertising revenues or lower IVAS revenues.

Concerns about our practices with regard to the collection, use or disclosure of personal information or other privacy-related matters, even if unfounded, could damage our reputation and operating results. YY Client, launched in July 2008, had attracted 344.6 million registered user accounts as of June 30, 2012 and had approximately 11.6 million channels as of June 30, 2012. We apply strict management and protection for any information provided by users and, under our privacy policy, without our users’ prior consent, we will not provide any of our users’ personal information to any unrelated third party. While we strive to comply with our privacy guidelines as well as all applicable data protection laws and regulations, any failure or perceived failure

to comply may result in proceedings or actions against us by government entities or others, and could damage our reputation. User and regulatory attitudes towards privacy are evolving, and future regulatory or user concerns about the extent to which personal information is used or shared with advertisers or others may adversely affect our ability to share certain data with advertisers, which may limit certain methods of targeted advertising. Concerns about the security of personal data could also lead to a decline in general internet usage, which could lead to lower registered, active or paying user numbers on our platform. For example, if the PRC government authorities require real-name registration for YY Client users, the growth of our user numbers may slow and our business, financial condition and results of operations may be adversely affected. See "—Risks Related to Our Corporate Structure and Our Industry—We may be adversely affected by the complexity, uncertainties and changes in PRC regulations of internet business and companies." A significant reduction in registered, active or paying user numbers could lead to lower advertising revenues or lower IVAS revenues, which could have a material and adverse effect on our business, financial condition and results of operations.

The security of operations of, and fees charged by, third party online payment platforms may have material and adverse effects on our business.

Currently, we sell all of our IVAS to our users through third party online payment systems. In the six months ended June 30, 2012, 84.5% of our total net revenues were derived from IVAS. We expect that an increasing amount of our sales will be conducted over the internet as a result of the growing use of online payment systems. In all these online payment transactions, secured transmission of confidential information such as customers' credit card numbers and personal information over public networks is essential to maintain consumer confidence.

We do not have control over the security measures of our third party online payment vendors, and security breaches of the online payment systems that we use could expose us to litigation and possible liability for failing to secure confidential customer information and could, among other things, damage our reputation and the perceived security of all of the online payment systems that we use. If a well-publicized internet or mobile network security breach were to occur, users concerned about the security of their online financial transactions may become reluctant to purchase our virtual items even if the publicized breach did not involve payment systems or methods used by us. In addition, there may be billing software errors that would damage customer confidence in these online payment systems. If any of the above were to occur and damage our reputation or the perceived security of the online payment systems we use, we may lose paying users and users may be discouraged from purchasing our IVAS, which may have an adverse effect on our business.

In addition, there are currently only a limited number of third party online payment systems in China, such as Alipay and Tenpay. If any of these major payment systems decides to significantly increase the percentage they charge us for using their payment systems for our virtual items and other services, our results of operations may be materially and adversely affected.

Our core values of focusing on user experience and satisfaction first and acting for the long-term may conflict with the short-term operating results of our business, and also negatively impact our relationships with advertisers or other third parties.

One of our core values is to focus on user experience and satisfaction, which we believe is essential to our success and serves the best, long-term interests of our company and our shareholders. Therefore, we have made, and may make in the future, significant investments or changes in strategy that we think will benefit our users, even if our decision negatively impacts our operating results in the short-term. For example, in order to provide users of YY Client with uninterrupted entertainment options, we do not place significant advertising on YY Client. While this decision adversely affects our operating results in the short-term, we believe it enables us to provide higher quality user experience on YY Client, which will help us expand and maintain our current large user base and create better monetizing potential in the long-term. In addition, this philosophy of putting our users first may also negatively impact our relationships with advertisers or other third parties, and may not result in the

long-term benefits that we expect, in which case the success of our business and operating results could be harmed.

Trademarks registered, internet search engine keywords purchased and domain names registered by third parties that are similar to our trademarks, brands or websites could cause confusion to our users, divert online customers away from our products and services or harm our reputation.

Competitors and other third parties may purchase (a) trademarks that are similar to our trademarks and (b) keywords that are confusingly similar to our brands or websites in internet search engine advertising programs and in the header and text of the resulting sponsored links or advertisements in order to divert potential customers from us to their websites. Preventing such unauthorized use is inherently difficult. If we are unable to prevent such unauthorized use, competitors and other third parties may continue to drive potential online customers away from our platform to competing, irrelevant or potentially offensive platforms, which could harm our reputation and cause us to lose revenue.

We may be held liable for information or content displayed on, retrieved from or linked to our platform, or distributed to our users, and PRC authorities may impose legal sanctions on us, including, in serious cases, suspending or revoking the licenses necessary to operate our platform.

Our rich communication social platform enables users to exchange information, generate content, advertise products and services, conduct business and engage in various other online activities. However, our platform does not require real-name registration by our users and because a majority of the communications on our platform is conducted in real time, we are unable to verify the sources of all information posted thereon or examine the content generated by users before they are posted. Therefore, it is possible that users may engage in illegal, obscene or incendiary conversations or activities, including the publishing of inappropriate or illegal content, that may be deemed unlawful under PRC laws and regulations on our platform. If any content on our platform is deemed illegal, obscene or incendiary, or if appropriate licenses and third party consents have not been obtained, claims may be brought against us for defamation, libel, negligence, copyright, patent or trademark infringement, other unlawful activities or other theories and claims based on the nature and content of the information delivered on or otherwise accessed through our platforms. For example, we have occasionally received fines for certain inappropriate materials placed by third parties on our platform, and may be subject to similar fines and penalties in the future. We also may face liability for copyright or trademark infringement, fraud, and other claims based on the nature and content of the materials that are delivered, shared or otherwise accessed through or published on our platform. Defending any such actions could be costly and involve significant time and attention of our management and other resources. In addition, if they find that we have not adequately managed the content on our platform, PRC authorities may impose legal sanctions on us, including, in serious cases, suspending or revoking the licenses necessary to operate our platform. See “PRC Regulation—Information Security and Censorship.”

We may be subject to intellectual property infringement claims or other allegations, which could require us to pay substantial statutory penalties or other damages and fines, remove relevant content from our website or enter into license agreements which may not be available on commercially reasonable terms.

Some of our competitors may own technology patents, copyrights, trademarks, trade secrets and website content, which they may use to assert claims against us. In addition, content generated through YY, including real-time content, may also potentially cause disputes regarding content ownership or intellectual property. We have certain procedures designed to reduce the likelihood that we may use, develop or make available any content or applications without the proper licenses or necessary third party consents. However, these procedures may not be effective in completely preventing the unauthorized posting or use of copyrighted material or the infringement of other rights of third parties.

The validity, enforceability and scope of protection of intellectual property rights in internet-related industries, particularly in China, are uncertain and still evolving. As we face increasing competition and as

litigation becomes a more common way to resolve disputes in China, we face a higher risk of being the subject of intellectual property infringement claims. Pursuant to relevant laws and regulations, online service providers that provide information storage space for users to upload works or link services may be held liable for damages if such providers have reasons to know that the works uploaded or linked infringe the copyrights of others. In cases involving the unauthorized posting of copyrighted content by users on websites in China, there have been court proceedings but no settled court practice that provides clear guidance as to under what circumstances hosting providers and administrators of a platform such as ours can be held liable for the unauthorized posting by users of copyrighted material. See "PRC Regulation—Intellectual Property Rights." Any such proceeding could result in significant costs to us and divert our management's time and attention from the operation of our business, as well as potentially adversely impact our reputation, even if we are ultimately absolved of all liability.

In addition, although we have not been subject to claims or lawsuits outside China, we cannot assure you that we will not become subject to intellectual property laws in other jurisdictions, such as the United States, by virtue of our ADSs being listed on the [Nasdaq Global Market/NYSE], the ability of users to access our videos in the United States and other jurisdictions, the ownership of our ADSs by investors in the United States and other jurisdictions, or the extraterritorial application of foreign law by foreign courts or otherwise. In addition, as a publicly listed company, we may be exposed to increased risk of litigation. If a claim of infringement brought against us in the United States or other jurisdictions is successful, we may be required to pay substantial statutory penalties or other damages and fines, remove relevant content from our website or enter into license agreements which may not be available on commercially reasonable terms or at all.

We may not be able to successfully halt the operations of platforms that aggregate our data as well as data from other companies, including social networks, or "copycat" platforms that have misappropriated our data in the past or may misappropriate our data in the future. Those platforms may also lure away some of our users or advertisers or reduce our market share, causing material and adverse effects on our business operations.

From time to time, third parties have misappropriated our data through scraping our platform, robots or other means and aggregated this data on their platforms with data from other companies. In addition, "copycat" platforms or client applications have misappropriated data on our platform, implanted Trojan viruses in user PCs to steal user data from YY Client and attempted to imitate our brand or the functionality of our platform. When we became aware of such platforms, we employed technological and legal measures in an attempt to halt their operations. However, we may not be able to detect all such platforms in a timely manner and, even if we could, technological and legal measures may be insufficient to stop their operations. In those cases, our available remedies may not be adequate to protect us against such platforms. Regardless of whether we can successfully enforce our rights against these platforms, any measures that we may take could require significant financial or other resources from us. Those platforms may also lure away some of our users or advertisers or reduce our market share, causing material and adverse effects to our business operations.

We may not be able to prevent others from unauthorized use of our intellectual property, which could harm our business and competitive position.

We regard our trademarks, service marks, patents, domain names, trade secrets, proprietary technologies and similar intellectual property as critical to our success, and we rely on trademark and patent law, trade secret protection and confidentiality and license agreements with our employees and others to protect our proprietary rights. As of August 14, 2012, we had registered 31 domain names, including YY.com, Duowan.com and Chinaduo.com, 41 software copyrights, three patents and 39 trademarks and service marks in China. In addition, we have filed 22 patent applications covering certain of our proprietary technologies and 111 trademark applications in China.

It is often difficult to create and enforce intellectual property rights in China. Patents, trademarks and service marks may also be invalidated, circumvented, or challenged. Trade secrets are difficult to protect, and our

trade secrets may be leaked or otherwise become known or be independently discovered by others. Confidentiality agreements may be breached, and we may not have adequate remedies for any breach. Even where adequate, relevant laws exist in China, it may not be possible to obtain swift and equitable enforcement of such laws, or to obtain enforcement of a court judgment or an arbitration award delivered in another jurisdiction, and accordingly, we may not be able to effectively protect our intellectual property rights or enforce agreements in China. Policing any unauthorized use of our intellectual property is difficult and costly and the steps we have taken may be inadequate to prevent the misappropriation of our technologies. Given the potential cost, effort, risks and downsides of obtaining patent protection, in some cases we have not and do not plan to apply for patents or other forms of formal intellectual property protection for certain key technologies. If some of these technologies are later proven to be important to our business and are used by third parties without our authorization, especially for commercial purposes, our business and competitive position may be harmed.

As our patents may expire and may not be extended, our patent applications may not be granted and our patent rights may be contested, circumvented, invalidated or limited in scope, our patent rights may not protect us effectively. In particular, we may not be able to prevent others from developing or exploiting competing technologies, which could have material and adverse effects on our business operations, financial condition and results of operations.

In China, the valid period of utility model patent right or design patent right is ten years and is not extendable. Currently, we have patent applications pending in China, but we cannot assure you that we will be granted patents pursuant to our pending applications. Even if our patent applications succeed and we are issued patents in accordance with them, it is still uncertain whether these patents will be contested, circumvented or invalidated in the future. The rights granted under any issued patents may not provide us with proprietary protection or competitive advantages. Further, the claims under any patents that issue from our patent applications may not be broad enough to prevent others from developing technologies that are similar or that achieve results similar to ours. It is also possible that the intellectual property rights of others will bar us from licensing and from exploiting any patents that issue from our pending applications. Numerous U.S. and foreign issued patents and pending patent applications owned by others exist in the fields in which we have developed and are developing our technology. These patents and patent applications might have priority over our patent applications and could subject our patent applications to invalidation. Finally, in addition to those who may claim priority, any of our existing or pending patents may also be challenged by others on the basis that they are otherwise invalid or unenforceable.

If we fail to maintain and enhance our brands, or if we incur excessive expenses in this effort, our business, results of operations and prospects may be materially and adversely affected.

We believe that maintaining and enhancing our brands is of significant importance to the success of our business. Well-recognized brands are important to increasing the number of users and the level of engagement of our users and enhancing our attractiveness to advertisers. Since we operate in a highly competitive market, brand maintenance and enhancement directly affect our ability to maintain our market position.

Although we have developed YY mostly through word of mouth referrals, as we expand, we may conduct various marketing and brand promotion activities using various methods to continue promoting our brands. We cannot assure you, however, that these activities will be successful or that we will be able to achieve the brand promotion effect we expect. In addition, any negative publicity in relation to our products or services, regardless of its veracity, could harm our brands and reputation.

We have sometimes received, and expect to continue to receive, complaints from users regarding the quality of the products and services we offer. If our users' complaints are not addressed to their satisfaction, our reputation and our market position could be significantly harmed, which may materially and adversely affect our business and prospects.

Our business depends substantially on the continuing efforts of our executive officers and key employees, and our business operations may be severely disrupted if we lose their services.

Our future success depends substantially on the continued efforts of our executive officers and key employees. If one or more of our executive officers or key employees were unable or unwilling to continue their services with us, we might not be able to replace them easily, in a timely manner, or at all. In addition, our executive officers and key employees hold the equity interests in Beijing Tuda and Guangzhou Huaduo, our PRC consolidated affiliated entities. In particular, Mr. David Xueling Li, our co-founder, chief executive officer and director, Mr. Tony Bin Zhao, our director and chief technology officer, and Mr. Jin Cao, the general manager of our website department, own 97.7%, 1.5% and 0.8% of Beijing Tuda's equity interests, respectively. Messrs. Li, Zhao and Cao and Beijing Tuda also own approximately 1.7%, 0.1%, 0.1% and 96.6% of Guangzhou Huaduo's equity interests, respectively, with the remaining 1.5% owned by Mr. Jun Lei, our co-founder and chairman. If any of these executive officers and key employees terminate their services with us, we have the contractual right to appoint designees to hold the PRC consolidated affiliated entities' equity interests. However, our business may be severely disrupted, our financial condition and results of operations may be materially and adversely affected and we may incur additional expenses to recruit, train and retain personnel. If any of our executive officers or key employees joins a competitor or forms a competing company, we may lose customers, know-how and key professionals and staff members. Each of our executive officers and key employees has entered into an employment agreement and a non-compete agreement with us. However, as advised by our PRC counsel, Zhong Lun Law Firm, certain provisions under the non-compete agreement may not be deemed valid or enforceable under PRC laws, if any dispute arises between our executive officers and key employees and us, we cannot assure you that we would be able to enforce these non-compete agreements in China, where these executive officers reside, in light of uncertainties with China's legal system. See "—Risks Relating to Doing Business in China—Uncertainties in the interpretation and enforcement of Chinese laws and regulations could limit the legal protections available to you and us."

If we are unable to attract, train and retain qualified personnel, our business may be materially and adversely affected.

Our future success depends, to a significant extent, on our ability to attract, train and retain qualified personnel, particularly management, technical and marketing personnel with expertise in the internet industry; inability to do so may materially and adversely affect our business. Since the internet industry is characterized by high demand and intense competition for talent, we cannot assure you that we will be able to attract or retain qualified staff or other highly skilled employees. As our company is relatively young, our ability to train and integrate new employees into our operations may not meet the growing demands of our business which may materially and adversely affect our ability to grow our business and hence our results of operations.

Our results of operations are subject to substantial quarterly and annual fluctuations due to a number of factors that could adversely affect our business and the trading price of our ADSs.

We experience seasonality in our business, reflecting seasonal fluctuations in internet usage. As a result, comparing our operating results on a period-to-period basis may not be meaningful. For example, online user numbers tend to be lower during school holidays and certain parts of the school year, and advertising revenues tend to be lower during the Chinese New Year season, which negatively affects our cash flow for those periods. We may also experience a reduction in active users in the third quarter of each year because a significant portion of our users are students, and as the new school year begins, student access to computers and the internet are affected. For the same reason, internet usage and the rate of internet growth may be expected to decline during the summer as some students lose regular internet access.

Due to the foregoing factors, our operating results in one or more future quarters or years may fall below the expectations of securities analysts and investors. In such event, the trading price of our ADSs would likely be materially and adversely affected. See "Management's Discussion and Analysis of Financial Condition and

Results of Operations—Seasonality" for additional details regarding the effects of seasonality on our cash flow, operating performance and financial results.

Our business, financial condition and results of operations, as well as our ability to obtain financing, 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 such disruptions has persisted. 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. We derived approximately 97.4%, 99.0%, 79.2% and 61.9% of our net revenues in 2009, 2010, 2011 and the six months ended June 30, 2012 from the online gaming and online advertising industries. In addition, we derived approximately 16.5% and 28.6% of our net revenues in 2011 and the six months ended June 30, 2012 from YY Music. The online gaming and online advertising industries, along with YY Music, may be affected by economic downturns. Thus, our business and prospects may be affected by the macroeconomic environment in China. A prolonged slowdown in China's economy may lead to a reduced amount of online advertising, which could materially and adversely affect our business, financial condition and results of operations. In addition, our products and services may be viewed as discretionary by our users, who may choose to discontinue or reduce spending on such products and services during an economic downturn. In such an event, our ability to retain existing users and increase new users will be adversely affected, which would in turn negatively impact our business and results of operations.

Moreover, a slowdown or disruption in the global or China's economy may have a material and adverse impact on financings available to us. The weakness in the economy could erode investors' confidence, which constitutes the basis of the credit market. The recent financial turmoil affecting the financial markets and banking system may significantly restrict our ability to obtain financing in the capital markets or from financial institutions on commercially reasonable terms, or at all. Although we are uncertain about the extent to which the recent global financial and economic crisis and slowdown of China's economy may impact our business in the short-term and long-term, there is a risk that our business, results of operations and prospects would be materially and adversely affected by any global economic downturn or disruption or slowdown of China's economy.

Future strategic alliances or acquisitions may have a material and adverse effect on our business, reputation and results of operations.

We may enter into strategic alliances, including joint ventures or minority equity investments, with various third parties to further our business purpose from time to time. These alliances could subject us to a number of risks, including risks associated with sharing proprietary information, non-performance by the third party and increased expenses in establishing new strategic alliances, any of which may materially and adversely affect our business. We may have limited ability to monitor or control the actions of these third parties and, to the extent any of these strategic third parties suffers negative publicity or harm to their reputation from events relating to their business, we may also suffer negative publicity or harm to our reputation by virtue of our association with any such third party.

In addition, although we have no current acquisition plans, if appropriate opportunities arise, we may acquire additional assets, products, technologies or businesses that are complementary to our existing business. Future acquisitions and the subsequent integration of new assets and businesses into our own would require significant attention from our management and could result in a diversion of resources from our existing business, which in turn could have an adverse effect on our business operations. Acquired assets or businesses may not generate the financial results we expect. Acquisitions could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities, the occurrence of significant goodwill impairment charges, amortization expenses for other intangible assets and exposure to potential unknown liabilities of the acquired business. Moreover, the costs of identifying and consummating acquisitions may be significant. In addition to possible shareholders' approval, we may also have to obtain approvals and licenses from relevant

government authorities for the acquisitions and to comply with any applicable PRC laws and regulations, which could result in increased delay and costs.

If we fail to implement and maintain an effective system of internal controls, we may be unable to accurately report our results of operations or prevent fraud or fail to meet our reporting obligations, and investor confidence and the market price of our ADSs may be materially and adversely affected.

Prior to this offering, we were a private company with limited accounting personnel and other resources with which to address our internal controls and procedures. Our independent registered public accounting firm has not conducted an audit of our internal control over financial reporting. However, in connection with the audit of our consolidated financial statements as of and for the three years ended December 31, 2011 and the review of our consolidated financial statements as of and for the three months ended March 31, 2012, we and our independent registered public accounting firm identified two material weaknesses in our internal control over financial reporting, as defined in the standards established by the Public Company Accounting Oversight Board of the United States. We have implemented and are continuing to implement a number of measures to address the material weaknesses identified. As a result of such efforts, we successfully eliminated the two material weaknesses and, subsequently, in connection with the review of our consolidated financial statements as of and for the three months ended June 30, 2012, we and our independent registered public accounting firm identified only one significant deficiency. For details, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Internal Control Over Financial Reporting.” However, although we have eliminated the material weaknesses through our efforts, we cannot assure you that we will be able to continue implementing these measures in the future, or that we would not incur additional material weaknesses or significant deficiencies in the future.

Furthermore, it is possible that, had our independent registered public accounting firm conducted an audit of our internal control over financial reporting, such firm might have identified additional material weaknesses and deficiencies. Upon the completion of this offering, we will become a public company in the United States subject to the Sarbanes-Oxley Act of 2002. Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, will require that we include a report of management on 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, 2013. In addition, once we cease to be an “emerging growth company” as such term is defined in the JOBS Act, our independent registered public accounting firm must attest to and report on the effectiveness of our internal control over financial reporting. Our management may conclude that our internal control over financial reporting is not effective. Moreover, even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm, after conducting its own independent testing, may issue a report that is qualified if it is not satisfied with our internal controls or the level at which our controls are documented, designed, operated or reviewed, or if it interprets the relevant requirements differently from us. In addition, after we become a public company, our reporting obligations may place a significant strain on our management, operational and financial resources and systems for the foreseeable future. We may be unable to timely complete our evaluation testing and any required remediation.

During the course of documenting and testing our internal control procedures, in order to satisfy the requirements of Section 404, we may identify other weaknesses and deficiencies in our internal control over financial reporting. In addition, if we fail to maintain the adequacy of our internal control over financial reporting, as these standards are modified, supplemented or amended from time to time, we may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404. If we fail to achieve and maintain an effective internal control environment, we could suffer material misstatements in our financial statements and fail to meet our reporting obligations, which would likely cause investors to lose confidence in our reported financial information. This could in turn limit our access to capital markets, harm our results of operations, and lead to a decline in the trading price of our ADSs. Additionally, ineffective internal control over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to potential delisting from the stock exchange on which we list,

regulatory investigations and civil or criminal sanctions. We may also be required to restate our financial statements from prior periods.

Some of our users may make sales or purchases of virtual items used in our platform through unauthorized third party platforms, which may affect our revenue-generating opportunities and exert downward pressure on the prices we charge for our virtual items.

Some of our users may make sales or purchases of our virtual items, such as in-game virtual items, including virtual flowers on YY channels, through unauthorized third party sellers in exchange for real currency. For example, fans of a performer may pay other users to send flowers or gifts the latter have accumulated on YY Client to the performer, in order to show support and raise the popularity ranking of the performer of their choice. These unauthorized transactions are usually arranged on third party platforms. Accordingly, these unauthorized purchases and sales from third party sellers may affect our revenue-generating opportunities and may impede our revenue and profit growth by, among other things, reducing the revenues we could have generated and exerting downward pressure on the prices we charge for our virtual items.

We have limited business insurance coverage, so that any uninsured occurrence of business disruption may result in substantial costs to us and the diversion of our resources, which could have an adverse effect on our results of operations and financial condition.

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 may disrupt our business operations, require us to incur substantial costs and divert our resources, which could have an adverse effect on our results of operations and financial condition.

Risks Relating to Our Corporate Structure and Our Industry

If the PRC government finds that the structure we have adopted for our business operations does not comply with PRC laws and regulations, or if these laws or regulations or interpretations of existing laws or regulations change in the future, we could be subject to severe penalties, including the shutting down of our platform and our business operations.

Foreign ownership of internet-based businesses is subject to significant restrictions under current PRC laws and regulations. The PRC government regulates internet access, the distribution of online information and the conduct of online commerce through strict business licensing requirements and other government regulations. These laws and regulations also limit foreign ownership in PRC companies that provide internet information distribution services. Specifically, foreign ownership in an internet information provider or other value-added telecommunication service providers may not exceed 50%. In addition, according to the Several Opinions on the Introduction of Foreign Investment in the Cultural Industry promulgated by the Ministry of Culture, or the MOC, the State Administration of Radio, Film and Television, or the SARFT, the General Administration of Press and Publication, or the GAPP, the National Development and Reform Commission and the Ministry of Commerce, or the MOFCOM, in June 2005, foreign investors are prohibited from investing in or operating, among others, any internet cultural operating entities and from engaging in the business of transmitting audio-visual programs through information networks.

We are a Cayman Islands company and our PRC subsidiaries, Zhuhai Duowan Technology Company Limited, or Zhuhai Duowan Technology, and Huanju Shidai Technology (Beijing) Co. Ltd., or Huanju Shidai, are each considered a wholly foreign owned enterprise. We conduct our operations in China through a series of contractual arrangements entered into among our PRC subsidiary, Huanju Shidai, our PRC consolidated affiliated

entities, Guangzhou Huaduo Network Technology Limited, or Guangzhou Huaduo, and Beijing Tuda Science and Technology Company Limited, or Beijing Tuda, and Guangzhou Huaduo and Beijing Tuda's shareholders. As a result of these contractual arrangements, we exert control over our PRC consolidated affiliated entities and consolidate each of their operating results in our financial statements under U.S. GAAP. For a detailed description of these contractual arrangements, see "Corporate History and Structure."

On September 28, 2009, the GAPP, the National Copyright Administration and the National Office of Combating Pornography and Illegal Publications, jointly issued a Notice on Further Strengthening the Administration of Pre-examination and Approval of Online Games and the Examination and Approval of Imported Online Games, or Circular 13. Circular 13 restates that foreign investors are not permitted to invest in online game-operating businesses in China via wholly owned, equity joint venture or cooperative joint venture investments and expressly prohibits foreign investors from gaining control over or participating in domestic online game operators through indirect ways such as establishing other joint venture companies or entering into contractual or technical arrangements such as the variable interest entity structural arrangements we adopted. We are not aware of any companies that have adopted a corporate structure that is the same as or similar to ours having been penalized or terminated under Circular 13 since the effective date of the circular. Furthermore, we are advised by our PRC counsel, Zhong Lun Law Firm, that the enforcement of Circular 13 is still subject to substantial uncertainty, including possible subsequent joint actions by relevant authorities in charge, such as the MOC. The Regulation on Three Provisions stipulates that the MOC is authorized to regulate the online game industry, while the GAPP is authorized to approve the publication of online games before their launch on the internet. The Interpretation on Three Provisions further provides that once an online game is launched on the internet, it will be completely under the regulation of the MOC, and that if an online game is launched on the internet without obtaining prior approval from the GAPP, the MOC, instead of the GAPP, is directly responsible for investigating the game. In the event that we, our PRC subsidiaries or PRC consolidated affiliated entities are found to be in violation of the prohibition under Circular 13, the GAPP, in conjunction with the relevant regulatory authorities in charge, may impose applicable penalties, which in the most serious cases may include suspension or revocation of relevant licenses and registrations. In addition, various media sources have recently reported that the CSRC prepared a report proposing pre-approval by a competent central government authority of offshore listings by China-based companies with variable interest entity structures, such as ours, that operate in industry sectors subject to foreign investment restrictions. However, it is unclear whether the CSRC officially issued or submitted such a report to a higher level government authority or what any such report provides, or whether any new PRC laws or regulations relating to variable interest entity structures will be adopted or what they would provide.

Based on understanding of current PRC laws, rules and regulations of our PRC legal counsel, Zhong Lun Law Firm, our current ownership structure for our business operations, the ownership structure of our PRC subsidiaries and our PRC consolidated affiliated entities, the contractual arrangements among our PRC subsidiaries, our PRC consolidated affiliated entities and their shareholders, as described in this prospectus, are in compliance with existing PRC laws, rules and regulations. However, we were further advised by Zhong Lun Law Firm that there is substantial uncertainty regarding the interpretation and application of current or future PRC laws and regulations and these laws or regulations or interpretations of these laws or regulations may change in the future. Furthermore, the relevant government authorities have broad discretion in interpreting these laws and regulations. Accordingly, we cannot assure you that PRC government authorities will not ultimately take a view contrary to the opinion of our PRC legal counsel.

If our ownership structure, contractual arrangements and businesses of our company, our PRC subsidiaries or our PRC consolidated affiliated entities are found to be in violation of any existing or future PRC laws or regulations, the relevant governmental authorities would have broad discretion in dealing with such violation, including levying fines, confiscating our income or the income of our PRC subsidiaries or PRC consolidated affiliated entities, revoking or suspending the business licenses or operating licenses of our PRC subsidiaries or PRC consolidated affiliated entities, shutting down our servers or blocking our platform, discontinuing or placing restrictions or onerous conditions on our operations, requiring us to discontinue our operations, requiring us to

undergo a costly and disruptive restructuring, restricting or prohibiting our use of proceeds from this offering to finance our business and operations in China, and taking other regulatory or enforcement actions that could be harmful to our business. Any of these actions could cause significant disruption to our business operations and severely damage our reputation, which would in turn materially and adversely affect our business, financial condition and results of operations. In addition, if the imposition of any of these penalties causes us to lose the rights to direct the activities of our PRC consolidated affiliated entities or our right to receive their economic benefits, we would no longer be able to consolidate such entities. Our PRC consolidated affiliated entities contributed substantially all of our consolidated net revenues in the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012.

We rely on contractual arrangements with our PRC consolidated affiliated entities and their shareholders for the operation of our business, which may not be as effective as direct ownership. If our PRC consolidated affiliated entities and their shareholders fail to perform their obligations under these contractual arrangements, we may have to resort to litigation to enforce our rights, which may be time-consuming, unpredictable, expensive and damaging to our operations and reputation.

Because of PRC restrictions on foreign ownership of internet-based businesses in China, we depend on contractual arrangements with our PRC consolidated affiliated entities in which we have no ownership interest to conduct our business. These contractual arrangements are intended to provide us with effective control over these entities and allow us to obtain economic benefits from them. Our PRC consolidated affiliated entities are owned directly by our directors, key executive officers and employees, namely Messrs. David Xueling Li, Jun Lei, Tony Bin Zhao and Jin Cao. For additional details on these ownership interests, see "—Risks Relating to Our Business—Our business depends substantially on the continuing efforts of our executive officers and key employees, and our business operations may be severely disrupted if we lose their services" and "Corporate History and Structure." However, these contractual arrangements may not be as effective in providing control as direct ownership. For example, each of our PRC consolidated affiliated entities and their shareholders could breach their contractual arrangements with us by, among other things, failing to operate our business in an acceptable manner or taking other actions that are detrimental to our interests. If we were the controlling shareholder of these PRC consolidated affiliated entities with direct ownership, we would be able to exercise our rights as shareholders to effect changes to their board of directors, which in turn could implement changes at the management and operational level. However, under the current contractual arrangements, as a legal matter, if our PRC consolidated affiliated entities or their shareholders fail to perform their obligations under these contractual arrangements, we may have to incur substantial costs to enforce such arrangements, and rely on legal remedies under PRC law, including contract remedies, which may not be sufficient or effective. If we are unable to enforce these contractual arrangements, or if we suffer significant delay or other obstacles in the process of enforcing these contractual arrangements, our business and operations could be severely disrupted, which could materially and adversely affect our results of operations and damage our reputation. See "—Risks Relating to Doing Business in China—Uncertainties in the interpretation and enforcement of Chinese laws and regulations could limit the legal protections available to you and us."

Our existing shareholders have substantial influence over our company and their interests may not be aligned with the interests of our other shareholders, which may discourage, delay or prevent a change in control of our company, which could deprive our shareholders of an opportunity to receive a premium for their securities.

Currently, our management group, including Mr. David Xueling Li, our co-founder, chief executive officer and director, Mr. Tony Bin Zhao, our director and chief technology officer, Mr. Rongjie Dong, the general manager of our online games department, and Mr. Jin Cao, the general manager of our website department and others beneficially own an aggregate of 26.7% of our outstanding shares, assuming the conversion of all of our series A, B, C-1 and C-2 preferred shares into 359,424,310 common shares. Upon the completion of this offering, they will beneficially own an aggregate of % of our outstanding shares. Messrs. Li, Zhao, Dong and Cao together hold 100% of the equity interest in each of our PRC consolidated affiliated entities, Guangzhou Huaduo

and Beijing Tuda. Our management group has substantial influence over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of directors and other significant corporate actions. This concentration of ownership may discourage, delay or prevent a change in control of our company, which could deprive our shareholders of an opportunity to receive a premium for their shares as part of any contemplated sale of our company and may reduce the price of our ADSs. In addition, Messrs. Li, Zhao, Dong and Cao could violate the terms of their non-compete or employment agreements with us or their legal duties by diverting business opportunities from us, resulting in our loss of corporate opportunities. These actions may take place even if they are opposed by our other shareholders, including those who purchase ADSs in this offering. Additionally, Mr. Jun Lei, our co-founder, chairman and shareholder who will own % of our outstanding shares after the completion of this offering, is in the business of making investments in internet companies in China. Mr. Lei currently holds direct and indirect interests in our direct competitor, iSpeak, and other entities which may have businesses that compete with us. iSpeak is owned by Mr. Lei in part through Kingsoft Corporation Limited, or Kingsoft, which is engaged in the research, development operation and distribution of online games, mobile games, casual game services and internet software. He may, in the future, acquire additional interests in businesses that directly or indirectly compete with some of our lines of business or that are our suppliers or customers. Furthermore, Mr. Lei, whether through Kingsoft or otherwise, may pursue acquisitions or make further investments in our industries which may conflict with our interests. Although after the completion of this offering, we will adopt a code of business conduct and ethics to help restrict conflicts of interest involving directors and officers, any violation of this code by our existing officers or directors such as Mr. Lei may materially and adversely affect our business operations. For more information regarding the beneficial ownership of our company by our principal shareholders, see “Principal [and Selling] Shareholders.”

We may lose the ability to use and enjoy assets held by our PRC consolidated affiliated entities that are important to the operation of our business if such entities go bankrupt or become subject to a dissolution or liquidation proceeding.

As part of our contractual arrangements with our PRC consolidated affiliated entities, Guangzhou Huaduo and Beijing Tuda, such entities hold certain assets, such as patents for the proprietary technology that are essential to the operations of our platform and important to the operation of our business. If either Guangzhou Huaduo or Beijing Tuda goes bankrupt and all or part of its assets become subject to liens or rights of third party creditors, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations. If Guangzhou Huaduo or Beijing Tuda undergoes a voluntary or involuntary liquidation proceeding, the unrelated third party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could materially and adversely affect our business, financial condition and results of operations.

Our contractual arrangements with our PRC consolidated affiliated entities may result in adverse tax consequences to us.

As a result of our corporate structure and the contractual arrangements among our PRC subsidiaries, our PRC consolidated affiliated entities and their shareholders, we are effectively subject to the 5% PRC business tax and related surcharges on revenues generated by our subsidiaries from our contractual arrangements with our PRC consolidated affiliated entities. The PRC enterprise income tax law requires every enterprise in China to submit its annual enterprise income tax return together with a report on transactions with its affiliates or related parties to the relevant tax authorities. These transactions may be subject to audit or challenge by the PRC tax authorities within ten years after the taxable year during which the transactions are conducted. We may be subject to adverse tax consequences if the PRC tax authorities were to determine that the contracts between us and our PRC consolidated affiliated entities were not on an arm’s length basis and therefore constitute a favorable transfer pricing arrangements. If this occurs, the PRC tax authorities could request that either of our PRC consolidated affiliated entities adjust its taxable income upward for PRC tax purposes. Such a pricing adjustment could adversely affect us by reducing expense deductions recorded by either PRC consolidated affiliated entities and thereby increasing these entities’ tax liabilities, which could subject these entities to late

payment fees and other penalties for the underpayment of taxes. Our consolidated net income may be materially and adversely affected if our PRC consolidated affiliated entities' tax liabilities increase or if it becomes subject to late payment fees or other penalties.

If our PRC consolidated affiliated entities fail to obtain and maintain the requisite licenses and approvals required under the complex regulatory environment for internet-based businesses in China, our business, financial condition and results of operations may be materially and adversely affected.

The internet industry in China is highly regulated. See "PRC Regulation." Guangzhou Huaduo, as our PRC consolidated affiliated entity, is required to obtain and maintain applicable licenses or approvals from different regulatory authorities in order to provide its current services. For example, an internet information service provider shall obtain an operating license, or the ICP License, from MIIT or its local counterparts before engaging in any commercial internet information services. An online game operator must also obtain an Internet Culture Operation License from the MOC and an Internet Publishing License from the GAPP to distribute online games, in addition to filing its online games with the GAPP and the MOC. Prior to July 2010, specific approvals on online bulletin board services were also required for the provision of BBS services. Guangzhou Huaduo has obtained a valid ICP License for provision of internet and mobile network information services, an Internet Culture Operation License for online games and music products, and an Internet Publishing License for publication of online games and mobile phone games. In addition, Guangzhou Huaduo holds a valid License for Online Transmission of Audio-Visual Programs under the business classification of converging and play-on-demand service for certain kinds of internet audio-visual programs—literary, artistic and entertaining—as prescribed in the newly issued provisional categories. On October 8, 2011, Guangzhou Huaduo was granted a License for Production and Operation of Radio and TV Programs, covering the production, reproduction and publication of broadcasting plays, TV dramas, cartoons (excluding production), special subjects, special columns (excluding current political news category) and entertainment programs. These licenses are essential to the operation of our business and are generally subject to annual government review. However, we cannot assure you that we can successfully renew these licenses annually or that these licenses are sufficient to conduct all of our present or future business. For example, Guangzhou Huaduo's Internet Culture Operation License does not include license to conduct comic-related business; as a result, we were fined approximately RMB30,000 when comics were posted onto and accessible through our platform.

As we further develop and expand our video capabilities and functions, we will need to obtain additional qualifications, permits, approvals or licenses. In addition, with respect to specific services offered online, we or the service or content providers may be subject to additional separate qualifications, permits, approvals or licenses. For example, while launching a variety of online education services on our platform, we are working closely with relevant local authorities in charge, for completion of statutorily required procedures such as approvals, if any. For financial-related content offered on our channels, we are tightening our internal review of the relevant qualifications of the content providers as instructed by the competent authorities, while complying with other statutory requirements. We cannot assure you that we or the service or content providers will be granted such qualifications, permits, approvals or licenses in a timely manner or at all. Prior to the receipt of such qualifications, permits, approvals or licenses, we may be deemed as being in violation of relevant laws or regulations and be subject to penalties.

As the internet industry in China is still at an early stage of development, new laws and regulations may be adopted from time to time to address new issues that come to the authorities' attention. In the interpretation and implementation of existing and future laws and regulations governing our business activities, considerable uncertainties still exist. We cannot assure you that we will not be found in violation of any future laws and regulations or any of the laws and regulations currently in effect due to changes in the relevant authorities' interpretation of these laws and regulations. In addition, we may be required to obtain additional license or approvals, and we cannot assure you that we will be able to timely obtain or maintain all the required licenses or approvals or make all the necessary filings in the future. If we fail to obtain or maintain any of the required licenses or approvals or make the necessary filings, we may be subject to various penalties, such as confiscation

of the net revenues that were generated through the unlicensed internet activities, the imposition of fines and the discontinuation or restriction of our operations. Any such penalties may disrupt our business operations and materially and adversely affect our business, financial condition and results of operations.

Implementation of the new labor laws and regulations in China may adversely affect our business and results of operations.

Pursuant to a new labor contract law that became effective in January 2008 and its implementation rules that became effective in September 2008, employers are subject to stricter requirements in terms of signing labor contracts, minimum wages, paying remuneration, determining the term of employees' probation and unilaterally terminating labor contracts. Due to the limited period since its effectiveness, and lack of detailed interpretation rules and uniform implementation practice and possible penalties, it is uncertain as to how they it would affect our current employment policies and practices. Our employment policies and practices may violate the labor contract law or its implementation rules, and we may thus be subject to related penalties, fines or legal fees. Compliance with the labor contract law and its implementation rules may increase our operating expenses, in particular our personnel expenses. In the event that we decide to terminate some of our employees or otherwise change our employment or labor practices, the labor contract law and its implementation rules may also limit our ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations. On October 28, 2010, the Standing Committee of the National People's Congress promulgated the PRC Social Insurance Law, or the Social Insurance Law, which became effective on July 1, 2011. According to the Social Insurance Law, employees must participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance and the employers must, together with their employees or separately, pay the social insurance premiums for such employees.

We expect our labor costs to increase due to the implementation of these new laws and regulations. As the interpretation and implementation of these new laws and regulations are still evolving, we cannot assure you that our employment practice will at all times be deemed in full compliance with labor-related laws and regulations in China, which may subject us to labor disputes or government investigations. If we are deemed to have violated relevant labor laws and regulations, we could be required to provide additional compensation to our employees and our business, financial condition and results of operations could be materially and adversely affected.

Further, labor disputes, work stoppages or slowdowns at our laboratories, patient service centers or any of our clients or suppliers could significantly disrupt our daily operation or our expansion plans and have material adverse effects on our business.

Currently there is no law or regulation specifically governing virtual asset property rights and therefore it is not clear what liabilities, if any, online game operators may have for virtual assets.

While playing online games or participating on YY Client activities, players acquire and accumulate some virtual assets, such as special equipment and other accessories. Such virtual assets can be important to online game players and have monetary value and, in some cases, are sold for actual money. In practice, virtual assets can be lost for various reasons, often through unauthorized use of the game account of one user by other users and occasionally through data loss caused by a delay of network service, a network crash or hacking activities. Currently, there is no PRC law or regulation specifically governing virtual asset property rights. As a result, there is uncertainty as to who the legal owner of virtual assets is, whether and how the ownership of virtual assets is protected by law, and whether an operator of online games such as us would have any liability to game players or other interested parties (whether in contract, tort or otherwise) for loss of such virtual assets. Based on recent PRC court judgments, the courts have typically held online game operators liable for losses of virtual assets by game players, and ordered online game operators to return the lost virtual items to game players or pay damages and losses. In case of a loss of virtual assets, we may be sued by our game players or users and held liable for damages, which may negatively affect our reputation and business, financial condition and results of operations.

Compliance with the laws or regulations governing virtual currency may result in us having to obtain additional approvals or licenses or change our current business model.

The issuance and use of "virtual currency" in the PRC has been regulated since 2007 in response to the growth of the online games industry in China. In January 2007, the Ministry of Public Security, the MOC, the MIIT and the GAPP jointly issued a circular regarding online gambling which has implications for the use of virtual currency. To curtail online games that involve online gambling, as well as address concerns that virtual currency could be used for money laundering or illicit trade, the circular (a) prohibits online game operators from charging commissions in the form of virtual currency in relation to winning or losing of games; (b) requires online game operators to impose limits on use of virtual currency in guessing and betting games; (c) bans the conversion of virtual currency into real currency or property; and (d) prohibits services that enable game players to transfer virtual currency to other players. On June 4, 2009, the MOC and the MOFCOM jointly issued a notice regarding strengthening the administration of online game virtual currency, or the Virtual Currency Notice. The MOC issued the Provisional Administrative Measures of Online Games, or the Online Game Measures, in June 2010, which provides, among other things, that virtual currency issued by online game operators may be only used to exchange its own online game products and services and may not be used to pay for the products and services of other entities.

We issue virtual currency and prepaid game tokens to game players on YY Client for them to purchase various items to be used in online games and channels, including music channels. We are in the process of adjusting the content of our platform but we cannot assure you that our adjustments will be sufficient to comply with the Virtual Currency Notice. Moreover, although we believe we do not offer online game virtual currency transaction services, we cannot assure you that the PRC regulatory authorities will not take a view contrary to ours. For example, certain virtual items we issue to users based on in-game milestones they achieve or time spent playing games are transferable and exchangeable for our virtual currency or the other virtual items we issue to users. If the PRC regulatory authorities deem such transfer or exchange to be a virtual currency transaction, then in addition to being deemed to be engaging in the issuance of virtual currency, we may also be deemed to be providing transaction platform services that enable the trading of such virtual currency. Simultaneously engaging in both of these activities is prohibited under the Virtual Currency Notice. In that event, we may be required to cease either our virtual currency issuance activities or such deemed "transaction service" activities and may be subject to certain penalties, including mandatory corrective measures and fines. The occurrence of any of the foregoing could have a material adverse effect on our business and results of operations.

In addition, the Virtual Currency Notice prohibits online game operators from setting game features that involve the direct payment of cash or virtual currency by players for the chance to win virtual items or virtual currency based on random selection through a lucky draw, wager or lottery. The notice also prohibits game operators from issuing currency to game players through means other than purchases with legal currency. It is unclear whether these restrictions would apply to certain aspects of our online games. Although we believe that we have rectified and ceased such prohibited activities and have taken adequate measures to prevent any of the above-mentioned prohibited activities, we cannot assure you that the PRC regulatory authorities will not take a view contrary to ours and deem such feature as prohibited by the Virtual Currency Notice, thereby subjecting us to penalties, including mandatory corrective measures and fines. For example, we were previously fined approximately RMB20,000 when a local authority in Guangzhou found that one of our games contained a lucky draw. The occurrence of any of the foregoing could materially and adversely affect our business and results of operations.

Non-compliance on the part of third parties with which we conduct business could restrict our ability to maintain or increase our number of users or the level of traffic to our YY platform.

Our third party game developers or other business partners may be subject to regulatory penalties or punishments because of their regulatory compliance failures, which may disrupt our business. Although we conduct a rigid review of legal formalities and certifications before entering into contractual relationship with

other businesses such as third party game developers and landlords, we cannot be certain whether such third party has or will infringe any third parties' legal rights or violate any regulatory requirements. We regularly identify irregularities or noncompliance in the business practices of any parties with whom we pursue existing or future cooperation and we cannot assure you that any of these irregularities will be corrected in a prompt and proper manner. The legal liabilities and regulatory actions on our commercial partners may affect our business activities and reputation and in turn, our results of operations. For example, according to PRC regulations, all lease agreements are required to be registered with the local housing authorities. We presently lease properties at 10 different locations in China, and the landlords of some of these properties are still completing the registration of their ownership rights or the registration of our leases with the relevant authorities. Failure to complete these required registrations may expose our landlords, lessors and us to potential monetary fines. Some of our lessors have not provided us with appropriate title certificates, which may adversely affect the validity of the leases if the lessors do not have proper title. We cannot assure you that such certificates or registration will be obtained in a timely manner or at all, and in case of failures, we may be subject to monetary fines, have to relocate our offices and suffer economic losses.

We are now allowing providers of some online services such as online education and financial services, to establish channels on YY Client. We plan to encourage more service providers, such as recruiting agents, to establish YY channels in the future. In addition, we plan to establish a search, classification and ranking system and post advertisements relating to such service providers in the near future and derive related revenues under the relevant arrangements. These areas are all highly regulated, and the online service providers and the producers of content on YY Client are required to meet specific qualifying standards, evidenced by approvals, permits or certificates, and to comply with various requirements when conducting business. For example, financial service providers must be securities consulting institutions approved by the China Securities Regulatory Commission, or CSRC. We cannot predict if any noncompliance on the part of such commercial partners may cause potential liabilities to us and in turn disrupt our operations.

Intensified government regulation of the internet industry in China could restrict our ability to maintain or increase our user level or the level of user traffic to our YY platform.

The PRC government has, in recent years, intensified regulation on various aspects of the internet industry in China. For example, the PRC government recently adopted more stringent policies to monitor the online games industry due to adverse public reaction to perceived addiction to online games, particularly in children and minors. On April 15, 2007, eight PRC government authorities, including the GAPP, the Ministry of Education, the Ministry of Public Security and the MIIT issued a notice requiring all Chinese online game operators to adopt an "anti-fatigue system" in an effort to curb addiction to online games by minors. To help game operators identify which game players are minors, online game players in China are now required to register their names and identity card numbers before playing an online game, which information is to be submitted to and verified by the National Citizen Identity Information Center, a subordinate public institution of the Ministry of Public Security, as of October 1, 2011. These restrictions could limit our ability to increase our online game business among minors. See "PRC Regulation—Anti-fatigue Compliance System and Real-name Registration System." In order to comply with these anti-fatigue rules, we set up our system so that after three hours of playing our online games, minors only receive half of the virtual items or other in-game benefits they would otherwise earn, and after playing for more than five hours, receive no in-game benefits. Failure to implement these restrictions, if detected by the relevant government agencies, may result in fines and other penalties for us, including the shutting down of our online games operations and license revocation. Furthermore, if these restrictions were expanded to apply to adult game players in the future, our online games business could be materially and adversely affected.

In addition, in February 2007, 14 PRC regulatory authorities jointly promulgated a circular to further strengthen the oversight of internet cafes, one of the primary venues from which our platform is accessed. In recent years, a large number of unlicensed internet cafes have been closed, and the PRC government has imposed higher capital and facility requirements for the establishment of internet cafes. Governmental authorities may

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from time to time impose stricter requirements on internet cafes, such as customer age limits and regulated hours of operation. Since a substantial portion of our users access our platform from internet cafes, any reduction in the number, or slowdown in the growth, of internet cafes in China, or any new regulatory restrictions on their operations, could limit our ability to maintain or increase our revenues.

More stringent governmental regulations such as the ones outlined above may discourage game players from playing our games and have a material effect on our business operations.

Risks Relating to Doing Business in China

Uncertainties in the interpretation and enforcement of Chinese laws and regulations could limit the legal protections available to you and us.

The PRC legal system is based on written statutes and prior court decisions have limited value as precedents. Each of our PRC subsidiaries, Huanju Shidai and Zhuhai Duowan Technology, is a foreign-invested enterprise and is subject to laws and regulations applicable to foreign-invested enterprises as well as various Chinese laws and regulations generally applicable to companies incorporated in China. However, since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. However, since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. Furthermore, the PRC legal system is based in part on government policies and internal rules (some of which are not published in a timely manner or at all) that may have retroactive effect. As a result, we may not be aware of our violation of these policies and rules until some time after the violation. Such uncertainties, including uncertainty over the scope and effect of our contractual, property (including intellectual property) and procedural rights, could materially and adversely affect our business and impede our ability to continue our operations.

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 almost all of our customers 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 since the late 1970s 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 Chinese 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 the Chinese economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, and providing preferential treatment to particular industries or companies.

While the Chinese economy has 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 benefit the overall Chinese economy, but may also have a negative effect on us. 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 could in turn reduce the demand for our products and services and adversely affect our results of operations and financial condition.

We may be adversely affected by the complexity, uncertainties and changes in PRC regulation of internet 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 platform. Guangzhou Huaduo, our PRC consolidated affiliated entity, owns our platform due to the restriction of foreign investment in businesses providing value-added telecommunication services in China, including internet content provision services. If Guangzhou Huaduo breaches its contractual arrangements with us and no longer remains under our control, 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 and the requirement for real-name registrations. Permits, licenses or operations at some of our subsidiaries and PRC consolidated affiliated entities levels 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. See "—Risks Relating to Our Corporate Structure and Our Industry—If our PRC consolidated affiliated entities fail to obtain and maintain the requisite licenses and approvals required under the complex regulatory environment for internet-based businesses in China, our business, financial condition and results of operations may be materially and adversely affected" and "PRC Regulation." In addition, although we currently have a real-name registration system in place for our online games in strict compliance with the relevant PRC regulations, we are currently not required by PRC law to ask users for their real name and personal information when they register for a YY user account. We cannot assure you that PRC regulators would not require us to implement compulsory real-name registration on our platform in the future. In late 2011, for example, the Beijing municipal government required microbloggers in China to implement real-name registration for all of their registered users. If we were required to implement real-name registration on YY, we may lose large numbers of registered user accounts for various reasons, because users may no longer maintain multiple accounts and users who dislike giving out their private information may cease to use our products and services altogether.
- The evolving PRC regulatory system for the internet industry may lead to the establishment of new regulatory agencies. For example, in May 2011, the State Council announced the establishment of a new department, the State Internet Information Office (with the involvement of the State Council Information Office, or the SCIO, the MIIT and the Ministry of Public Security). The primary role of this new agency is to facilitate the policy-making and legislative development in this field to direct and coordinate with the relevant departments in connection with online content administration and to deal with cross-ministry regulatory matters in relation to the internet industry. We are unable to determine what policies this new agency or any new agencies to be established in the future may have or how they may interpret existing laws, regulations and policies and how they may affect us. Further, new laws, regulations or policies may be promulgated or announced that will regulate internet activities, including online video and online advertising businesses. If these new laws, regulations or policies 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.

In July 2006, the MIIT issued the Notice of the Ministry of Information Industry on Intensifying the Administration of Foreign Investment in Value-added Telecommunications Services. This notice prohibits domestic telecommunication service providers from leasing, transferring or selling telecommunication business operating licenses to any foreign investor in any form, or providing any resources, sites or facilities to any foreign investor for their illegal operation of a telecommunication business in China. According to this notice, either the holder of a value-added telecommunication business operating license or its shareholders must directly own the domain names and trademarks used by such license holders in their provision of value-added telecommunication services. The notice also requires each license holder to have the necessary facilities, including servers, for its approved business operations and to maintain such facilities in the regions covered by its license. Currently, all contracts with telecommunication carriers and other service providers to host the servers used in our business were entered into by Guangzhou Huaduo, our PRC consolidated affiliated entity, and such arrangements are in compliance with this notice. Guangzhou Huaduo also owns the related domain names and trademarks, and holds the ICP License necessary to conduct our operations in China.

In June 2010, the MOC promulgated the Provisional Administration Measures of Online Games, or the Online Game Measures, which became effective on August 1, 2010. The Online Game Measures provide that any entity engaging in online game operation activities shall obtain the Internet Culture Operation License and must meet certain requirements such as minimum registered capital. Online game developers are generally involved in the purchase of servers and bandwidth, the control and management of game data, the maintenance of game systems and certain other maintenance tasks in our operation of online games. The Guangzhou branch of the MOC has confirmed that such outsourcing and cooperation activities are not considered conducting online game operation activities, and that online game developers do not have to obtain the Internet Culture Operation License in accordance with the Online Game Measures. However, because of the limited time in which these measures have been in effect, there are still uncertainties on the MOC’s interpretation and implementation of these measures. If the MOC determines in the future that such qualifications or requirements apply to the online game developers for their involvement in the online game operations, we may have to terminate our revenue-sharing arrangements with certain unqualified online game developers and may even be subject to various penalties, which may negatively impact our results of operations and financial condition.

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. 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.

Content posted or displayed on our platform may be found objectionable by PRC regulatory authorities and may subject us to penalties and other severe consequences.

The PRC government has adopted regulations governing internet access and the distribution of information over the internet. Under these regulations, internet content providers and internet publishers are prohibited from posting or displaying over the internet content that, among other things, violates PRC laws and regulations, impairs the national dignity of China or the public interest, or is obscene, superstitious, fraudulent or defamatory. Furthermore, internet content providers are also prohibited from displaying content that may be deemed by relevant government authorities as “socially destabilizing” or leaking “state secrets” of the PRC. Failure to comply with these requirements may result in the revocation of licenses to provide internet content and other licenses, the closure of the concerned platforms and reputational harm. The operator may also be held liable for such censored information displayed on or linked to their platform. For a detailed discussion, see “PRC Regulation.”

We allow visitors to our portal websites to upload written materials, images, pictures, and other content on the forums on our websites, and also allow users to share, link to and otherwise access audio, video, games and other content from third parties through our platform. For a description of how content can be accessed on or through our rich communication social platform, and what measures we take to lessen the likelihood that we will be held liable for the nature of such content, see “Business—Our Technology,” “Business—Intellectual Property,” and “—Risks Relating to Our Business—We may be subject to intellectual property infringement claims or other allegations, which could require us to pay substantial statutory penalties or other damages and fines, remove relevant content from our website or enter into license agreements which may not be available on commercially reasonable terms.”

Since our inception, we have worked closely with relevant government authorities to monitor the content on our platform and to make the utmost effort in complying with relevant laws and regulations. However, it may not be possible to determine in all cases the types of content that could result in our liability as an internet operator, and if any of our internet content is deemed by the PRC government to violate any content restrictions, we would not be able to continue to display such content and could become subject to penalties, including confiscation of income, fines, suspension of business and revocation of required licenses, which could materially and adversely affect our business, financial condition and results of operations. We may also be subject to potential liability for any unlawful actions of our users or third party service providers on our platform or for content we distribute that is deemed inappropriate. For example, from September 2011 through June 2012, we were subject to a few warnings or fines of RMB90,000 or less for having inappropriate content on our platform. Although we corrected these non-compliances and undertook measures to prevent the recurrence of such instances, it may be difficult to determine the type of content or actions that may result in liability to us, and if we are found to be liable, we may be prevented from operating our business in China. Moreover, the costs of compliance with these regulations may continue to increase as a result of more content being uploaded or made available by an increasing number of users and third party partners and developers, which may adversely affect our results of operations.

Advertisements shown on our platform may subject us to penalties and other administrative actions.

Under PRC advertising laws and regulations, we are obligated to monitor the advertising content shown on our platform to ensure that such content is true and accurate and in full compliance with applicable laws and regulations. In addition, where a special government review is required for specific types of advertisements prior to internet posting, such as advertisements relating to pharmaceuticals, medical instruments, agrochemicals and veterinary pharmaceuticals, we are obligated to confirm that such review has been performed and approval has been obtained. Violation of these laws and regulations may subject us to penalties, including fines, confiscation of our advertising income, orders to cease dissemination of the advertisements and orders to publish an announcement correcting the misleading information. In circumstances involving serious violations by us, PRC governmental authorities may force us to terminate our advertising operations or revoke our licenses.

While we have made significant efforts to ensure that the advertisements shown on our platform are in full compliance with applicable PRC laws and regulations, we cannot assure you that all the content contained in such advertisements or offers is true and accurate as required by the advertising laws and regulations, especially given the uncertainty in the interpretation of these PRC laws and regulations. If we are found to be in violation of applicable PRC advertising laws and regulations, 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, results of operations and prospects.

Under the PRC enterprise income tax law, we may be classified as a PRC “resident enterprise,” which could result in unfavorable tax consequences to us and our shareholders and have a material adverse effect on our results of operations and the value of your investment.

Under the PRC enterprise income tax law that became effective on January 1, 2008, an enterprise established outside the PRC with “de facto management bodies” within the PRC is considered a “resident

enterprise" for PRC enterprise income tax purposes and is generally subject to a uniform 25% enterprise income tax rate on its worldwide income. On April 22, 2009, the State Administration of Taxation, or the SAT, issued the Notice Regarding the Determination of Chinese-Controlled Overseas Incorporated Enterprises as PRC Tax Resident Enterprise on the Basis of De Facto Management Bodies, 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. Further to SAT Circular 82, on August 3, 2011, the SAT recently issued the Administrative Measures of Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial), or SAT Bulletin 45, to provide more guidance on the implementation of SAT Circular 82; the bulletin became effective on September 1, 2011. SAT Bulletin 45 clarified certain issues in the areas of resident status determination, post-determination administration and competent tax authorities.

According to SAT Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be considered as a PRC tax resident enterprise 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 are met: (a) the senior management and core management departments in charge of its daily operations function have their presence mainly in the PRC; (b) its financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (c) its major assets, accounting books, company seals, and minutes and files of its board and shareholders' meetings are located or kept in the PRC; and (d) more than half of the enterprise's directors or senior management with voting rights habitually reside in the PRC. SAT Bulletin 45 further clarifies the resident status determination, post-determination administration, as well as competent tax authorities. It also specifies that when provided with a copy of Chinese tax resident determination certificate from a resident Chinese controlled offshore incorporated enterprise, the payer should not withhold 10% income tax when paying the Chinese-sourced dividends, interest, royalties, etc. to the Chinese controlled offshore incorporated enterprise.

Although SAT Circular 82 and SAT Bulletin 45 only apply to offshore incorporated enterprises controlled by PRC enterprises or PRC enterprise group instead of those controlled by PRC individuals or foreigners, the determination criteria set forth therein may reflect SAT's general position on how the term "de facto management body" could be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises, individuals or foreigners.

We do not meet all of the conditions above; therefore, we believe that we should not be treated as a "resident enterprise" for PRC tax purposes even if the standards for "de facto management body" prescribed in the SAT Circular 82 are applicable to us. For example, our minutes and files of the resolutions of our board of directors and the resolutions of our shareholders are maintained outside the PRC. In addition, we are not aware of any offshore holding companies with a corporate structure similar to ours ever having been deemed to be a PRC "resident enterprise" by the PRC tax authorities.

However, it is possible that the PRC tax authorities may take a different view. If the PRC tax authorities determine that our Cayman Islands holding company is a PRC resident enterprise for PRC enterprise income tax purposes, then our world-wide income could be subject to PRC tax at a rate of 25%, which could materially reduce our net income. In addition, we will also be subject to PRC enterprise income tax reporting obligations.

Although dividends paid by one PRC tax resident to another PRC tax resident should qualify as "tax-exempt income" under the enterprise income tax law, we cannot assure you that dividends by our PRC subsidiaries to our Cayman Islands holding company will not be subject to a 10% withholding tax, as the PRC foreign exchange control authorities, which enforce the withholding tax on dividends, and the PRC tax authorities have not yet issued guidance with respect to the processing of outbound remittances to entities that are treated as resident enterprises for PRC enterprise income tax purposes.

Foreign ADS holders may also be subject to PRC withholding tax on dividends payable by us and gains realized on the sale or other disposition of ADSs or common shares, if such income is sourced from within the

PRC. Although our holding company is incorporated in the Cayman Islands, it remains unclear whether dividends received and gains realized by our foreign ADS holders will be regarded as income from sources within the PRC if we are classified as a PRC resident enterprise. Any such tax will reduce the returns on your investment in our ADSs.

Finally, we face uncertainties on the reporting and consequences on private equity financing transactions and share exchange involving the transfer of shares in our company by non-resident investors. According to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises issued by the PRC State Administration of Taxation on December 10, 2009, with retroactive effect from January 1, 2008, or SAT Circular 698, where a non-resident enterprise transfers the equity interests in a PRC resident enterprise indirectly through a disposition of equity interests in an overseas holding company, or an Indirect Transfer, and such overseas holding company is located in a tax jurisdiction that: (a) has an effective tax rate less than 12.5% or (b) does not tax foreign income of its residents, the a non-resident enterprise, as the seller, shall report such Indirect Transfer to the competent tax authority of the PRC resident enterprise within 30 days of execution of the equity transfer agreement for such Indirect Transfer. The PRC tax authority will examine the true nature of the Indirect Transfer, and if the tax authority considers that the foreign investor has adopted an abusive arrangement without reasonable commercial purposes and for the purpose of avoiding or reducing PRC tax, they will disregard the existence of the overseas holding company that is used for tax planning purposes and re-characterize the Indirect Transfer. As a result, gains derived from such Indirect Transfer may be subject to PRC withholding tax at the rate of up to 10%. SAT Circular 698 also points out that when a non-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 competent tax authorities have the power to make a reasonable adjustment on the taxable income of the transaction.

If our preferential tax treatments are revoked, become unavailable or if the calculation of our tax liability is successfully challenged by the PRC tax authorities, we may be required to pay tax, interest and penalties in excess of our tax provisions, and our results of operations could be materially and adversely affected.

The Chinese government has provided various tax incentives to our subsidiaries in China. These incentives include reduced enterprise income tax rates. For example, under the PRC Enterprise Income Tax Law, or the New EIT Law, which became effective on January 1, 2008, the statutory enterprise income tax rate is 25%. However, Guangzhou Huaduo, our PRC consolidated affiliated entity in the PRC, was recognized as a high and new technology enterprise as of September 26, 2010 and, subject to the approval of and annual review by competent tax authorities in Guangdong, would be entitled to enjoy a preferential enterprise income tax rate of 15% for two years, from 2011 through 2012. Guangzhou Huaduo recorded losses in 2010 and has not benefited from such preferential tax rate. Guangzhou Huaduo has applied for and obtained the preferential tax treatment with Guangzhou State Tax Bureau, but the high and new technology enterprise qualification is only effective until September 26, 2012, and there is no guarantee that it can be successfully renewed. If Guangzhou Huaduo fails to maintain its status as a high and new technology enterprise or is not granted the renewal of its preferential tax treatment, Guangzhou Huaduo will be subject to a higher enterprise income tax rate of 25%. Any increase in the enterprise income tax rate applicable to our PRC subsidiaries or PRC consolidated affiliated entities in China, or any discontinuation or retroactive or future reduction of any of the preferential tax treatments currently enjoyed by our PRC subsidiaries or PRC consolidated affiliated entities in China, could adversely affect our business, operating results and financial condition. In addition, in the ordinary course of our business, we are subject to complex income tax and other tax regulations and significant judgment is required in the determination of a provision for income taxes. Although we believe our tax provisions are reasonable, if the PRC tax authorities successfully challenge our position and we are required to pay tax, interest and penalties in excess of our tax provisions, our results of operations and financial condition would be materially and adversely affected.

China's M&A Rules establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

Six PRC regulatory agencies promulgated regulations effective on September 8, 2006, subsequently amended, that are commonly referred to as the M&A Rules. See "PRC Regulation—New M&A Regulations and Overseas Listings." The M&A Rules establish procedures and requirements that could make some acquisitions of Chinese companies by foreign investors more time-consuming and complex, including requirements in some instances that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a Chinese domestic enterprise. We may expand our business in part by acquiring complementary businesses. Complying with the requirements of the M&A Rules to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the MOFCOM, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

PRC regulations relating to offshore investment activities by PRC residents may limit our PRC subsidiaries' ability to increase their registered capital or distribute profits to us or otherwise expose us to liability and penalties under PRC law.

The PRC State Administration of Foreign Exchange, or SAFE, promulgated regulations in October 2005 that require PRC citizens or residents to register with SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas equity financing involving a roundtrip investment whereby the offshore entity acquires or controls onshore assets or equity interests held by the PRC citizens or residents. In addition, such PRC citizens or residents must update their SAFE registrations when the offshore special purpose vehicle undergoes material events relating to increases or decreases in investment amount, transfers or exchanges of shares, mergers or divisions, long-term equity or debt investments, external guarantees, or other material events that do not involve roundtrip investments. Subsequent regulations further clarified that PRC subsidiaries of an offshore company governed by the SAFE regulations are required to coordinate and supervise the filing of SAFE registrations in a timely manner by the offshore holding company's shareholders who are PRC citizens or residents. If these shareholders fail to comply, the PRC subsidiaries are required to report to the local SAFE branches. If our shareholders who are PRC citizens or residents do not complete their registration with the local SAFE branches, our PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to us, and we may be restricted in our ability to contribute additional capital to our PRC subsidiaries. Moreover, failure to comply with the SAFE registration and amendment requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

Our PRC resident shareholders, Messrs. David Xueling Li, Tony Bin Zhao, Jin Cao and Jun Lei, had registered with the local SAFE branch in relation to our existing private placement financings by the end of 2011 as required by the SAFE regulations. However, because of uncertainty over how the SAFE regulations will be interpreted and implemented and applied to us, we cannot predict how it will affect our business operations. For example, our present and prospective PRC subsidiaries' ability to conduct foreign exchange activities, such as the remittance of dividends and foreign currency-denominated borrowings, may be subject to compliance with the SAFE regulations by our PRC resident shareholders. In addition, in some cases, we may have little control over either our present or prospective direct or indirect PRC resident shareholders or the outcome of such registration procedures. A failure by our current or future PRC resident shareholders to comply with the SAFE regulations could subject us to fines or other legal sanctions, restrict our cross-border investment activities, limit our subsidiary's ability to make distributions or pay dividends or affect our ownership structure, which could adversely affect our business and prospects.

On February 15, 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies, or the Stock Option Rules, which replaced the Application Procedures of Foreign Exchange

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Administration for Domestic Individuals Participating in Employee Stock Ownership Plans or Stock Option Plans of Overseas Publicly-Listed Companies issued by SAFE on March 28, 2007. Under the Stock Option Rules and other relevant rules and regulations, PRC residents who participate in stock incentive plan in an overseas publicly-listed company are required to register with SAFE or its local branches and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of such overseas publicly listed company or another qualified institution selected by such PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. We and our PRC employees who have been granted stock options, restricted shares and restricted share units will be subject to these regulations upon the completion of this offering. Failure of our PRC stock option holders, restricted shareholders or restricted share units holders to complete their SAFE registrations may subject these PRC residents to fines and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiaries, limited our PRC subsidiaries' ability to distribute dividends to us, or otherwise materially adversely affect our business.

PRC regulation of direct investment and loans by offshore holding companies to PRC entities may delay or limit us from using the proceeds of this offering to make additional capital contributions or loans to our PRC subsidiaries.

Any capital contributions or loans that we, as an offshore entity, make to our PRC subsidiaries, including from the proceeds of this offering, are subject to PRC regulations. For example, none of our loans to a PRC subsidiary can exceed the difference between its total amount of investment and its registered capital approved under relevant PRC laws, and the loans must be registered with the local branch of SAFE. Our capital contributions to our PRC subsidiaries must be approved by the MOFCOM or its local counterpart. We cannot assure you that we will be able to complete the necessary registration or obtain the necessary approval on a timely basis, or at all. If we fail to complete the necessary registration or obtain the necessary approval, our ability to make loans or equity contributions to our PRC subsidiaries may be negatively affected, which could adversely affect our PRC subsidiaries' liquidity and their ability to fund their working capital and expansion projects and meet their obligations and commitments.

Our PRC subsidiaries and PRC consolidated affiliated entities are subject to restrictions on paying dividends or making other payments to us, which may restrict our ability to satisfy our liquidity requirements.

We are a holding company incorporated in the Cayman Islands. We rely on dividends from our PRC subsidiaries as well as consulting and other fees paid to us by our PRC consolidated affiliated entities for our cash and financing requirements, such as the funds necessary to pay dividends and other cash distributions to our shareholders, including holders of our ADSs, and service any debt we may incur. Current PRC regulations permit our PRC subsidiaries to pay dividends to us only out of their accumulated profits, if any, determined in accordance with Chinese accounting standards and regulations. In addition, each of our PRC subsidiaries is required to set aside at least 10% of its accumulated profits each year, if any, to fund certain reserve funds until the total amount set aside reaches 50% of its registered capital. These reserves are not distributable as cash dividends. Since we have not achieved profitability, we are not yet required to allocate funds for such reserve funds. Furthermore, if our PRC subsidiaries and PRC consolidated affiliated entities incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments to us, which may restrict our ability to satisfy our liquidity requirements.

In addition, the New EIT Law, and its implementation rules provide that withholding tax rate of 10% will be applicable to dividends payable by Chinese companies to non-PRC-resident enterprises unless otherwise

exempted or reduced according to treaties or arrangements between the PRC central government and governments of other countries or regions where the non-PRC-resident enterprises are incorporated.

Fluctuations in exchange rates could have a material adverse effect on our results of operations and the value of your investment.

The value of the RMB against the U.S. dollar and other currencies is affected by, among other things, changes in China's political and economic conditions and China's foreign exchange policies. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the RMB to the U.S. dollar, and the RMB appreciated more than 20% against the U.S. dollar over the following three years. However, the People's Bank of China regularly intervenes in the foreign exchange market to limit fluctuations in RMB exchange rates and achieve policy goals. Since reaching a high against the U.S. dollar in July 2008, the RMB has traded within a narrow range against the U.S. dollar, remaining within 1% of its July 2008 high. As a consequence, the RMB has fluctuated significantly since July 2008 against other freely traded currencies. It is difficult to predict how long the current situation may last and when and how this relationship between the RMB and the U.S. dollar may change again.

There remains significant international pressure on the Chinese government to adopt a flexible currency policy to allow the Renminbi to appreciate against the U.S. dollar. Significant revaluation of the Renminbi may have a material adverse effect on your investment. Substantially all of our revenues and costs are denominated in RMB. Any significant revaluation of RMB may materially and adversely affect our revenues, earnings and financial position, and the value of, and any dividends payable on, our ADSs in U.S. dollars. For example, to the extent that we need to convert U.S. dollars we receive from this initial public offering into Renminbi to pay our operating expenses, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we would receive from the conversion. Conversely, a significant depreciation of the RMB against the U.S. dollar may significantly reduce the U.S. dollar equivalent of our earnings, which in turn could adversely affect the price of our ADSs.

Very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency 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 adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert RMB into foreign currency. As a result, fluctuations in exchange rates may have a material adverse effect on your investment.

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 control 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 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. Therefore, our PRC subsidiaries are able to pay dividends in foreign currencies to us without prior approval from SAFE. However, approval from or registration with appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access 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.

Recently enacted regulations in the PRC may make it more difficult for us to pursue growth through acquisitions, adversely affecting our plans to expand our business or maintain our market share.

Among other things, the M&A Rules 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 MOFCOM 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, are 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 MOFCOM, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

If the custodians or authorized users of controlling non-tangible assets of our company, including our corporate chops and seals, fail to fulfill their responsibilities, or misappropriate or misuse these assets, our business and operations could be materially and adversely affected.

Under PRC law, legal documents for corporate transactions, including contracts such as revenue-sharing contracts with online game developers which are important to our business, are executed using the chops or seal of the signing entity or with the signature of a legal representative whose designation is registered and filed with the relevant branch of the Administration of Industry and Commerce.

Although we usually utilize chops to enter into contracts, the designated legal representatives of each of our PRC subsidiaries and consolidated affiliated entities have the apparent authority to enter into contracts on behalf of such entities without chops and bind such entities. All designated legal representatives of our PRC subsidiaries and consolidated affiliated entities are members of our senior management team who have signed employment agreements with us or our PRC subsidiaries and consolidated affiliated entities under which they agree to abide by various duties they owe to us. In order to maintain the physical security of our chops and chops of our PRC entities, we generally store these items in secured locations accessible only by the authorized personnel in the legal or finance department of each of our subsidiaries and consolidated affiliated entities. Although we monitor such authorized personnel, there is no assurance such procedures will prevent all instances of abuse or negligence. Accordingly, if any of our authorized personnel misuse or misappropriate our corporate chops or seals, we could encounter difficulties in maintaining control over the relevant entities and experience significant disruption to our operations. If a designated legal representative obtains control of the chops in an effort to obtain control over any of our PRC subsidiaries or consolidated affiliated entities, we or our PRC subsidiary and consolidated affiliated entity would need to pass a new shareholder or board resolution to designate a new legal representative and we would need to take legal action to seek the return of the chops, apply for new chops with the relevant authorities, or otherwise seek legal redress for the violation of the representative's fiduciary duties to us, which could involve significant time and resources and divert management attention away from our regular business. In addition, the affected entity may not be able to recover corporate assets that are sold or transferred out of our control in the event of such a misappropriation if a transferee relies on the apparent authority of the representative and acts in good faith.

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

Our independent registered public accounting firm that issues the audit reports included in this prospectus filed with the SEC, as an auditor of companies that are traded publicly in the United States and a firm registered with the Public Company Accounting Oversight Board (United States), or PCAOB, is required by the laws of the United States to undergo regular inspections by PCAOB to assess its compliance with the laws of the United

States and professional standards. Because our auditor is located in China, a jurisdiction where PCAOB is currently unable to conduct inspections without the approval of the PRC authorities, our auditor, like other independent registered public accounting firms operating in China, is currently not inspected by PCAOB.

Inspections of other firms that PCAOB has conducted outside of China have identified deficiencies in those firms' audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. The inability of PCAOB to conduct inspections of independent registered public accounting firms operating in China makes it more difficult to evaluate the effectiveness of our auditor's audit procedures or quality control procedures. As a result, investors may be deprived of the benefits of PCAOB inspections.

Risks Relating to Our ADSs and This Offering

An active trading market for our shares or our ADSs may not develop and the trading price for our ADSs may fluctuate significantly.

We have applied to list our ADSs on the [Nasdaq Global Market/NYSE]. Prior to the completion of this offering, there has been no public market for our ADSs or our common shares underlying the ADSs, and we cannot assure you that a liquid public market for our ADSs will develop. If an active public market for our ADSs does not develop following the completion of this offering, the market price and liquidity of our ADSs may be materially and adversely affected. Even if an active public market for our common shares or ADSs develops, we cannot assure you that it will continue. The initial public offering price for our ADSs will be determined by negotiation between us and the underwriters based upon several factors, and we can provide no assurance that the trading price of our ADSs after this offering will not decline below the initial public offering price. As a result, investors in our securities may experience a significant decrease in the value of their ADSs.

The trading prices of our ADSs are likely to be volatile, which could result in substantial losses to investors.

The trading prices of our ADSs are likely to be volatile and could fluctuate widely due to factors beyond our control. This may happen because of broad market and industry factors, like the performance and fluctuation in the market prices or the underperformance or deteriorating financial results of other similarly situated companies in China that have listed their securities in the United States in recent years. The securities of some of these companies have experienced significant volatility since their initial public offerings, including, in some cases, substantial price declines in the trading prices of their securities. The trading performances of these Chinese companies' securities after their offerings, including companies in internet and social networking businesses, may affect the attitudes of investors toward Chinese companies listed in the United States, which consequently may impact the trading performance of our ADSs, regardless of our actual operating performance. In addition, any negative news or perceptions about inadequate corporate governance practices or fraudulent accounting or other practices at other Chinese companies may also negatively affect the attitudes of investors towards Chinese companies in general, including us, regardless of whether we have engaged in such practices. In addition, securities markets may from time to time experience significant price and volume fluctuations that are not related to our operating performance, such as the large decline in share prices in the United States, China and other jurisdictions in late 2008, early 2009, the third quarter of 2011 and the second quarter of 2012, which may have a material adverse effect on the market price of our ADSs.

In addition to market and industry factors, the price and trading volume for our ADSs may be highly volatile for factors specific to our own operations, including the following:

- variations in our net revenues, earnings and cash flow;
- announcements of new investments, acquisitions, strategic partnerships, or joint ventures;
- announcements of new services and expansions by us or our competitors;
- changes in financial estimates by securities analysts;

- changes in the number of our registered or active users;
- failure on our part to realize monetization opportunities as expected;
- additions or departures of key personnel;
- release of lock-up or other transfer restrictions on our outstanding equity securities or sales of additional equity securities; and
- potential litigation or regulatory investigations.

Any of these factors may result in large and sudden changes in the volume and price at which our ADSs will trade.

The approval of the China Securities Regulatory Commission may be required in connection with this offering 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 CSRC, promulgated the M&A Rules, 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 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, Zhong Lun Law Firm, 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
- 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 Market/NYSE], considering that (a) our PRC subsidiaries, Huanju Shidai and Zhuhai Duowan Technology, are foreign-invested enterprises established by foreign enterprises, (b) we did not acquire any equity interest or assets of a PRC domestic company owned by PRC companies or individuals as defined under the M&A Rules and (c) there is no provision that clearly classifies the contractual arrangements among our PRC subsidiary, Huanju Shidai, our PRC consolidated affiliated entities and their respective shareholders as a transaction regulated by the M&A Rules.

However, our PRC legal counsel, Zhong Lun Law Firm, further advised us that because there has been no official interpretation or clarification of this regulation, 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 subsidiaries, or other actions that may have a material adverse effect on our business and 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.

We are an emerging growth company within the meaning of the Securities Act and may take advantage of certain reduced reporting requirements.

We are an “emerging growth company,” as defined in the JOBS Act, and we may take advantage of certain exemptions from various requirements applicable to other public companies that are not emerging growth

companies including, most significantly, not being required to comply with the auditor attestation requirements of Section 404 for so long as we are an emerging growth company. As a result, if we elect not to comply with such auditor attestation requirements, our investors may not have access to certain information they may deem important.

The JOBS Act also provides that an emerging growth company does not need to comply with any new or revised financial accounting standards until such date that a private company is otherwise required to comply with such new or revised accounting standards. However, we have elected to "opt out" of this provision and, as a result, we will comply with new or revised accounting standards as required when they are adopted for public companies. This decision to opt out of the extended transition period under the JOBS Act is irrevocable.

If securities or industry analysts do not publish research or reports about our business, or if they adversely change their recommendations regarding our ADSs, the market price for our ADSs and trading volume could decline.

The trading market for our ADSs will be influenced by research or reports that industry or securities analysts publish about our business. If one or more analysts who cover us downgrade our ADSs, the market price for our ADSs would likely decline. If one or more of these analysts cease to cover us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which, in turn, could cause the market price or trading volume for our ADSs to decline.

The sale or availability for sale, or perceived sale or availability for sale, of substantial amounts of our ADSs could adversely affect their market price.

Sales of substantial amounts of our ADSs in the public market after the completion of this offering, or the perception that these sales could occur, could adversely affect the market price of our ADSs and could materially impair our ability to raise capital through equity offerings in the future. There will be ADSs (equivalent to common shares) outstanding immediately after this offering, or ADSs (equivalent to common shares) if the underwriters exercise their options to purchase additional ADSs in full. The ADSs sold in this offering will be freely tradable without restriction or further registration under the Securities Act of 1933, as amended, or the Securities Act, and shares held by our existing shareholders may also be sold in the public market in the future subject to the restrictions in Rule 144 and Rule 701 under the Securities Act and the applicable lock-up agreements. In connection with this offering, we and our officers, directors and certain of our shareholders have agreed not to sell any common shares or ADSs for 180 days after the date of this prospectus without the prior written consent of the underwriters. However, the underwriters may release the securities subject to lock-up agreements from the lock-up restrictions at any time, subject to applicable regulations of the Financial Industry Regulatory Authority, Inc. In addition, common shares subject to our outstanding options as of the closing of this offering will become eligible for sale in the public market to the extent permitted by the provisions of various vesting agreements, the lock-up agreements and Rules 144 and 701 under the Securities Act. We may also issue additional options in the future which may be exercised for additional common shares. We cannot predict what effect, if any, market sales of securities held by our significant shareholders or any other shareholder or the availability of these securities for future sale will have on the market price of our ADSs. See "Underwriting" and "Shares Eligible for Future Sale" for a more detailed description of the restrictions on selling our securities after this offering.

Because the initial public offering price is substantially higher than the pro forma 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 each ADS than the corresponding amount paid by existing shareholders for their common shares. As a result, you will experience immediate and substantial dilution of approximately US$ per ADS (assuming that no outstanding options to acquire common shares are exercised). This number represents the difference between our pro forma net tangible book value per ADS of

US$ as of June 30, 2012, after giving effect to this offering and the assumed initial public offering price of US$ per ADS, the midpoint of the estimated initial public offering price range set forth on the front cover of this prospectus. See “Dilution” for a more complete description of how the value of your investment in our ADSs will be diluted upon the completion of this offering.

We may be classified as a passive foreign investment company, or PFIC, for United States federal income tax purposes, which could subject United States investors in our ADSs or common shares to significant adverse United States income tax consequences.

We will be classified as a “passive foreign investment company,” or “PFIC” if, in the case of any particular taxable year, either (a) 75% or more of our gross income for such year consists of certain types of “passive” income or (b) 50% or more of the average quarterly value of our assets (as determined on the basis of fair market value) during such year produce or are held for the production of passive income (the “asset test”). Although the law in this regard is unclear, we treat Guangzhou Huaduo and Beijing Tuda as being owned by us for United States federal income tax purposes, not only because we exercise effective control over the operation of such entities but also because we are entitled to substantially all of their economic benefits, and, as a result, we consolidate their operating results in our consolidated financial statements. Assuming that we are the owner of Guangzhou Huaduo and Beijing Tuda for United States federal income tax purposes, and based upon our current income and assets (taking into account the proceeds from this offering) and projections as to the value of our ADSs and common shares following the offering, we do not presently expect to be classified as a PFIC for the current taxable year or the foreseeable future.

While we do not expect to become a PFIC, because the value of our assets for purposes of the asset test will generally be determined by reference to the market price of our ADSs or common shares, fluctuations in the market price of our ADSs or common shares may cause us to become a PFIC for the current or subsequent taxable years. The determination of whether we will be or become a PFIC will also depend, in part, on the composition of our income and assets, which will be affected by how, and how quickly, we use our liquid assets and the cash raised in this offering. Under circumstances where we determine not to deploy significant amounts of cash for active purposes or not to treat Guangzhou Huaduo or Beijing Tuda as owned by us for United States federal income tax purposes, our risk of being classified as a PFIC may substantially increase. Because there are uncertainties in the application of the relevant rules and PFIC status is a factual determination made annually after the close of each taxable year, there can be no assurance that we will not be a PFIC for the current taxable year or any future taxable year.

If we are classified as a PFIC in any taxable year, a U.S. holder (as defined in “Taxation—Material United States Federal Income Tax Considerations”) may incur significantly increased United States income tax on gain recognized on the sale or other disposition of the ADSs or common shares and on the receipt of distributions on the ADSs or common shares to the extent such gain or distribution is treated as an “excess distribution” under the United States federal income tax rules and such holders may be subject to burdensome reporting requirements. Further, if we are classified as a PFIC for any year during which a U.S. holder holds our ADSs or common shares, we generally will continue to be treated as a PFIC for all succeeding years during which such U.S. holder holds our ADSs or common shares. For more information see “Taxation—Material United States Federal Income Tax Considerations—Passive Foreign Investment Company Rules.”

Our articles of association contain anti-takeover provisions that could have a material adverse effect on the rights of holders of our common shares and ADSs.

We will adopt our second amended and restated articles of association that will become effective immediately upon completion of this offering. Our new articles of association contain provisions to limit the ability of others to acquire control of our company or cause us to engage in change-of-control transactions. These provisions could have the effect of depriving our shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging third parties from seeking to obtain control of our company in a

tender offer or similar transaction. For example, our board of directors has the authority, without further action by our shareholders, to issue preferred shares in one or more series and to fix their designations, powers, preferences, privileges, and relative participating, optional or special rights and the qualifications, limitations or restrictions, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights associated with our common shares, in the form of ADS or otherwise. Preferred shares could be issued quickly with terms calculated to delay or prevent a change in control of our company or make removal of management more difficult. If our board of directors decides to issue preferred shares, the price of our ADSs may fall and the voting and other rights of the holders of our common shares and ADSs may be materially and adversely affected.

You may face difficulties in protecting your interests, and your ability to protect your rights through U.S. courts may be limited, because we are incorporated under Cayman Islands law.

We are a company limited by shares incorporated under the laws of the Cayman Islands. Our corporate affairs are governed by our memorandum and articles of association, the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and the common law of the Cayman Islands. The rights of shareholders to take action against the directors, actions by minority shareholders and the fiduciary responsibilities of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from the common law of England, the decisions of whose courts are of persuasive authority, but are not binding, on a court in the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities laws than the United States. Some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action in a federal court of the United States.

Unlike many jurisdictions in the United States, Cayman Islands law does not generally provide for shareholder appraisal rights on an approved arrangement and reconstruction of a company. For a discussion of significant differences between the provisions of the Corporate Law of the Cayman Islands and the law applicable to companies incorporated in the United States and their shareholders, see “Description of Share Capital—Differences in Corporate Law.” This may make it more difficult for you to assess the value of any consideration you may receive in a merger or consolidation or to require that the offeror give you additional consideration if you believe the consideration offered is insufficient. Moreover, holders of our ADSs are not entitled to appraisal rights under Cayman Islands law. ADS holders that wish to exercise their appraisal rights must convert their ADSs into our common shares by surrendering their ADSs to the depositary and paying the ADS depositary fee. See “Description of Share Capital—Differences in Corporate Law—Mergers and Similar Arrangements” for additional details.

Shareholders of Cayman Islands exempted companies like us have no general rights under Cayman Islands law to inspect corporate records or to obtain copies of lists of shareholders of these companies. Our directors have discretion under our existing articles of association to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

As a result of all of the above, public shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of the board of directors or controlling shareholders than they would as public shareholders of a company incorporated in the United States. For a discussion of significant differences between the provisions of the Companies Law of the Cayman Islands and the laws applicable to

companies incorporated in the United States and their shareholders, see “Description of Share Capital—Differences in Corporate Law.”

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

We are a Cayman Islands company and all of our assets are located outside of the United States. Substantially all of our current operations are conducted in China. In addition, a significant majority of our current directors and officers are nationals and residents of countries other than the United States and a substantial portion of their assets are located outside the United States. Substantially all of the assets of these persons are located outside the United States. As a result, it may be difficult or impossible for you to bring an action against us or against these individuals in the United States in the event that you believe that your rights have been infringed under the United States federal securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against our assets or the assets of our directors and officers.

There are uncertainties as to whether Cayman Islands courts would:

- recognize or enforce against us judgments of courts of the United States based on certain civil liability provisions of U.S. securities laws; and
- impose liabilities against us, in original actions brought in the Cayman Islands, based on certain civil liability provisions of U.S. securities laws that are penal in nature.

There is no statutory recognition in the Cayman Islands of judgments obtained in the United States, although the courts of the Cayman Islands will in certain circumstances recognize and enforce a non-penal judgment of a foreign court of competent jurisdiction without retrial on the merits. For more information regarding the relevant laws of the Cayman Islands and China, see “Enforceability of Civil Liabilities.”

We have not determined a specific use for a portion of the net proceeds from this offering, and we may use these proceeds in ways with which you may not agree and such use may not produce income on increase our ADS price.

We have not determined a specific use for a portion of the net proceeds of this offering, and our management will have considerable discretion in deciding how to apply these proceeds. You will not have the opportunity to assess whether the proceeds are being used appropriately before you make your investment decision. You must rely on the judgment of our management regarding the application of the net proceeds of this offering. We cannot assure you that the net proceeds will be used in a manner that would improve our results of operations or increase our ADS price, or that these net proceeds will be placed only in investments that generate income or appreciate in value.

The voting rights of holders of ADSs are limited by the terms of the deposit agreement, and you may not be able to exercise your right to vote your common shares.

As a holder of our ADSs, you will only be able to exercise the voting rights with respect to the underlying common shares in accordance with the provisions of the deposit agreement. Under the deposit agreement, you must vote by giving voting instructions to the depositary. Upon receipt of your voting instructions, the depositary will vote the underlying common shares in accordance with these instructions. You will not be able to directly exercise your right to vote with respect to the underlying shares unless you withdraw the shares. Under our second amended and restated memorandum and articles of association, the minimum notice period required for convening a general meeting is five days. When a general meeting is convened, you may not receive sufficient advance notice to withdraw the shares underlying your ADSs to allow you to vote with respect to any specific matter. If we ask for your instructions, the depositary will notify you of the upcoming vote and will arrange to deliver our voting materials to you. We cannot assure you that you will receive the voting materials in time to

ensure that you can instruct the depositary to vote your shares. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for their manner of carrying out your voting instructions. This means that you may not be able to exercise your right to vote and you may have no legal remedy if the shares underlying your ADSs are not voted as you requested.

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

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

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

The effect of this discretionary proxy is that if you do not vote at shareholders' meetings, you cannot prevent our common shares underlying your ADSs from being voted, except under the circumstances described above. This may make it more difficult for shareholders to influence the management of our company. Holders of our common shares are not subject to this discretionary proxy.]

Because we do not expect to pay dividends in the foreseeable future after this offering, you must rely on price appreciation of our ADSs for return on your investment.

We currently intend to retain most, if not all, of our available funds and any future earnings after this offering to fund the development and growth of our business. As a result, we do not expect to pay any cash dividends in the foreseeable future. Therefore, you should not rely on an investment in our ADSs as a source for any future dividend income.

Our board of directors has complete discretion as to whether to distribute dividends. Even if our board of directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiary, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, the return on your investment in our ADSs will likely depend entirely upon any future price appreciation of our ADSs. There is no guarantee that our ADSs will appreciate in value after this offering or even maintain the price at which you purchased the ADSs. You may not realize a return on your investment in our ADSs and you may even lose your entire investment in our ADSs.

You may not receive dividends or other distributions on our common shares and you may not receive any value for them, if it is illegal or impractical to make them available to you.

The depositary of our ADSs has agreed to pay to you the cash dividends or other distributions it or the custodian receives on common shares or other deposited securities underlying our ADSs, after deducting its fees and expenses. You will receive these distributions in proportion to the number of common shares your ADSs represent. However, the depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any holders of ADSs. For example, it would be unlawful to make a distribution to a

holder of ADSs if it consists of securities that require registration under the Securities Act but that are not properly registered or distributed under an applicable exemption from registration. The depositary may also determine that it is not feasible to distribute certain property through the mail. Additionally, the value of certain distributions may be less than the cost of mailing them. In these cases, the depositary may determine not to distribute such property. We have no obligation to register under U.S. securities laws any ADSs, common shares, rights or other securities received through such distributions. We also have no obligation to take any other action to permit the distribution of ADSs, common shares, rights or anything else to holders of ADSs. This means that you may not receive distributions we make on our common shares or any value for them if it is illegal or impractical for us to make them available to you. These restrictions may cause a material decline in the value of our ADSs.

You may not be able to participate in rights offerings and may experience dilution of your holdings.

We may, from time to time, distribute rights to our shareholders, including rights to acquire securities. Under the deposit agreement, the depositary will not distribute rights to holders of ADSs unless the distribution and sale of rights and the securities to which these rights relate are either exempt from registration under the Securities Act with respect to all holders of ADSs, or are registered under the provisions of the Securities Act. The depositary may, but is not required to, attempt to sell these undistributed rights to third parties, and may allow the rights to lapse. We may be unable to establish an exemption from registration under the Securities Act, and we are under no obligation to file a registration statement with respect to these rights or underlying securities or to endeavor to have a registration statement declared effective. Accordingly, holders of ADSs may be unable to participate in our rights offerings and may experience dilution of their holdings as a result.

You may be subject to limitations on transfer of your ADSs.

Your ADSs are transferable on the books of the depositary. However, the depositary may close its books at any time or from time to time when it deems expedient in connection with the performance of its duties. The depositary may close its books from time to time for a number of reasons, including in connection with corporate events such as a rights offering, during which time the depositary needs to maintain an exact number of ADS holders on its books for a specified period. The depositary may also close its books in emergencies, and on weekends and public holidays. The depositary may refuse to deliver, transfer or register transfers of our ADSs generally when our share register or the books of the depositary are closed, or at any time if we or the depositary thinks that it is advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason in accordance with the terms of the deposit agreement. As a result, you may be unable to transfer your ADSs when you wish to.

We will incur increased costs as a result of being a public company, particularly after we cease to qualify as an “emerging growth company”.

Upon completion of this offering, we will become a public company and expect to incur significant legal, accounting and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the Securities and Exchange Commission, or the SEC, and the [Nasdaq Global Market/NYSE], impose various requirements on the corporate governance practices of public companies. For as long as we remain an “emerging growth company” as defined in the JOBS Act, we intend to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not “emerging growth companies.” Under the JOBS Act, “emerging growth companies” can delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have elected under the JOBS Act to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies.

We expect these rules and regulations to increase our legal and financial compliance costs and to make some corporate activities more time-consuming and costly. After we are no longer an “emerging growth

company," we expect to incur significant expenses and devote substantial management effort toward ensuring compliance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 and the other rules and regulations of the SEC. For example, as a result of becoming a public company, we will need to increase the number of independent directors and adopt policies regarding internal controls and disclosure controls and procedures. We also expect that operating as a public company will make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. In addition, we will incur additional costs associated with our public company reporting requirements. It may also be more difficult for us to find qualified persons to serve on our board of directors or as executive officers. We are currently evaluating and monitoring developments with respect to these rules and regulations, and we cannot predict or estimate with any degree of certainty the amount of additional costs we may incur or the timing of such costs.

In the past, shareholders of a public company often brought securities class action suits against the company following periods of instability in the market price of that company's securities. If we were involved in a class action suit, it could divert a significant amount of our management's attention and other resources from our business and operations, which could harm our results of operations and require us to incur significant expenses to defend the suit. Any such class action suit, whether or not successful, could harm our reputation and restrict our ability to raise capital in the future. In addition, if a claim is successfully made against us, we may be required to pay significant damages, which could have a material adverse effect on our financial condition and results of operations.

CONVENTIONS WHICH APPLY TO THIS PROSPECTUS

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

- "we," "us," "our company" and "our" refer to YY Inc., a Cayman Islands company, its offshore subsidiaries, Duowan Entertainment Corp., NeoTasks Inc. and NeoTasks Limited, and its PRC direct and indirect subsidiaries, Huanju Shidai Technology (Beijing) Company Limited, Zhuhai Duowan Technology Company Limited and Zhuhai Duowan Information Technology Company Limited, and, in the context of describing our operations and consolidated financial information, also include YY Inc.'s PRC consolidated affiliated entities, Beijing Tuda Science and Technology Company Limited and Guangzhou Huaduo Network Technology Company Limited ;
- "active user" for any period means a registered user account that has logged onto YY Client at least once during such relevant period. Active users do not include users of YY.com, Duowan.com and Mobile YY;
- "concurrent users" for any point in time means the total number of YY users that are simultaneously logged onto YY Client at such point in time;
- "paying user" for any period means a registered user account that has purchased virtual items or other products and services on our platform at least once during the relevant period. A paying user is not necessarily a unique user, however, as a unique user may set up multiple paying user accounts on our platform; thus, the number of paying users referred to in this prospectus may be higher than the number of unique users who are purchasing virtual items or other products and services. Please see "Risk Factors—Risks Relating to Our Business—The respective number of our registered user accounts, active users, paying users and unique visitors may overstate the number of unique individuals who register to use our products and services, log onto YY Client, purchase virtual items or other products and services on our platform or access Duowan.com, respectively. Such overstatement may lead to an inaccurate evaluation of our business operations by our management and by investors, and may affect advertisers' decision on the amount spent on advertising with us, which may materially and adversely affect our business and results of operations.";
- "registered user account" means a user account that has downloaded, registered and logged onto YY Client at least once since registration. We calculate registered user accounts as the cumulative number of user accounts at the end of the relevant period that have logged onto YY Client at least once after registration. Each individual user may have more than one registered user account, and consequently, the number of registered user accounts we present in this prospectus may overstate the number of unique individuals who are our registered users. Please see "Risk Factors—Risks Relating to Our Business—The respective number of our registered user accounts, active users, paying users and unique visitors may overstate the numbers of unique individuals who register to use our products and services, log onto YY Client, purchase virtual items or other products and services on our platform or access Duowan.com, respectively. Such overstatement may lead to an inaccurate evaluation of our business operations by our management and by investors, and may affect advertisers' decision on the amount spent on advertising with us, which may materially and adversely affect our business and results of operations.";
- "unique visitor" to Duowan.com means a visitor to Duowan.com from a specific IP address. No subsequent visits from the same IP address during a relevant period are added to our total unique visitors count for that period. An individual who accesses Duowan.com from more than one IP address is counted as a unique visitor for each IP address he or she uses. Please see "Risk Factors—Risks Relating to Our Business—The respective number of our registered user accounts, active users paying users and unique visitors may overstate the number of unique individuals who register to use our products and services, log onto YY Client, purchase virtual items or other products and services on our platform or access Duowan.com, respectively. Such overstatement may lead to an inaccurate evaluation

of our business operations by our management and by investors, and may affect advertisers' decision on the amount spent on advertising with us, which may materially and adversely affect our business and results of operations ," and

- "voice minute" means a minute in which a user is using our voice-or video-enabled services, such as listening to or talking on YY channels.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND INDUSTRY DATA

This prospectus contains forward-looking statements that involve risks and uncertainties. All statements other than statements of historical facts are forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements.

You can identify these forward-looking statements by words or phrases such as “may,” “will,” “expect,” “anticipate,” “aim,” “estimate,” “intend,” “plan,” “believe,” “likely to” or other similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, but are not limited to, statements about:

- our growth strategies;
- our ability to retain and increase our user base and expand our product and service offerings;
- our ability to monetize our platform;
- our future business development, results of operations and financial condition;
- competition from companies in a number of industries including internet companies that provide online voice and video communications services and social networking companies;
- expected changes in our revenues and certain cost or expense items;
- our expectation regarding the use of proceeds from this offering;
- general economic and business condition in China; and
- assumptions underlying or related to any of the foregoing.

You should read thoroughly this prospectus and the documents that we refer to in this prospectus with the understanding that our actual future results may be materially different from and worse than what we expect. Other sections of this prospectus include additional factors which could adversely impact our business and financial performance. Moreover, we operate in an evolving environment. New risk factors and uncertainties emerge from time to time and it is not possible for our management to predict all risk factors and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We qualify all of our forward-looking statements by these cautionary statements.

You should not rely upon forward-looking statements as predictions of future events. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

This prospectus also contains statistical data and estimates that we obtained from industry publications and reports generated by third party providers of market intelligence, including the iResearch Report that we commissioned for the purposes of this offering. These industry publications and reports generally indicate that the information contained therein was obtained from sources believed to be reliable, but do not guarantee the accuracy and completeness of such information. Although we believe that the publications and reports are reliable, we make no representation as to the accuracy of such data.

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USE OF PROCEEDS

We estimate that we will receive net proceeds from this offering of approximately US$ million, or approximately US$ million if the underwriters exercise their option to purchase additional ADSs in full, after deducting underwriting discounts and commissions and the estimated offering expenses payable by us. These estimates are based upon an assumed initial offering price of US$ per ADS, the mid-point of the range shown on the front cover page of this prospectus. A US$1.00 change in the assumed initial public offering price of US$ per ADS would, in the case of an increase, increase and, in the case of a decrease, decrease the net proceeds of this offering by US$ million, or approximately US$ million if the underwriters exercise their option to purchase additional ADSs in full, after deducting underwriting discounts and commissions and the estimated offering expenses payable by us.

The primary purposes of this offering are to create a public market for our shares for the benefit of all shareholders, retain talented employees by providing them with equity incentives and obtain additional capital. We intend to use the net proceeds received by us from this offering for the following purposes:

- US$ million to invest in our voice and video technology and infrastructure, including purchasing servers and leasing more bandwidth to support our expanding user base and further enhancing user experience;
- US$ million to expand our product development and services offerings, including through the hiring of additional research and development personnel and the further development of Mobile YY;
- US$ million to expand our sales and marketing activities, including the hiring of additional sales and marketing personnel; and
- the balance for other general corporate purposes, including working capital needs, potential acquisitions, partnerships, alliances and licensing opportunities.

[We will not receive any of the proceeds from the sale of ADSs by the selling shareholders.]

The amounts and timing of any expenditures will vary depending on the amount of cash generated by our operations, and the rate of growth, if any, of our business. Accordingly, our management will have significant flexibility in applying the net proceeds of the offering. If an unforeseen event occurs or business conditions change, we may use the proceeds of this offering differently than as described in this prospectus.

In utilizing the proceeds from this offering, we are permitted under PRC laws and regulations to provide funding to our PRC subsidiaries only through loans or capital contributions, and only if we satisfy the applicable government registration and approval requirements. We cannot assure you that we will be able to meet these requirements on a timely basis, if at all. See "Risk Factors—Risks Relating to Doing Business in China—PRC regulation of direct investment and loans by offshore holding companies to PRC entities may delay or limit us from using the proceeds of this offering to make additional capital contributions or loans to our PRC subsidiaries."

Pending use of the net proceeds, we intend to hold our net proceeds in demand deposits or invest them in interest-bearing government securities.

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DIVIDEND POLICY

We have not previously declared or paid cash dividends and we have no plan to declare or pay any dividends in the near future on our shares or ADSs. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

We are a holding company incorporated in the Cayman Islands. We rely principally on dividends from our PRC subsidiaries for our cash requirements, including any payment of dividends to our shareholders. PRC regulations may restrict the ability of our PRC subsidiaries to pay dividends to us. See "Risk Factors—Risks Relating to Our Corporate Structure and Our Industry—Our PRC subsidiaries and PRC consolidated affiliated entities are subject to restrictions on paying dividends or making other payments to us, which may restrict our ability to satisfy our liquidity requirements." and "PRC Regulation—Regulation of Foreign Currency Exchange and Dividend Distribution."

Our board of directors has discretion as to whether to distribute dividends, subject to the approval of our shareholders and applicable laws. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant. If we pay any dividends, we will pay our ADS holders to the same extent as holders of our common shares, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. See "Description of American Depositary Shares." Cash dividends on our common shares, if any, will be paid in U.S. dollars.

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CAPITALIZATION

The following table sets forth our capitalization as of June 30, 2012:

- on an actual basis;
- on a pro forma basis to reflect the automatic conversion of all of our outstanding series A, B, C-1 and C-2 preferred shares into 359,424,310 common shares immediately prior to the completion of this offering; and
- on a pro forma as adjusted basis to reflect (a) the automatic conversion of all of our outstanding series A, B, C-1 and C-2 preferred shares into 359,424,310 common shares immediately upon the completion of this offering and (b) the sale of common shares in the form of ADSs by us in this offering at an assumed initial public offering price of US$ 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 (assuming the over-allotment option is not exercised).

You should read this table together with our consolidated financial statements and the related notes included elsewhere in this prospectus and the information under "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	As of June 30, 2012					
	Actual		Pro forma (Unaudited)		Pro forma as adjusted[1] (Unaudited)	
	RMB	US$	RMB	US$	RMB	US$
			(in thousands)			
Mezzanine equity:						
Series A preferred shares (US$0.00001 par value; 136,100,930 shares authorized, issued and outstanding on an actual basis; and none outstanding on a pro forma or pro forma as adjusted basis as of June 30, 2012)	983,057	154,739	—	—		
Series B preferred shares (US$0.00001 par value; 102,073,860 shares authorized, issued and outstanding on an actual basis; and none outstanding on a pro forma or pro forma as adjusted basis as of June 30, 2012)	739,903	116,465	—	—		
Series C-1 preferred shares (US $0.00001 par value; 16,249,870 shares authorized, issued and outstanding on an actual basis; and none outstanding on a pro forma or pro forma as adjusted basis as of June 30, 2012)	118,276	18,617	—	—		
Series C-2 preferred shares (US $0.00001 par value; 104,999,650 shares authorized, issued and outstanding on an actual basis; and none outstanding on a pro forma or pro forma as adjusted basis as of June 30, 2012)	766,319	120,623	—	—		
Shareholders' (deficits) Equity:						
Common shares (US$0.00001 par value; 1,022,785,225 shares authorized, 543,340,914 shares issued and outstanding as of June 30, 2012, and 902,765,224 outstanding on a pro forma basis as of June 30, 2012)	37	6	61	9		
Additional paid-in capital[2]	511,732	80,550	3,119,263	490,991		
Accumulated deficits	(2,412,788)	(379,787)	(2,412,788)	(379,787)		
Accumulated other comprehensive losses	(10,328)	(1,626)	(10,328)	(1,626)		
Total shareholders' (deficits) equity[2] Total capitalization[2]	(1,911,347)	(300,857)	696,208	109,587		

(1) The pro forma as adjusted information discussed above is illustrative only. Our additional paid-in capital, total shareholders' deficit and total capitalization following the completion of this offering are subject to adjustment based on the actual initial public offering price and other terms of this offering determined at pricing.

(2) Assuming the number of ADSs offered by us as set forth on the cover page of this prospectus remains the same, and after deduction of underwriting discounts and commissions and the estimated offering expenses payable by us, a US$1.00 change in the assumed initial public offering price of US$ per ADS would, in the case of an increase, increase and, in the case of a decrease, decrease each of additional paid-in capital, total shareholders' deficit and total capitalization by US$ million.

DILUTION

If you invest in our ADSs, your interest will be diluted to the extent of the difference between the initial public offering price per ADS and our net tangible book value per ADS after this offering. Dilution results from the fact that the initial public offering price per common share is substantially in excess of the book value per common share attributable to the existing shareholders for our presently outstanding common shares and holders of our outstanding series A, B, C-1 and C-2 preferred shares which will automatically convert into our common shares upon the completion of this offering.

Our net tangible book value as of June 30, 2012 was approximately US$ per common share and US$ per ADS. Net tangible book value per common share represents the amount of total tangible assets, minus the amount of total liabilities, divided by the total number of common shares outstanding. Dilution is determined by subtracting net tangible book value per common share from the assumed public offering price per common share.

Without taking into account any other changes in such net tangible book value after June 30, 2012, other than to give effect to (1) the conversion of all of our series A, B, C-1 and C-2 preferred shares into common shares, which will occur automatically upon the completion of this offering, and (2) our issuance and sale of ADSs in this offering, at an assumed initial public offering price of US$ per ADS, the mid-point of the estimated public offering price range, and after deduction of underwriting discounts and commissions and estimated offering expenses payable by us (assuming the over-allotment option is not exercised), our pro forma net tangible book value at June 30, 2012 would have been US$ per outstanding common share, including common shares underlying our outstanding ADSs, or US$ per ADS. This represents an immediate increase in net tangible book value of US$ per common share, or US$ per ADS, to existing shareholders and an immediate dilution in net tangible book value of US$ per common share, or US$ per ADS, to purchasers of ADSs in this offering.

The following table illustrates the dilution on a per common share basis assuming that the initial public offering price per common share is US$ and all ADSs are exchanged for common shares:

Assumed initial public offering price per common share	US$
Net tangible book value per common share as of June 30, 2012	US$
Pro forma net tangible book value per common share after giving effect to the automatic conversion of all of our outstanding preferred shares as of June 30, 2012	US$
Pro forma net tangible book value per common share as adjusted to give effect to the automatic conversion of all of our outstanding preferred shares and this offering as of June 30, 2012	US$
Amount of dilution in net tangible book value per common share to new investors in the offering	US$
Amount of dilution in net tangible book value per ADS to new investors in the offering	US$

A US$1.00 change in the assumed public offering price of US$ per ADS would, in the case of an increase, increase and, in the case of a decrease, decrease our pro forma net tangible book value after giving effect to the offering by US$ million, the pro forma net tangible book value per common share and per ADS after giving effect to this offering by US$ per common share and per ADS and the dilution in pro forma net tangible book value per common share and per ADS to new investors in this offering by US$ per common share and per ADS, assuming no change to the number of ADSs offered by us as set forth on the cover page of this prospectus, and after deducting underwriting discounts and commissions and estimated offering expenses. The pro forma information discussed above is illustrative only. Our net tangible book value following the completion of this offering is subject to adjustment based on the actual initial public offering price of our ADSs and other terms of this offering determined at pricing.

The following table summarizes, on a pro forma basis as of June 30, 2012, the differences between the shareholders as of June 30, 2012 and the new investors with respect to the number of common shares purchased from us, the total consideration paid and the average price per common share paid at an assumed initial public offering price of US$ per ADS before deducting estimated underwriting discounts and commissions and estimated offering expenses. The total number of common shares does not include common shares underlying the ADSs issuable upon the exercise of the option to purchase additional ADSs granted to the underwriters.

	Common Shares Purchased		Total Consideration		Average Price Per Common Share	Average Price Per ADS
	Number	Percent	Amount	Percent		
Existing shareholders						
New investors						
Total		100%		100%		

If the underwriters were to fully exercise the over-allotment option to purchase additional common shares from us, the percentage of our common shares held by existing shareholders who are directors, officers or affiliated persons would be %, and the percentage of our common shares held by new investors would be %.

A US$1.00 change in the assumed public offering price of US$ per ADS would, in the case of an increase, increase and, in the case of a decrease, decrease total consideration paid by new investors, total consideration paid by all shareholders, average price per common share and average price per ADS paid by all shareholders by US$, US$, US$ and US$, respectively, assuming the sale of ADSs at US$, the mid-point of the range set forth on the cover page of this prospectus, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

The discussion and tables above also assume no exercise of any outstanding stock options outstanding as of the date of this prospectus. As of the date of this prospectus, there were common shares issuable upon exercise of outstanding stock options at a weighted average exercise price of US$ per common share, and there were common shares available for future issuance upon the exercise of future option grants. To the extent that any of these options are exercised, there will be further dilution to new investors. As of the date of this prospectus, there were issued but unvested common shares. To the extent that any of these options are exercised and the unvested common shares become vested, there will be further dilution to new investors.

EXCHANGE RATE INFORMATION

Our reporting currency is the Renminbi because our business is primarily conducted in China and substantially all of our revenues are denominated in Renminbi. This prospectus contains translations of Renminbi amounts into U.S. dollars at specific rates solely for the convenience of the reader. The conversion of Renminbi into U.S. dollars in this prospectus is based on the rate certified for customs purposes by the Federal Reserve Bank of New York. Unless otherwise noted, all translations from Renminbi to U.S. dollars and from U.S. dollars to Renminbi in this prospectus were made at a rate of RMB6.3530 to US$1.00, the rate in effect as of June 29, 2012. We make no representation that any Renminbi or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or Renminbi, as the case may be, at any particular rate, the rates stated below, or at all. The PRC government imposes control over its foreign currency reserves in part through direct regulation of the conversion of Renminbi into foreign exchange and through restrictions on foreign trade. On August 17, 2012, the rate was RMB6.3580 to US$1.00.

The following table sets forth information concerning exchange rates between the Renminbi and the U.S. dollar for the periods indicated. These rates are provided solely for your convenience and are not necessarily the exchange rates that we used in this prospectus or will use in the preparation of our periodic reports or any other information to be provided to you.

	Certified Exchange Rate			
Period	Period End	Average[(1)]	Low	High
	(RMB per US $1.00)			
2007	7.2946	7.5806	7.8127	7.2946
2008	6.8225	6.9193	7.2946	6.7800
2009	6.8259	6.8295	6.8470	6.8176
2010	6.6000	6.7603	6.8102	6.6000
2011	6.2939	6.4475	6.6364	6.2939
2012				
February	6.2935	6.2997	6.3120	6.2935
March	6.2975	6.3125	6.3315	6.2975
April	6.2790	6.3043	6.3150	6.2790
May	6.3684	6.3242	6.3684	6.3052
June	6.3530	6.3633	6.3703	6.3530
July	6.3610	6.3717	6.3879	6.3487
August (through August 17)	6.3580	6.3640	6.3738	6.3579

Source: Federal Reserve Statistical Release

(1) Annual averages were calculated by using the average of the exchange rates on the last day of each month during the relevant year. Monthly averages are calculated by using the average of the daily rates during the relevant month.

ENFORCEABILITY OF CIVIL LIABILITIES

We were incorporated in the Cayman Islands in order to enjoy the following benefits:

- political and economic stability;
- a favorable tax system;
- the absence of exchange control or currency restrictions; and
- the availability of professional and support services.

However, certain disadvantages accompany incorporation in the Cayman Islands. These disadvantages include, but are not limited to, the following:

- the Cayman Islands has a less developed body of securities laws as compared to the United States and these securities laws provide significantly less protection to investors; and
- Cayman Islands companies may not have standing to sue before the federal courts of the United States.

Our constituent documents do not contain provisions requiring that disputes, including those arising under the securities laws of the United States, between us, our officers, directors and shareholders, be arbitrated. Under the deposit agreement with our depositary, , [any disputes arising from the deposit agreement that cannot be resolved through friendly negotiations will be resolved through arbitration at]. Moreover, under the contractual arrangements that we entered into with Beijing Tuda and Guangzhou Huaduo, any disputes arising from those contracts that cannot be resolved through friendly negotiations will be resolved through arbitration conducted through the China International Economic and Trade Arbitration Commission in Beijing or Shanghai.

Our PRC legal counsel, Zhong Lun Law Firm, has advised us that in the event that a shareholder originates an action against a company in China for disputes related to contracts or other property interests, the PRC court may accept a course of action based on the laws or the parties' express mutual agreement in contracts choosing PRC courts for dispute resolution if (a) the contract is signed and/or performed within the PRC, (b) the subject of the action is located within the PRC, (c) the company (as defendant) has seizable properties within the PRC, (d) the company has a representative organization within the PRC, or (e) other circumstances prescribed under the PRC law. The action may be initiated by a shareholder through filing a complaint with the PRC court. The PRC court will determine whether to accept the complaint in accordance with the PRC Civil Procedures Law. The shareholder may participate in the action by itself or entrust any other person or PRC legal counsel to participate on its behalf. Foreign citizens and companies will have the same rights as PRC citizens and companies in an action unless the home jurisdiction of such foreign citizens or companies restricts the rights of PRC citizens and companies.

Conyers Dill & Pearman, our legal counsel as to Cayman Islands law, has also advised us that a shareholder may commence an action against persons who have allegedly wronged the company, where the company itself has failed to enforce such claim against such persons directly. Such action is brought on the basis of a primary right of the corporation, but is asserted by a shareholder on behalf of the company commonly known as a "derivative action." Generally, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's articles of association. Civil proceedings are generally commenced by originating process (by writ or originating summons). A shareholder may commence proceedings in the Cayman Islands and may instruct an attorney to act on the shareholder's behalf. Service of proceedings on the company is effected through the delivery of the originating process at the registered office of the company. There are no particular formalities that a non-resident shareholder must comply with to initiate and commence proceedings in the Cayman Islands.

All of our operations are conducted outside the United States, and substantially all of our assets are located outside the United States. A significant majority of our directors and officers are nationals or residents of

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jurisdictions other than the United States and a substantial portion of their assets are located outside the United States. As a result, it may be difficult for a shareholder to effect service of process within the United States upon these persons, or to enforce against us or them judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States. It may also be difficult for you to enforce in Cayman Islands courts judgments obtained in United States courts based on the civil liability provisions of the United States federal securities laws against us and our officers and directors.

We have appointed as our agent upon whom process may be served in any action brought against us under the securities laws of the United States.

Conyers Dill & Pearman, our legal counsel as to Cayman Islands law, and Zhong Lun Law Firm, our legal counsel as to PRC law, have advised us, respectively, that there is uncertainty as to whether the courts of the Cayman Islands and China, respectively, would:

- recognize or enforce judgments of United States courts obtained against us or our directors or officers predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States; or
- entertain original actions brought in each respective jurisdiction against us or our directors or officers predicated upon the securities laws of the United States or any state in the United States.

There is uncertainty with regard to Cayman Islands law relates to whether a judgment obtained from the United States courts under civil liability provisions of the securities laws will be determined by the courts of the Cayman Islands as penal or punitive in nature. If such a determination is made, the courts of the Cayman Islands will not recognize or enforce the judgment against a Cayman company. Because the courts of the Cayman Islands have yet to rule on whether such judgments are penal or punitive in nature, it is uncertain whether they would be enforceable in the Cayman Islands. Conyers Dill & Pearman has advised us that the courts of the Cayman Islands would recognize as a valid judgment, a final and conclusive judgment *in personam* obtained in the federal or state courts of the United States against us under which a sum of money is payable (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty) or, in certain circumstances, an *in personam* judgment for non-monetary relief, and would give a judgment based thereon provided that (a) such courts had proper jurisdiction over the parties subject to such judgment; (b) such courts did not contravene the rules of natural justice of the Cayman Islands; (c) such judgment was not obtained by fraud; (d) the enforcement of the judgment would not be contrary to the public policy of the Cayman Islands; (e) no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of the Cayman Islands; and (f) there is due compliance with the correct procedures under the laws of the Cayman Islands.

Zhong Lun Law Firm has further advised us that the recognition and enforcement of foreign judgments are provided for under PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of PRC Civil Procedures Law based either on treaties between China and the country where the judgment is rendered or on reciprocity between the jurisdictions. China does not have any treaties or other form of reciprocity with the United States or the Cayman Islands that provide for the reciprocal recognition and enforcement of foreign judgments. In addition, according to the PRC Civil Procedures Law, courts in the PRC will not enforce a foreign judgment against us or our directors and officers if they decide that the judgment violates the basic principles of PRC law or national sovereignty, security or public interest. A judgment that does not violate the basic principles of PRC law or national sovereignty, security or public interest may be recognized and enforced by a PRC court base on treaties between China and the country where the judgment is made or on principles of reciprocity between jurisdictions. However, as of the date of this prospectus, no treaty or other form of reciprocity exists between China and the United States or the Cayman Islands governing the recognition and enforcement of judgments. As a result, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered by a court in the United States or the Cayman Islands.

CORPORATE HISTORY AND STRUCTURE

We commenced operations in April 2005 with the establishment of Guangzhou Huaduo Network Technology Company Limited, or Guangzhou Huaduo, in China. Guangzhou Huaduo later became one of our PRC consolidated affiliated entities through the contractual arrangements described below.

We established Dokhi Investments Limited in the British Virgin Islands, or BVI, in July 2006 and changed its name to Duowan Limited in September 2006. In August 2006, we established Double Top Limited, which is wholly owned by Dokhi Investments Limited, in Hong Kong and changed its name to Duowan (Hong Kong) Limited in September 2006. In April 2007, we established Guangzhou Duowan Information Technology Company Limited, or Guangzhou Duowan, which was wholly owned by Duowan (Hong Kong) Limited. Guangzhou Duowan entered into a series of contractual arrangements with Guangzhou Huaduo and its shareholders, which were subsequently amended solely to reflect updated shareholder equity interests in Guangzhou Huaduo, through which Guangzhou Duowan exercised effective control over the operations of Guangzhou Huaduo.

In November 2007, we established Duowan Entertainment Corp., or Duowan BVI, in the BVI. In March 2008, we established Huanju Shidai Technology (Beijing) Company Limited, formerly known as Duowan Entertainment Information Technology (Beijing) Company Limited, or Huanju Shidai, which is wholly owned by Duowan BVI. Huanju Shidai purchased all the equity interests in Guangzhou Duowan from Duowan (Hong Kong) Limited in August 2008, and entered into a series of contractual arrangements with Guangzhou Huaduo and its shareholders through which Huanju Shidai exercises effective control over the operations of Guangzhou Huaduo. Duowan (Hong Kong) Limited was deregistered as a company and ceased to operate in May 2010.

In December 2008, Duowan BVI entered into an agreement with Morningside Technology Investments Limited and two individuals, through which Duowan BVI purchased all the equity interests in NeoTasks Inc. from Morningside Technology Investments Limited.

In March 2009, Huanju Shidai entered into an agreement with NeoTasks New Age International Media Technology (Beijing) Company Limited, or NeoTasks Beijing, through which NeoTasks Beijing was merged into Huanju Shidai. After the merger and additional capital contribution, Huanju Shidai became 96.5% held by Duowan BVI, and 3.5% held by NeoTasks Limited (formerly known as Enlight Online Entertainment Limited), a Hong Kong company, which in turn was the shareholder of NeoTasks Beijing before the merger. NeoTasks Limited is 100% owned by NeoTasks Inc., a Cayman Islands Company. In August 2009, Guangzhou Duowan was renamed Zhuhai Duowan Information Technology Company Limited.

In December 2009, Huanju Shidai entered into a series of contractual agreements with Beijing Tuda and its shareholders, which were subsequently amended solely to reflect updated shareholder equity interests in Beijing Tuda, through which agreements Huanju Shidai exercises effective control over the operations of Beijing Tuda.

In December 2010, we established Zhuhai Duowan Technology, which is 100% directly owned by Duowan BVI.

Guangzhou Huaduo currently owns the domain names of YY.com and Duowan.com. Our YY platform, including YY.com, is jointly operated by personnel from Guangzhou Huaduo and Zhuhai Duowan.

Our current holding company, YY Inc., was incorporated in July 2011 as a limited liability company in the Cayman Islands. Through a share exchange on September 6, 2011, the shareholders of Duowan BVI exchanged all of their outstanding common and preferred shares in Duowan BVI for common and preferred shares of YY Inc. on a pro rata basis. No additional consideration was paid in connection with the share exchange. As a result, Duowan BVI became a wholly owned subsidiary of YY Inc.

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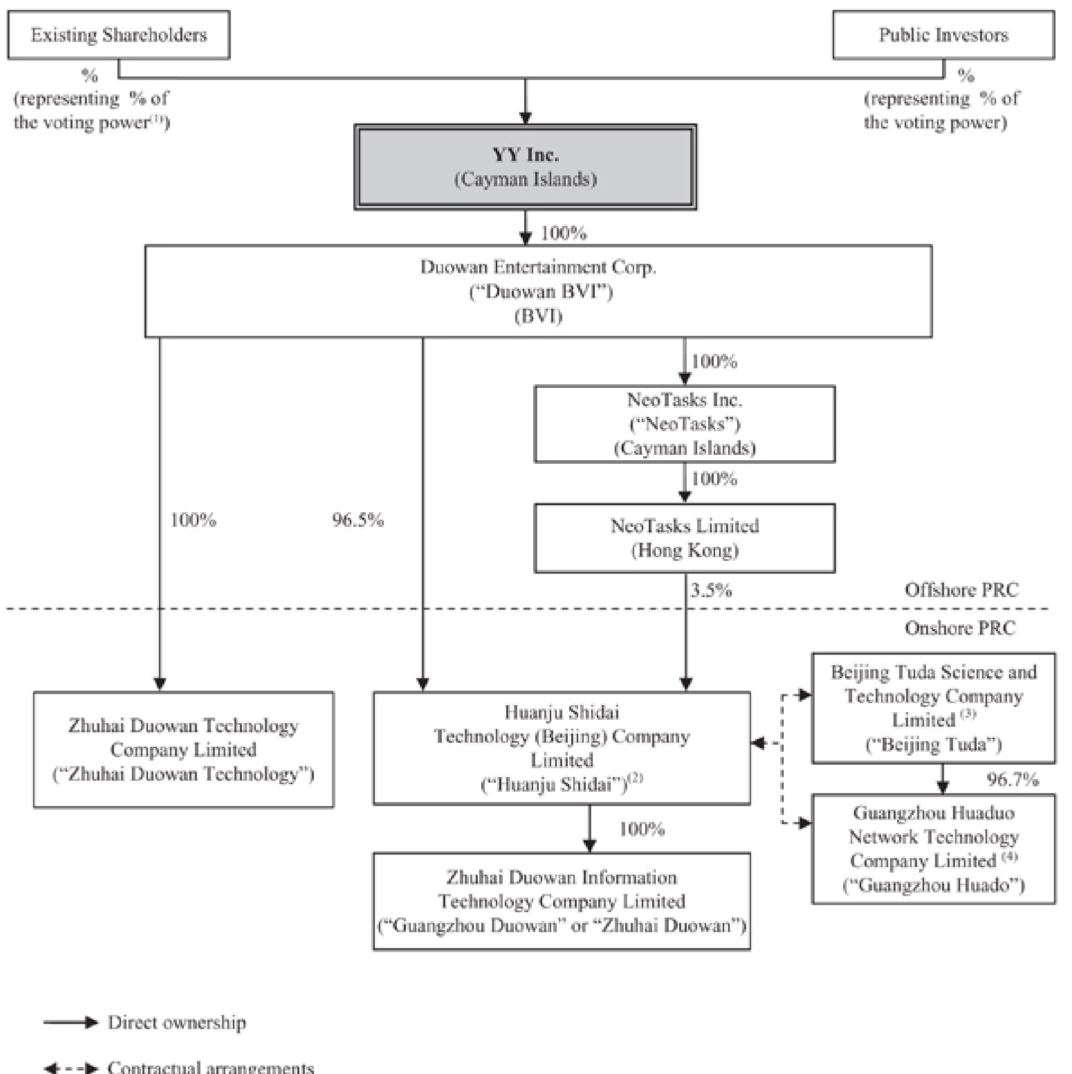
The following diagram illustrates our corporate structure upon the completion of this offering, assuming that the underwriters do not exercise their option to purchase additional shares:



(1) Upon the completion of this offering, our senior management and existing shareholders holding more than 5% of our outstanding shares will own an aggregate of % of the total voting power of our outstanding shares.

(2) Formerly known as Duowan Entertainment Information Technology (Beijing) Company Limited.

(3) Beijing Tuda is our PRC consolidated affiliated entity. Mr. David Xueling Li, our co-founder, chief executive officer and director, Mr. Tony Bin Zhao, our chief technology officer, and Mr. Jin Cao, the general manager of our website department, own 97.7%, 1.5% and 0.8% of Beijing Tuda's equity interests, respectively.

(4) Guangzhou Huaduo is our PRC consolidated affiliated entity. Mr. David Xueling Li, Mr. Jun Lei, our co-founder and chairman, Mr. Tony Bin Zhao, Mr. Jin Cao and Beijing Tuda own approximately 1.7%, 1.5%, 0.1%, 0.1% and 96.6% of Guangzhou Huaduo's equity interests, respectively.

Contractual Arrangements with Beijing Tuda

The following is a summary of the currently effective contracts among our subsidiary, Huanju Shidai, our PRC consolidated affiliated entity, Beijing Tuda, and the shareholders of Beijing Tuda.

Agreements that transfer economic benefits to us

Exclusive Business Cooperation Agreement

Under the exclusive business cooperation agreement between Huanju Shidai and Beijing Tuda, as amended, Huanju Shidai has the exclusive right to provide to Beijing Tuda technology support, business support and consulting services related to Beijing Tuda's business, the scope of which is to be determined by Huanju Shidai from time to time. Huanju Shidai owns the exclusive intellectual property rights created as a result of the performance of this agreement. The service fee payable by Beijing Tuda to Huanju Shidai is up to 100% of the net profit of Beijing Tuda, and the timing and amount of the fee payments shall be determined at the sole discretion of Huanju Shidai. The term of this agreement will expire in 2039 and may be extended with Huanju Shidai's written confirmation prior to the expiration date. Huanju Shidai has sole discretion to terminate the agreement at any time by providing 30 days' prior written notice to Beijing Tuda, while neither Beijing Tuda nor its shareholders are entitled to terminate the agreement.

Exclusive Technology Support and Technology Services Agreement

Under the exclusive technology support and technology services agreement between Huanju Shidai and Beijing Tuda, as amended, Huanju Shidai has the exclusive right to provide to Beijing Tuda technology support and technology services related to all technologies needed for its business. Huanju Shidai owns the exclusive intellectual property rights created as a result of the performance of this agreement. The service fee payable by Beijing Tuda to Huanju Shidai is 10% of Beijing Tuda's gross revenues. The term of this agreement will expire in 2029 and may be extended with Huanju Shidai's written confirmation prior to the expiration date. Huanju Shidai has sole discretion to terminate the agreement at any time by providing 30 days' prior written notice to Beijing Tuda, while neither Beijing Tuda nor its shareholders are entitled to terminate the agreement.

Agreements that provide us effective control over Beijing Tuda

Powers of Attorney

Under the irrevocable powers of attorney executed by each shareholder of Beijing Tuda, each such shareholder appointed Huanju Shidai as its attorney-in-fact to exercise such shareholders' rights in Beijing Tuda, including, without limitation, the power to vote on its behalf on all matters of Beijing Tuda requiring shareholder approval under PRC laws and regulations and the articles of association of Beijing Tuda. Each power of attorney will remain in force until the shareholder ceases to hold any equity interest in Beijing Tuda.

Exclusive Option Agreement

Under the exclusive option agreement between Huanju Shidai, each of the shareholders of Beijing Tuda and Beijing Tuda, each of the shareholders irrevocably granted Huanju Shidai or its designated representative(s) an exclusive option to purchase, to the extent permitted under PRC law, all or part of his or its equity interests in Beijing Tuda. Huanju Shidai or its designated representative(s) have sole discretion as to when to exercise such options, either in part or in full. Without Huanju Shidai's prior written consent, Beijing Tuda's shareholders shall not sell, transfer, mortgage or otherwise dispose their equity interests in Beijing Tuda. The term of this agreement is ten years and may be extended at Huanju Shidai's sole discretion.

Equity Interest Pledge Agreement

Under the equity interest pledge agreement between Huanju Shidai and the shareholders of Beijing Tuda, the shareholders of Beijing Tuda have pledged all of their equity interests in Beijing Tuda to Huanju Shidai to guarantee the performance by Beijing Tuda and its shareholders' performance of their respective obligations under the exclusive business cooperation agreement, exclusive option agreement, exclusive technology support and technology services agreement and powers of attorney. If Beijing Tuda or its shareholders breach their contractual obligations under those agreements, Huanju Shidai, as the pledgee, will be entitled to certain rights, including the right to sell the pledged equity interests. This pledge became effective on the date the pledged equity interests were registered with the competent administration for industry and commerce and will remain effective until the pledgors are no longer the shareholders of Beijing Tuda.

Contractual Arrangements with Guangzhou Huaduo

The following is a summary of the currently effective contracts among Huanju Shidai, Guangzhou Huaduo and the shareholders of Guangzhou Huaduo.

Agreements that transfer economic benefits to us

Exclusive Business Cooperation Agreement

Under the exclusive business cooperation agreement between Huanju Shidai and Guangzhou Huaduo, as amended, Huanju Shidai has the exclusive right to provide to Guangzhou Huaduo technology support, business support and consulting services related to Guangzhou Huaduo's business, the scope of which is to be determined by Huanju Shidai from time to time. Huanju Shidai owns the exclusive intellectual property rights created as a result of the performance of this agreement. The service fee payable by Guangzhou Huaduo to Huanju Shidai is up to 100% of the net profit of Guangzhou Huaduo, and the timing and amount of the fee payments will be determined at the sole discretion of Huanju Shidai. The term of this agreement will expire in 2038 and may be extended with Huanju Shidai's written confirmation prior to the expiration date. Huanju Shidai has sole discretion to terminate the agreement at any time by providing 30 days' prior written notice to Guangzhou Huaduo, while neither Guangzhou Huaduo nor its shareholders are entitled to terminate the agreement.

Exclusive Technology Support and Technology Services Agreement

Under the exclusive technology support and technology services agreement between Huanju Shidai and Guangzhou Huaduo, as amended, Huanju Shidai has the exclusive right to provide to Guangzhou Huaduo technology support and technology services related to all technologies needed for its business. Huanju Shidai owns the exclusive intellectual property rights created as a result of the performance of this agreement. The service fee payable by Guangzhou Huaduo to Huanju Shidai is 10% of Guangzhou Huaduo's gross revenues. The term of this agreement will expire in 2028 and may be extended with Huanju Shidai's written confirmation prior to the expiration date. Huanju Shidai has sole discretion to terminate the agreement at any time by providing 30 days' prior written notice to Guangzhou Huaduo, while neither Guangzhou Huaduo nor its shareholders are entitled to terminate the agreement.

Agreements that provide us effective control over Guangzhou Huaduo

Powers of Attorney

Under the irrevocable powers of attorney executed by each shareholder of Guangzhou Huaduo, each such shareholder appointed Huanju Shidai as its attorney-in-fact to exercise such shareholders' rights in Guangzhou Huaduo, including, without limitation, the power to vote on its behalf on all matters of Guangzhou Huaduo requiring shareholder approval under PRC laws and regulations and the articles of association of Guangzhou Huaduo. Each power of attorney will remain in force until the shareholder ceases to hold any equity interest in Guangzhou Huaduo.

Exclusive Option Agreement

Under the exclusive option agreement between Huanju Shidai, each of the shareholders of Guangzhou Huaduo and Guangzhou Huaduo, each of the shareholders irrevocably granted Huanju Shidai or its designated representative(s) an exclusive option to purchase, to the extent permitted under PRC law, all or part of his or its equity interests in Guangzhou Huaduo. Huanju Shidai or its designated representative(s) have sole discretion as to when to exercise such options, either in part or in full. Without Huanju Shidai's prior written consent, Guangzhou Huaduo's shareholders shall not sell, transfer, mortgage or otherwise dispose their equity interests in Guangzhou Huaduo. The term of this agreement is ten years and may be extended at Huanju Shidai's sole discretion.

Equity Interest Pledge Agreement

Under the equity interest pledge agreement between Huanju Shidai and the shareholders of Guangzhou Huaduo, the shareholders of Guangzhou Huaduo have pledged all of their equity interests in Guangzhou Huaduo to Huanju Shidai to guarantee the performance by Guangzhou Huaduo and its shareholders' performance of their respective obligations under the exclusive business cooperation agreement, exclusive option agreement, exclusive technology support and technology services agreement and powers of attorney. If Guangzhou Huaduo and/or its shareholders breach their contractual obligations under those agreements, Huanju Shidai, as the pledgee, will be entitled to certain rights, including the right to sell the pledged equity interests. The pledge became effective on the date the pledged equity interests were registered with the competent administration for industry and commerce and will remain effective until the pledgors are no longer the shareholders of Guangzhou Huaduo.

In the opinion of our PRC legal counsel:

- the ownership structures of our PRC consolidated affiliated entities and our PRC subsidiaries in China, both currently and after giving effect to this offering, comply with all existing PRC laws and regulations; and
- the contractual arrangements among Huanju Shidai, Guangzhou Huaduo and its shareholders and the contractual arrangements among Huanju Shidai, Beijing Tuda and its shareholders governed by PRC law are valid, binding and enforceable, and will not result in any violation of PRC laws or regulations currently in effect.
- each of our PRC subsidiaries and each of our PRC consolidated affiliated entities has all necessary corporate power and authority to conduct its business as described in its business scope under its business license. The business licenses of each of our PRC subsidiaries and each of our PRC consolidated affiliated entities are in full force and effect. Each of our PRC subsidiaries and each of our PRC consolidated affiliated entities is capable of suing and being sued and may be the subject of any legal proceedings in PRC courts. To the best of our PRC legal counsel's knowledge after due inquiries, none of our PRC subsidiaries, PRC consolidated affiliated entities or their respective assets is entitled to any immunity, on the grounds of sovereignty, from any action, suit or other legal proceedings; or from enforcement, execution or attachment.

We have been advised by our PRC legal counsel, however, that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules. Accordingly, the PRC regulatory authorities may take a view that is contrary to the above opinion of our PRC legal counsel. We have been further advised by our PRC legal counsel that if the PRC government finds that the agreements that establish the structure for operating our internet-based business do not comply with PRC government restrictions on foreign investment in the aforesaid business we engage in, we could be subject to severe penalties including being prohibited from continuing operations. See "Risk Factors—Risks Relating to Our Corporate Structure and Our Industry—If the PRC government finds that the structure we have adopted for our business operations does not comply with PRC laws and regulations, or if these laws or regulations or interpretations of existing laws or regulations change in the future, we could be subject to severe penalties, including the shutting down of our platform and our business operations."

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SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated statements of operations data for the years ended December 31, 2009, 2010 and 2011 and the selected balance sheet data as of December 31, 2010 and 2011 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. Our consolidated financial statements are prepared and presented in accordance with U.S. GAAP. The selected consolidated statements of operations data for the six months ended June 30, 2011 and 2012 and the selected consolidated balance sheet data as of June 30, 2012 have been derived from our unaudited consolidated financial statements included elsewhere in this prospectus. The unaudited consolidated financial statements have been prepared 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 historical results for any period are not necessarily indicative of results to be expected for any future period. You should read the following selected 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.

	For the Year Ended December 31,				For the Six Months Ended June 30,		
	2009	2010	2011		2011	2012	
	RMB	RMB	RMB	US$	RMB	RMB	US$
						(Unaudited)	
	(in thousands, except for share, per share and per ADS data)						
Selected Consolidated Statements of Operations Data:							
Internet value-added service							
—Online game	12,976	86,316	165,933	26,380	71,679	150,398	23,674
—YY Music	—	—	52,854	8,403	9,645	92,721	14,595
—Others	853	1,282	13,589	2,161	1,969	30,961	4,873
Online advertising	18,881	40,740	87,279	13,876	35,467	50,370	7,929
Total net revenues	32,710	128,338	319,665	50,820	118,760	324,450	51,071
Cost of revenues[1]	(28,849)	(110,062)	(182,699)	(29,046)	(78,349)	(164,138)	(25,836)
Gross profit	3,861	18,276	136,956	21,774	40,411	160,312	25,235
Operating expenses[1]:							
Research and development expenses	(12,597)	(49,219)	(106,804)	(16,980)	(43,215)	(77,809)	(12,248)
Sales and marketing expenses	(4,951)	(12,363)	(13,381)	(2,127)	(7,917)	(4,862)	(765)
General and administrative expenses	(32,878)	(192,222)	(118,241)	(18,798)	(59,165)	(50,170)	(7,897)
Total operating expenses	(50,426)	(253,804)	(238,426)	(37,905)	(110,297)	(132,841)	(20,910)
Operating (loss) income	(46,565)	(235,528)	(99,488)	(15,816)	(69,886)	28,142	4,431
(Loss) income before income tax expenses	(46,534)	(236,023)	(80,455)	(12,791)	(64,524)	32,342	5,092
Net (loss) income attributable to YY Inc.	(47,116)	(238,857)	(83,156)	(13,221)	(68,635)	20,816	3,277
Amortization of beneficial conversion feature	(237)	—	—	—	—	—	—
Accretion to convertible redeemable preferred shares redemption value	(283,179)	(1,808,853)	(223,663)	(35,559)	(157,859)	(126,621)	(19,931)
Deemed dividend to series A preferred shareholders	(19)	—	—	—	—	—	—
Deemed dividend to series B preferred shareholders	(176)	—	—	—	—	—	—
Net loss attributable to common shareholders	(330,727)	(2,047,710)	(306,819)	(48,780)	(226,494)	(105,805)	(16,654)
Weighted average number of common shares used in calculating:							
Basic	407,613,328	406,304,672	485,883,845	485,883,845	467,627,928	537,420,517	537,420,517
Diluted	407,613,328	406,304,672	485,883,845	485,883,845	467,627,928	537,420,517	537,420,517
Net loss per share:							
Basic	(0.81)	(5.04)	(0.63)	(0.10)	(0.48)	(0.20)	(0.03)
Diluted	(0.81)	(5.04)	(0.63)	(0.10)	(0.48)	(0.20)	(0.03)
Loss per ADS[2]:							
Basic							
Diluted							

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(1) Share-based compensation was allocated in cost of revenues and operating expenses as follows:

	For the Year Ended December 31,				For the Six Months Ended June 30,		
	2009	2010	2011		2011	2012	
	RMB	RMB	RMB	US$	RMB	RMB (Unaudited)	US$
	(in thousands)						
Cost of revenues	5,269	31,709	15,449	2,456	9,240	4,386	690
Research and development expenses	2,475	21,627	31,672	5,035	13,887	19,731	3,106
Sales and marketing expenses	194	1,499	1,336	212	660	500	79
General and administrative expenses	28,544	182,101	86,544	13,759	48,181	29,643	4,666
Total	36,482	236,936	135,001	21,462	71,968	54,260	8,541

(2) Each ADS represents common shares.

	As of December 31,				As of June 30,					
	2009	2010	2011		2012					
	RMB	RMB	RMB	US$	RMB	US$	RMB	US$	RMB	US $
	Actual	Actual	Actual	Actual	Actual	Actual	Pro forma[1] (Unaudited)	Pro forma[1] (Unaudited)	Pro forma as adjusted[2] (Unaudited)	Pro forma as adjusted[2] (Unaudited)
	(in thousands)									
Selected Consolidated Balance Sheet Data:										
Cash and cash equivalents	106,427	83,683	128,891	20,491	187,934	29,582	187,934	29,582		
Total assets	131,003	158,767	745,426	118,510	903,152	142,161	903,152	142,161		
Total current liabilities	52,757	253,001	125,737	19,990	205,689	32,376	205,689	32,376		
Total mezzanine equity	448,418	2,257,271	2,480,934	394,425	2,607,555	410,444	—	—		
Accumulated deficits	(370,045)	(2,350,448)	(2,433,604)	(386,900)	(2,412,788)	(379,787)	(2,412,788)	(379,787)		
Total shareholders' (deficits) equity	(370,172)	(2,351,505)	(1,861,693)	(295,976)	(1,911,347)	(300,857)	696,208	109,587		

(1) The unaudited consolidated balance sheet data as of June 30, 2012 on a pro forma basis reflect the automatic conversion of all of our outstanding series A, B, C-1 and C-2 preferred shares into 359,424,310 common shares immediately upon the completion of this offering.

(2) The unaudited consolidated balance sheet data as of June 30, 2012 on a pro forma as adjusted basis reflect (a) the automatic conversion of all of our outstanding series A, B, C-1 and C-2 preferred shares into 359,424,310 common shares immediately upon the completion of this offering; and (b) the sale of common shares in the form of ADSs by us in this offering at an assumed initial public offering price of US$ 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.

Non-GAAP Financial Measure

Adjusted Net Loss or Income

To provide investors with additional information about our financial results, we disclose within this prospectus adjusted net loss or income, a non-GAAP financial measure. We have provided below a reconciliation between adjusted net loss or income and net loss or income, the most directly comparable GAAP financial measure.

We have included adjusted net loss or income in this prospectus because it is a key measure we use to evaluate our operating performance, generate future operating plans and make strategic decisions for the allocation of capital. Accordingly, we believe that adjusted net loss or income provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our

management and board of directors. While we believe that this non-GAAP financial measure is useful in evaluating our business, this information should be considered as supplemental in nature and is not meant as a substitute for the related financial information prepared in accordance with GAAP.

The following table presents a reconciliation between adjusted net loss or income and net (loss)/income, the most directly comparable GAAP financial measure.

	For the year Ended December 31,				For the Six Months Ended June 30,		
	2009	2010	2011		2011	2012	
	RMB	RMB	RMB	US$	RMB	RMB (Unaudited)	US$
				(in thousands)			
Reconciliation of Net (Loss) Income to Adjusted Net (Loss) Income:							
Net (loss) income	(47,116)	(238,857)	(83,156)	(13,221)	(68,635)	20,816	3,277
Share-based compensation	(36,482)	(236,936)	(135,001)	(21,462)	(71,968)	(54,260)	(8,541)
Adjusted net (loss) income	(10,634)	(1,921)	51,845	8,241	3,333	75,076	11,818

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the section headed "Selected Consolidated Financial Data" and our consolidated financial statements and the related notes included elsewhere in this prospectus. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this prospectus.

Overview

YY is a revolutionary rich communication social platform. YY Client, our core product launched in China in July 2008, has attracted 344.6 million registered user accounts as of June 30, 2012, and had 66.3 million monthly active users in June 2012. YY recorded a maximum of 10.0 million peak concurrent users in August 2012. Users spent an aggregate of 260.9 billion voice minutes on YY Client in the first six months of 2012.

We derive our revenues primarily from IVAS and online advertising. We derived 42.3%, 68.3%, 72.7% and 84.5% of our total net revenues from IVAS in 2009, 2010, 2011 and the six months ended June 30, 2012, respectively, with online advertising accounting for the remainder of our revenues. Revenues from IVAS are primarily generated through web games, YY Music and other services on our platform. Online advertising revenues are primarily generated from sales of different forms of advertising on Duowan.com. We expect to derive an increasing portion of our revenues from IVAS in the future. This trend may pose new challenges to us, including, for example, the need to develop more popular products and services in response to user demand and the need to recruit and retain talented personnel for technology and product development purposes. IVAS revenues depend on the popularity of the online games on our platform and the growth of other types of channels or activities for which IVAS are available, such as YY Music.

We began our operations in 2005 by launching Duowan.com, a popular online web portal hosting game media content. We have grown significantly in recent years, developing and introducing YY Client in 2008 and making YY Client available for mobile users through Mobile YY in September 2010. YY Client's average daily active users increased from 10.3 million in December 2010 to 13.5 million in December 2011. In June 2012, the number of average daily active users for YY Client grew to 16.2 million, compared to 12.8 million in June 2011. We believe that we will be able to further expand our existing user base and to capitalize on our large and highly engaged user base and our open platform by exploring additional monetization opportunities. Our total net revenues increased from RMB32.7 million in 2009 to RMB128.3 million in 2010 and to RMB319.7 million (US$50.8 million) in 2011, representing a CAGR of 212.6% from 2009 to 2011. For the six months ended June 30, 2012, our total net revenues grew to RMB324.5 million (US$51.1 million), representing a 173.2% increase from RMB118.8 million for the six months ended June 30, 2011. We had net losses of RMB47.1million, RMB238.9 million and RMB83.2 million (US$ 13.2 million) in 2009, 2010 and 2011, respectively, and $ in the six months ended June 30, 2012, we had a net income of RMB20.8 million (US$3.3 million). We have issued share incentive awards to motivate our employees, officers and consultants since our inception, and incurred significant share-based compensation expenses in the past. Our share-based compensation expenses increased significantly in 2010, primarily due to a charge caused by a re-measurement of our liability-classified share-based compensation awards Treatment of our share-based compensation awards has reverted to the equity-based method in late 2011 Our adjusted net loss, a non-GAAP measure that excludes non-cash share-based compensation expenses, decreased from RMB10.6 million in 2009 to RMB1.9 million in 2010, and in 2011, we had an adjusted net income—also a non-GAAP measure that excludes non-cash share-based compensation—of RMB51.8 million (US$8.2 million). In the six months ended June 30, 2012, our adjusted net income amounted to $ RMB75.1 million (US$11.8 million) compared to RMB3.3 million in the same period in 2011. For information regarding adjusted net (loss) income and a reconciliation of each to net (loss) net income, see "Prospectus Summary—Our Summary Consolidated Financial Data—Non-GAAP Financial Measure" on page 11.

Our results of operations are subject to certain seasonal fluctuations. For example, the number of online users tend to be lower during school holidays and certain parts of the school year, and advertising revenues tend to be lower during the Chinese New Year season, which negatively affects our cash flow for those periods. However, such seasonal fluctuations are relatively brief and predictable and have not posed any significant operational and financial challenges to our business. See "—Seasonality" for additional details regarding the effects of seasonality on our cash flow, operating performance and financial results.

Selected Statement of Operations Items

Revenues

In the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, we had derived our revenues primarily from IVAS and online advertising. Our IVAS revenues are primarily comprised of revenues from the paying users of online games, YY Music and, to a lesser degree, our membership subscriptions. The online games we currently offer on YY Client are all web games, which are a type of online games that can be run from an internet browser and requires an internet connection to play. Our online advertising revenues primarily consist of revenues from the sale of online advertising in various formats primarily on our Duowan.com online portal. We expect that from 2012 onward, an increasing portion of our revenues will be derived from non-game IVAS revenues, including revenues from in-channel virtual items sold on YY Client, such as virtual flowers and gifts for use in various channels, as well as other new online products and services that we recently launched or expect to offer in the future. We expect that revenues we receive from the membership program we launched in October 2011, which grants users enhanced privileges for monthly subscription fees, will increase in the future. The following table sets forth the principal components of our total net revenues by amount and as a percentage of our total net revenues for the periods presented.

	For the Year Ended December 31,							For the Six Months Ended June 30,				
	2009		2010		2011			2011		2012		
	RMB	% of total revenues	RMB	% of total revenues	RMB	US$	% of total revenues	RMB	% of total revenues	RMB	US$	% of total revenues
	(in thousands, except for percentages)											
Total net revenues:(1)												
IVAS:												
Online games	12,976	39.7	86,316	67.3	165,933	26,380	51.9	71,679	60.4	150,398	23,674	46.4
YY Music	—	—	—	—	52,854	8,403	16.5	9,645	8.1	92,721	14,595	28.6
Others	853	2.6	1,282	1.0	13,589	2,161	4.3	1,969	1.6	30,961	4,873	9.5
Online advertising	18,881	57.7	40,740	31.7	87,279	13,876	27.3	35,467	29.9	50,370	7,929	15.5
Total	32,710	100.0	128,338	100.0	319,655	50,820	100.0	118,760	100.0	324,450	51,071	100.0

(1) Revenues are presented net of rebates and discounts.

IVAS revenues. We generate revenues from (i) the sales of virtual items under the offering of web games developed by us or by third parties under revenue-sharing arrangements on YY Client, (ii) the sale of in-channel virtual items to be used on YY Music and (iii) other revenues, including membership subscription fees. Users play web games on YY and access channels free of charge, but are charged for purchases of virtual items which can be used in online games or YY channels.

The most significant factors that directly affect our IVAS revenues include:

- *The number of paying users.* The number of our paying users increased from approximately 31,000 in July 2009, the first month in which we began tracking paying user numbers, to 50,000 in December 2009, 70,000 in December 2010, 357,000 in December 2011 and decreased slightly to 343,000 in June 2012. We had approximately 1.4 million paying users in the full year 2011 and 1,277,000 in the first

six months of 2012. We calculate the number of paying users during a given period as the cumulative number of registered user accounts that have purchased virtual items or other products and services on YY Client at least once during the relevant period. We were able to achieve an increase in paying users primarily due to (a) a significant increase in the number of active users due to the increasing popularity of YY Client, and (b) an increase in the number of virtual items we offer, which in turn resulted from the increased number of online games we host and our launch of virtual items for sale on YY Music in March 2011. We expect that the number of our paying users will continue to grow in the future as we expand our services and products offerings and further monetize our existing platform. The number of our registered user accounts, paying users, active users and unique visitors overstates the number of unique individual users we have, however. See "Risk Factors—Risks Relating to Our Business—The respective number of our registered user accounts, active users , paying users and unique visitors overstates the numbers of unique individuals who register to use our products and services, sign onto YY Client, purchase virtual items or other products and services on our platform or access Duowan.com, respectively. Such overstatement may lead to an inaccurate evaluation of our business operations by our management and by investors, and may cause advertisers to reduce the amount spent on advertising with us, which may materially and adversely affect on our reputation, business and results of operations."

- *The average revenue per paying user, or ARPU.* Our ARPU for IVAS was approximately RMB177.9, RMB164.3 (US$25.9) and RMB214.6 (US$33.8) in 2010 and 2011 and the six months ended June 30, 2012, respectively. ARPU is calculated by dividing our total revenues from IVAS during a given period by the number of paying users for that period. As we begin to generate revenues from an increasing variety of IVAS, our ARPU may fluctuate from period to period due to the mix of IVAS purchased by our paying users. The changes in ARPU are primarily the result of (a) an increase in the number of virtual items available on our platform, (b) an increase in the average price of the virtual items that can be purchased for use in our channels, (c) the launch of YY Music in March 2011, which has a lower ARPU when compared to online games, (d) the launch of our membership program, which currently charges a relatively low membership fee of RMB20.0 per month, in October 2011. We had approximately 158,000 members in our membership program as of December 31, 2011 and approximately 301,000 members as of June 30, 2012.

The number of paying users for each year typically increases as the number of active users increases. The number of our monthly active users increased from 35.4 million in December 2010 to 53.4 million in December 2011 to 66.3 million monthly active users in June 2012. Meanwhile, ARPU fluctuated during that period because of our launch of new online games, our effective promotion of commercially successful games and our launch of YY Music, offset by the fact that, at times, our paying user numbers grew faster than our revenues primarily due to the lower ARPU of paying users for YY Music and our membership program.

The following table sets forth the approximate paying users and average revenue per paying user data on a quarterly basis for the eight quarters in the period from July 1, 2010 to June 30, 2012, broken down by different key areas of our business. The numbers of paying users and average revenue per paying users fluctuate on a quarterly basis, because they are often affected by a variety of factors such as seasonality and the number and type of promotions that may be conducted from time to time.

	For the Three Months Ended							
	September 30, 2010	December 31, 2010	March 31, 2011	June 30, 2011	September 30, 2011	December 31, 2011	March 31, 2012	June 30, 2012
Paying users								
—Online games(1)	143,000	136,000	217,000	234,000	279,000	354,000	327,000	274,000
—YY Music(2)	—	—	—	97,000	150,000	225,000	230,000	232,000
—Membership subscription(3)	—	—	—	—	—	236,000	281,000	321,000
				(RMB)				
Average revenue per paying user								
—Online games(1)	183	200	159	159	149	148	210	298
—YY Music(2)	—	—	—	99	119	113	147	254
—Membership subscription(3)	—	—	—	—	—	21	38	47

(1) Data for online games herein refers exclusively to data regarding YY platform's web games available in the game center. See "Business—The YY Platform —YY Client—Game Center on YY Client."
(2) We launched our YY Music platform in March 2011.
(3) We launched our membership program in October 2011.

Other significant factors that directly or indirectly affect our IVAS revenues include:

- our ability to offer new and attractive products and services that allow us to monetize our platform;
- our ability to attract and retain a large user base;
- the terms of our arrangements with third party game developers and service providers as well as performers and channel owners on YY Music; and
- competition in China's online games and other IVAS markets.

We historically derived a significant portion of our revenues from a limited number of popular online games, all of which are web games, primarily through selling in-game virtual items for these games. For example, Dandan Tang, one of our most popular online games, contributed 62.8%, 46.5% and 18.0% of our online game revenues, 62.0%, 33.3% and 9.9% of our total IVAS revenues as well as 42.3%, 24.2% and 8.4% of our total revenues in 2010, 2011 and the six months ended June 30, 2012, respectively. Dandan Tang was developed by Shenzhen 7th Road Technology Co., Ltd., or 7th Road, a third party game developer. See "— Contract for Dandan Tang" for a description of the joint operation agreement between Guangzhou Huaduo and 7th Road in relation to the joint operation of Dandan Tang and the offering of other game-related services. A vast majority of our popular online games are developed by third party game developers under revenue-sharing arrangements that typically last one to two years. We currently receive only an insignificant amount of monthly revenues from self-developed games and have no plans to develop any more games in the future. Due to the fact that our large user base makes us a desirable platform for game developers to launch and operate their games, we believe we will continue to retain existing and attract additional online game developers.

We expect an increasing portion of our revenues from IVAS will continue to be derived from the sales of non-game virtual items and services as we capitalize on monetization opportunities. For example, our revenues from virtual items sold on YY Music increased from 16.5% of total revenues for the year ended December 31, 2011 to 28.6% of total revenues for the six months ended June 30, 2012; we expect that such revenues will represent an

increasingly larger portion of our revenues in the future. In addition, we expect that a large portion of our IVAS revenues will continue to be derived from online games generated from third party online game developers in the future, as we do not intend to further internally develop any additional online games. However, in the future, we expect to derive a lower percent of our revenues from online games as a whole, as we expect to monetize other non-game aspects of the YY platform, such as YY Music and our membership program. We launched our membership program in October 2011 and generated revenues from membership subscription fees of RMB25.7 million (US$4.0 million) in the six months ended June 30, 2012.

Online advertising revenues. We offer a wide range of online advertising formats and solutions. We enter into advertising contracts with third party advertising agencies as well as with advertisers directly. Advertisers pay to place advertisements on Duowan.com in different formats over a particular period of time. Such formats include banners, text-links, videos, logos, and buttons. Advertisements on Duowan.com are charged primarily on the basis of duration with pricing variations depending on the size and the prominence of the locations for these advertisements, and advertising contracts establish the advertising services to be provided and the prices for such services. In 2009, 2010 and 2011 and the six months ended June 30, 2012, a vast majority of our online advertising revenues were derived from pay-for-time arrangements under which we charge advertisers depending on the duration of display for an advertisement or a series of advertisements.

The most significant factors that directly affect our online advertising revenues include:

- *The number of advertisers that use our online advertising services.* The number of advertisers that use our online advertising services increased from 105 in 2009 to 120 in 2010 to 140 in 2011, and increased from 83 in the six months ended June 30, 2011 to 100 in the six months ended June 30, 2012. We calculate the number of advertisers during a given period as the number of advertisers to whom we have delivered advertising services during that period. An advertiser to whom we deliver services more than once in a period is counted as one advertiser for that period.
- *The average revenues per advertiser.* Our average revenues per advertiser increased from approximately RMB180,000 in 2009 to RMB340,000 in 2010 to RMB623,000 (US$98,000) in 2011, average revenues per advertiser also increased from approximately RMB427,000 in the six months ended June 30, 2011 to approximately RMB504,000 (US$79,000) in the six months ended June 30, 2012. The amount of average advertising spend per advertiser is the result of our total advertising revenues during a given period divided by the number of advertisers for that period.

The number of our advertisers and the average spending per advertiser are in turn driven by the increase in the number of unique visitors to Duowan.com, because larger visitor numbers indicate better advertising reach for advertisers, which leads to increased use of Duowan.com by advertisers. The number of average daily unique visitors to Duowan.com increased from approximately 4.5 million in December 2009 to 5.5 million in December 2010, 9.9 million in December 2011 and 19.9 million in June 2012.

Other significant factors that directly or indirectly affect our online advertising revenues include the following:

- acceptance by advertisers of online advertising in general as an effective marketing channel;
- advertisers’ total online advertising budgets;
- our ability to attract new advertisers and retain existing advertisers;
- our ability to continue providing innovative advertising solutions which enable advertisers to reach their target customers; and
- changes in government regulations or policies affecting the internet and online advertising industries.

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Cost of Revenues

Cost of revenues consists primarily of (i) bandwidth costs, (ii) share-based compensation, (iii) salary and welfare, (iv) business tax and surcharges, (v) depreciation and amortization, (vi) payment handling costs and (vii) YY Music activities costs. In the future, we anticipate that YY Music activities costs, which primarily consist of commissions offered to popular performers and channel owners in different YY Music channels, will contribute significantly to our cost of revenues. We expect that our cost of revenues will increase in absolute amount as we further grow our user base and expand our revenue-generating services.

Bandwidth costs. Our bandwidth costs increased from RMB8.5 million in 2009 to RMB32.5 million in 2010 and to RMB75.1 million (US$11.9 million) in 2011, and increased from RMB32.8 million in the six months ended June 30, 2011 to RMB64.2 million (US$10.1 million) in the same period in 2012. We expect bandwidth costs to increase as our user base continues to expand and as YY Music and other video-related services become more popular in the future.

Share-based compensation. Our share-based compensation allocated to the cost of revenues increased from RMB5.3 million in 2009 to RMB31.7 million in 2010 and to RMB15.4 million (US$2.4 million) in 2011, and decreased from RMB9.2 million in the six months ended June 30, 2011 to RMB4.4 million (US$0.7 million) in the same period in 2012. The share-based compensation expenses increased significantly in 2010 primarily due to a charge caused by re-measurement of our liability-classified share-based compensation awards. In 2011, the share-based compensation expenses decreased as compared to 2010 due to the liability-classified share-based compensation awards being changed to equity-classified in late 2011 and certain awards granted to Mr. David Xueling Li, our chief executive officer, that vested in 2010, but increased as compared to 2009 due to the expansion of our business and the distribution of options, restricted shares and restricted share units to recruit and retain talents for our company. The share-based compensation expenses in the six months ended June 30, 2012 decreased as compared to the six months ended June 30, 2011 because (a) we are using the graded vesting method to recognize share-based compensation costs and expenses, (b) some awards granted fully vested before 2012, and (c) the share options and NeoTasks restricted shares granted were previously classified using the liability method and subject to remeasurement, but was modified back to equity-method on September 15, 2011.

Salary and welfare. Our salary and welfare costs increased from RMB6.9 million in 2009 to RMB23.5 million in 2010 and to RMB33.4 million (US$5.3 million) in 2011, and increased from RMB15.9 million in the six months ended June 30, 2011 to RMB20.4 million (US$3.2 million) in the same period in 2012. We expect our salary and welfare costs to increase as we continue to hire additional employees in line with the expansion of our business.

Business tax and surcharges. Our business tax and surcharges increased from RMB2.3 million in 2009 to RMB7.2 million in 2010 and to RMB16.5 million (US$2.6 million) in 2011, and increased from RMB5.9 million in the six months ended June 30, 2011 to RMB14.3 million (US$2.3 million) in the same period in 2012. We expect our business tax and surcharges to increase as our total revenues continue to grow.

Depreciation and amortization. Our depreciation and amortization increased from RMB2.3 million in 2009 to RMB4.3 million in 2010 to RMB12.0 million (US$1.9 million) in 2011, and increased from RMB5.0 million in the six months ended June 30, 2011 to RMB10.9 million (US$1.7 million) in the same period in 2012. We expect depreciation and amortization to increase as we continue to expand our operations and purchase servers and other equipment or intangibles directly related to the operating of our platform and business.

Payment handling costs. Our payment handling costs increased from RMB1.7 million in 2009 to RMB6.8 million in 2010 and to RMB9.3 million (US$1.5 million) in 2011, and increased from RMB4.8 million in the six months ended June 30, 2011 to RMB8.9 million (US$1.4 million) in the same period in 2012. We expect payment handling costs to increase as we continue to grow our paying users and expand our paid service offerings.

YY Music activities costs. Our YY Music activities costs, which primarily consisted of the portion of the commissions offered to performers and channel owners in different YY Music channels, amounted to RMB6.8 million (US$ $ 1.1 million) and RMB30.5 million (US4.8 million) in 2011 and the six months ended June 30, 2012, respectively. We expect YY Music activities costs to increase as we continue to expand our YY Music service and product offerings and grow our paying users for YY Music.

Operating Expenses

Our operating expenses consist of (i) research and development expenses, (ii) sales and marketing expenses and (iii) general and administrative expenses. The following table sets forth the components of our operating expenses for the periods indicated, both in absolute amounts and as percentages of our total net revenues.

	For the Year Ended December 31,							For the Six Months Ended June 30,				
	2009		2010		2011			2011		2012		
	RMB	% of total net revenues	RMB	% of total net revenues	RMB	US$	% of total revenues	RMB	% of total revenues	RMB	US$	% of total revenues
	(in thousands, except for percentages)											
Operating expenses:												
Research and development expenses	12,597	38.5	49,219	38.4	106,804	16,980	33.4	43,215	36.4	77,809	12,248	24.0
Sales and marketing expenses	4,951	15.1	12,363	9.6	13,381	2,127	4.2	7,917	6.7	4,862	765	1.5
General and administrative expenses	32,878	100.5	192,222	149.8	118,241	18,798	37.0	59,165	49.8	50,170	7,897	15.5
Total operating expenses	50,426	154.2	253,804	197.8	238,426	37,905	74.6	110,297	92.9	132,841	20,910	40.9

Research and Development Expenses

Research and development expenses consist primarily of salaries and benefits for research and development personnel and rental and depreciation of office premise and servers utilized by the research and development personnel. Research and development expenses generally increased in the past three years ended December 31, 2011 and the six months ended June 30, 2012, due to the need for additional research and development personnel to accommodate the rapid growth of our business. We expect our research and development expenses in absolute amount to increase as we intend to retain existing research and development personnel and also hire new ones to, among other things, develop new series of applications for our platform, improve technology infrastructure to further enhance user experience, and further develop enhanced features for Mobile YY to reach more users. In particular, because mobile phones usually have smaller display screen space as compared to PCs, we may not be able to feature as many kinds of virtual items as are available on YY Client, which may limit Mobile YY's monetization potential and require more research and development resources devoted to developing products and features for Mobile YY. See "Risk Factors —Risks Relating to Our Business—If we are unable to successfully capture and retain the growing number of users that access internet services through mobile devices, or successfully monetize Mobile YY, our business, financial condition and results of operations may be materially and adversely affected."

Sales and Marketing Expenses

Sales and marketing expenses consist primarily of salaries, benefits and commissions for our sales and marketing personnel, share-based compensation expenses and advertising and promotion expenses. Our sales and marketing expenses generally increased over the past three years ended December 31, 2011, primarily reflecting increased commissions for our sales and marketing personnel as our advertising revenues increased and increased efforts to serve and maintain close relations with an increasing number of advertisers. Our sales and marketing

expenses for the six months ended June 30, 2012 decreased slightly compared to the six months ended June 30, 2011, primarily because we conducted an advertising campaign for Duowan.com on a third-party website in the first half of 2011, driving up our sales and marketing expenses for that period; this advertising campaign was not subsequently repeated. We expect that our sales and marketing expenses will increase in absolute amount in the near term as we expect to increase commission for our sales and marketing personnel due to increased advertising demand and, to a lesser extent, the hiring of additional sales and marketing personnel.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries and benefits, including share-based compensation for our general and administrative personnel, professional service fees, legal expenses and other administrative expenses. Our general and administrative expenses generally increased over the past three years ended December 31, 2011 as our business expanded, primarily due to the hiring of additional management and administrative staff and increase in share-based compensation expenses. Our general and administrative expenses decreased slightly in the six months ended June 30, 2012 as compared to the six months ended June 30, 2011, primarily due to a decrease in our share-based compensation expenses for the period. We expect our general and administrative expenses to increase in the future as our business grows and we incur increased costs related to complying with our reporting obligations under the U.S. securities laws as a public company.

Share-based Compensation Expenses

Our operating expenses include share-based compensation expenses as follows:

	For the Year Ended December 31,				For the Six Months Ended June 30,		
	2009	2010	2011		2011	2012	
	RMB	RMB	RMB	US$	RMB	RMB	US$
			(in thousands)				
Research and development expenses	2,475	21,627	31,672	5,035	13,887	19,731	3,106
Sales and marketing expenses	194	1,499	1,336	212	660	500	79
General and administrative expenses	28,544	182,101	86,544	13,759	48,181	29,643	4,666
Total	31,213	205,227	119,552	19,006	62,728	49,874	7,851

We grant stock-based award such as, but not limited to, share options, restricted shares, restricted share units and warrants to eligible employees, officers, directors, and non-employee consultants. Awards granted to employees, officers, and directors are initially accounted for as equity-classified awards, which are measured at the grant date fair value of the award and are recognized using the graded vesting method, net of estimated forfeiture rates, over the requisite service period, which is generally the vesting period. Awards granted to non-employees are initially measured at fair value on the grant date and periodically re-measured thereafter until the earlier of the performance commitment date or the date the service is completed and recognized over the period in which the service is provided.

As a result of repurchases of certain awards offered in 2009 and in 2011, certain initially equity-classified employee and non-employee awards have been reclassified as a liability-classified awards, as these awards were deemed to have a substantive cash settlement feature. These awards are re-measured at the end of each reporting period until either the substantive cash settlement is terminated or the holder of the awards is exposed to the market value fluctuation of the underlying shares for a reasonable period of time (at least six months), or the awards are settled, cancelled or expire unexercised.

On September 15, 2011, our board of directors resolved not to undertake any repurchases of vested or unvested share-based compensation awards, except under those conditions specified in the relevant award scheme and grant documents. Accordingly, the classification of the liability-classified awards were changed to being equity-classified, and the related liability was reclassified as additional paid-in capital on the modification

date. After the awards were changed to equity-classified awards, they were measured based on the fair value of the awards on September 15, 2011, and the expenses to be recognized over the remaining requisite service period are calculated using the graded vesting attribution method.

Taxation

Cayman Islands

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or after execution brought within the jurisdiction of, the Cayman Islands. There are no exchange control regulations or currency restrictions in the Cayman Islands.

Pursuant to Section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, we have obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to us or our operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on our shares, debentures or other obligations.

The undertaking for us is for a period of twenty years from August 2, 2011.

British Virgin Islands

As Duowan BVI is a BVI business company subject to the provisions of the BVI Business Companies Act, it is exempt from all provisions of the Income Tax Act of the BVI (including with respect to all dividends, interests, rents, royalties, compensation and other amounts payable by us to persons who are not persons resident in the BVI).

Capital gains realized with respect to any shares, debt obligations or other securities of a company by persons who are not persons resident in the BVI are also exempt from all provisions of the Income Tax Act of the BVI.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in the BVI with respect to any shares, debt obligations or other securities of us, save for interest payable to or for the benefit of an individual resident in the European Union.

Hong Kong

No Hong Kong profits tax has been provided as we have no assessable profit arising in Hong Kong.

PRC

Current taxation primarily represented the provision for a state and local corporate income tax, or EIT, for subsidiaries and VIEs operating in the PRC. Prior to January 1, 2008, companies established in the PRC were generally subject to EIT at statutory rates of 30% and 3% respectively. On March 16, 2007, the PRC National People's Congress promulgated the New EIT Law, which became effective on January 1, 2008. These subsidiaries and VIEs are subject to new EIT on their taxable income as reported in their respective statutory financial statements adjusted in accordance with the relevant tax laws and regulations in the PRC. All our PRC entities are subject to EIT at a rate of 25%, with the exception of any preferential treatments they may receive,

such as the 15% preferential tax rate that Guangzhou Huaduo can enjoy for the years from 2011 to 2012 due to its qualification as a high and new technology enterprise.

According to a policy promulgated by the state tax bureau of the PRC and effective from 2008 onwards, enterprises engaged in research and development activities are entitled to claim 150% of the research and development expenses so incurred in a year as tax deductible expenses in determining its tax assessable profits for that year, or Super Deduction. Guangzhou Huaduo has claimed such Super Deduction in ascertaining its tax assessable profits for 2009, 2010 and 2011 and the six months ended June 30, 2012, and Zhuhai Duowan claimed such Super Deduction in ascertaining its tax assessable profits for the year of 2011 and the six months ended June 30, 2012.

In addition, according to the New EIT Law and its implementation rules, foreign enterprises, which have no establishment or place in the PRC but derive dividends, interest, rents, royalties and other income (including capital gains) from sources in the PRC shall be subject to PRC withholding tax, or WHT, at 10% (a further reduced WHT rate may be available according to the applicable double tax treaty or arrangement). The 10% WHT is applicable to any dividends to be distributed from Huanju Shidai and Zhuhai Duowan Technology to our company out of any profits Huanju Shidai and its subsidiaries and Zhuhai Duowan Technology derived after January 1, 2008. We do not have any present plan to pay out the retained earnings in the PRC subsidiaries and PRC consolidated affiliated entities in the foreseeable future. We currently intend to retain our available funds and any future earnings to operate and expand our business. Accordingly, no such WHT has been accrued.

Our PRC subsidiaries and PRC consolidated affiliated entities are subject to business taxes and related surcharges. Revenues from IVAS are taxed at a rate of 3.3%, while advertising revenues are taxed at 8.5%. Business taxes and related surcharges during 2009, 2010 and 2011 and the six months ended June 30, 2012 were RMB2.3 million, RMB7.2 million, RMB16.5 million (US$2.6 million) and RMB14.3 million (US$2.3 million), respectively.

For more information on PRC tax regulations, see “PRC Regulation— Regulation on Tax.”

Seasonality

Our results of operations are subject to seasonal fluctuations. For example, the number of online users tends to be lower during school holidays and during certain parts of the school year, and advertising revenues tend to be lower during the Chinese New Year season. The Chinese New Year season is a less attractive period for online advertisers in the PRC due to the relative lower number of people online during this period as more people are engaging in offline, traditional family-related activities. These fluctuations result in lower revenues and negatively affect our cash flow for the relevant periods. However, seasonal fluctuations have not posed material operational and financial challenges to us, as such periods tend to be brief and predictable, allowing us to adjust the working shifts of our staff and re-allocate resources to reduce costs ahead of time.

Internal Control Over Financial Reporting

In connection with the preparation and external audit of our consolidated financial statements as of and for the years ended December 31, 2009, 2010 and 2011 and the review of our consolidated financial statements as of and for the three months ended March 31, 2012, we and our auditors, an independent registered public accounting firm, noted two material weaknesses in our internal control over financial reporting. The material weaknesses identified were: (a) a lack of accounting resources for fulfilling U.S. GAAP and SEC reporting requirements, and (b) a lack of comprehensive U.S. GAAP accounting policies and financial reporting procedures. We have implemented and are continuing to implement various measures to address the material weaknesses identified; these measures are outlined below. As a result of such efforts, we successfully eliminated the two material weaknesses and, subsequently, in connection with the review of our consolidated financial

statements as of and for the three months ended June 30, 2012, we and our independent registered public accounting firm identified only one significant deficiency. The significant deficiency identified relates to the inadequacy of US GAAP accounting policies and financial reporting procedures.

Neither we nor our independent registered public accounting firm undertook a comprehensive assessment of our internal control for purposes of identifying and reporting material weaknesses, significant deficiencies and control deficiencies in our internal control over financial reporting as we and they will be required to do once we become a public company. We believe it is possible that, had we performed a formal assessment of our internal control over financial reporting or had our independent registered public accounting firm performed an audit of our internal control over financial reporting, additional control deficiencies may have been identified.

We took certain steps to improve our internal control over financial reporting. In August 2011, we appointed a new chief financial officer to lead our accounting and financial reporting department. Our new chief financial officer has extensive financial reporting experience and work experience involving U.S. GAAP and SEC financial reporting and was previously the chief financial officer of an NYSE-listed company. We hired, for the finance department, additional staff who formerly worked in a Big Four international accounting firm and who have U.S. GAAP experience. We engaged external accounting consultants to improve our U.S. GAAP accounting capability and financial reporting procedures. In addition, we also intend to periodically evaluate the sufficiency of our accounting resources and needs for recruiting additional personnel and provide our accounting staff with regular U.S. GAAP training. In relation to internal controls, we established an internal audit department, established strategies for further implementation of internal audit work, hired additional accounting staff with U.S. GAAP experience, Big Four international accounting firm experience and extensive accounting work experience, including additional internal audit professionals to serve internal audit functions, and intend to hire additional similarly qualified personnel in the future, including those with U.S.-listed company experience, U.S. CPA certificate or experience working in a Big Four international accounting firm. We have developed and implemented a full set of U.S. accounting policies and financial reporting procedures as well as related internal control policies, including a formal asset safeguard policy, and plan to continually enhance and improve these policies and procedures to meet updated U.S. GAAP requirements and our reporting obligations as an U.S.-listed company. We expect that these accounting policies and financial reporting procedures will be carried out by a qualified supporting staff overseen by our chief financial officer, who will be responsible for the final results and the quality of implementation. Moreover, we have engaged a team of professional advisors to assist us to improve our corporate governance, internal control procedures and help us design and implement a structured control environment for complying with the Sarbanes-Oxley Act of 2002, and we have devoted significant efforts to remedy any deficiencies or control gaps identified in the process. We intend to establish an independent audit committee to supervise the above measures; we have identified several qualified individuals with extensive U.S. GAAP and U.S.-listed company experience and intend to appoint one to serve as a financial expert and chairman of our audit committee. We are also drafting an anti-fraud policy and a whistle-blowing program which we expect to implement in the third quarter of 2012. We expect to complete the measures above as soon as practicable and we will continue to implement measures to remedy our internal control deficiencies in order to meet the deadline imposed under Section 404 of the Sarbanes-Oxley Act. However, the implementation of these measures may not fully address the existing significant deficiency in our internal control over financial reporting, and we cannot yet conclude that it has been fully remedied.

The process of designing and implementing an effective financial reporting system is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to expend significant resources to maintain a financial reporting system that is adequate to satisfy our reporting obligations. See “Risk Factors—Risks Relating to Our Business—If we fail to implement and maintain an effective system of internal controls, we may be unable to accurately report our results of operations or prevent fraud or fail to meet our reporting obligations, and investor confidence and the market price of our ADSs may be materially and adversely affected.”

Results of Operations

The following table sets forth a summary of our consolidated results of operations for the periods indicated. Our business has grown rapidly since our inception. Our limited operating history makes it difficult to predict future operating results. We believe that period-to-period comparisons of results of operations should not be relied upon as indicative of future performance.

	For the Year Ended December 31,							For the Six Months Ended June 30,				
	2009		2010		2011			2011		2012		
	RMB	% of total net revenues	RMB	% of total net revenues	RMB	US$	% of total revenues	RMB	% of total revenues	RMB	US$	% of total revenues
	(in thousands, except for percentages)											
Total net revenues[1]	32,710	100.0	128,338	100.0	319,655	50,820	100.0	118,760	100.0	324,450	51,071	100.0
IVAS:												
Online game	12,976	39.7	86,316	67.3	165,933	26,380	51.9	71,679	60.4	150,398	23,674	46.4
YY Music	—	—	—	—	52,854	8,403	16.5	9,645	8.1	92,721	14,595	28.6
Others	853	2.6	1,282	1.0	13,589	2,161	4.3	1,969	1.6	30,961	4,873	9.5
Online advertising	18,881	57.7	40,740	31.7	87,279	13,876	27.3	35,467	29.9	50,370	7,929	15.5
Cost of revenues	(28,849)	(88.2)	(110,062)	(85.8)	(182,699)	(29,046)	(57.2)	(78,349)	(66.0)	(164,138)	(25,836)	(50.6)
Gross profit	3,861	11.8	18,276	14.2	136,956	21,774	42.8	40,411	34.0	160,312	25,235	49.4
Operating expenses												
Research and development expenses	(12,597)	(38.5)	(49,219)	(38.4)	(106,804)	(16,980)	(33.4)	(43,215)	(36.4)	(77,809)	(12,248)	(24.0)
Sales and marketing expenses	(4,951)	(15.1)	(12,363)	(9.6)	(13,381)	(2,127)	(4.2)	(7,917)	(6.7)	(4,862)	(765)	(1.5)
General and administrative expenses	(32,878)	(100.5)	(192,222)	(149.8)	(118,241)	(18,798)	(37.0)	(59,165)	(49.8)	(50,170)	(7,897)	(15.5)
Total operating expenses	(50,426)	(154.2)	(253,804)	(197.8)	(238,426)	(37,905)	(74.6)	(110,297)	(92.9)	(132,841)	(20,910)	(40.9)
Government grants	—	—	—	—	1,982	315	0.6	—	—	671	106	0.2
Operating (loss) Income	(46,565)	(142.4)	(235,528)	(183.5)	(99,488)	(15,816)	(31.1)	(69,886)	(58.8)	28,142	4,431	8.7
Foreign currency exchange (loss) gain, net	(15)	(0.0)	(551)	(0.4)	14,143	2,248	4.4	4,014	3.4	(1,786)	(281)	(0.6)
Interest income	46	0.1	56	0.0	4,890	777	1.5	1,348	1.1	5,986	942	1.8
(Loss) income before income tax expenses	(46,534)	(142.3)	(236,023)	(183.9)	(80,455)	(12,791)	(25.2)	(64,524)	(54.3)	32,342	5,092	10.0
Income tax expenses	(391)	(1.2)	(2,322)	(1.8)	(1,343)	(214)	(0.4)	(3,365)	(2.8)	(11,152)	(1,755)	(3.4)
(Loss) income before loss in equity method investments, net of income taxes	(46,925)	(143.5)	(238,345)	(185.7)	(81,798)	(13,005)	(25.6)	(67,889)	(57.2)	21,190	3,337	6.5
Losses in equity method investment, net of income taxes	(191)	(0.6)	(512)	(0.4)	(1,358)	(216)	(0.4)	(746)	(0.6)	(374)	(60)	(0.1)
Net (loss) income attributable to YY Inc.	(47,116)	(144.0)	(238,857)	(186.1)	(83,156)	(13,221)	(26.0)	(68,635)	(57.8)	20,816	3,277	6.4

(1) Net of rebates and discounts.

Six Months Ended June 30, 2012 Compared to Six Months Ended June 30, 2011

Net Revenues. Our net revenues increased by 173.2% from RMB118.8 million in the six months ended June 30, 2011 to RMB324.4 million (US$51.1 million) in the six months ended June 30, 2012. This increase was primarily due to increases in our online game revenues and the increased contribution of revenues from YY Music, which was officially launched in March 2011 as well as our membership program, which was launched in October 2011, and to a lesser extent, an increase in our online advertising revenues.

IVAS revenues. Our IVAS revenues, which consisted of revenues from online games and YY Music as well as other sources, increased by 229.5% from RMB 83.3 million in the six months ended June 30, 2011 to

RMB274.1 million (US$ 43.1 million) in the same period in 2012. The overall increase primarily reflected an increase in the number of paying users and, to a lesser extent, an increase in ARPU. Our number of paying users increased from approximately 524, 000 for the six months ended June 30, 2011 to 1,277, 000 the six months ended June 30, 2012. This increase in paying users was attributable to (i) a significant increase in the number of monthly active users from 48. 8 million in June 2011 to 66. 3 million in June 2012, (ii) an increase in the number of web games we operated and therefore the volume of new virtual items a user may purchase and (iii) the official launch and increasing popularity of YY Music and the introduction of our membership program. Our ARPU for IVAS increased from RMB159.1 for the six months ended June 30, 2011 to RMB214.6 (US$33.8) for the six months ended June 30, 2012.

Revenues from online games, all from web games, increased by 109.8% from RMB71.7 million in the six months ended June 30, 2011 to RMB150.4 million (US$23.7 million) in the same period in 2012. The number of online games we hosted increased from 30 as of June 30, 2011 to 57 as of June 30, 2012. Our paying users for online games increased from approximately 399,000 for the six months ended June 30, 2011 to 526,000 for the six months ended June 30, 2012.

Revenues from YY Music, which was officially launched in March 2011, increased from RMB9.6 Million for the six months ended June 30, 2011 to RMB92.7 million (US$14.6 million) for the six months ended June 30, 2012. In addition to the increase in paying users and ARPU, the increase in YY Music IVAS revenues was also due to the increasing popularity of YY Music since its official launch. The increasing popularity of YY Music is attributable to several factors: (a) in June 2011, we began paying performers and channel owners on YY Music, which attracted more talented performers and channel owners to our platform and resulted in greater performer and channel owner participation on YY channels, which in turn led to higher attendance in YY channels, more loyal audiences and more paying users; (b) we have expanded the range of virtual item offerings on YY Music since its inception, and these virtual items now include flowers, glow sticks, beer and chocolate, and (c) we launched video functionalities in YY Music channels in the first quarter of 2012, which helped further enhance the attractiveness of YY Music to users. We believe that the combination of higher audience participation, a growing range of appealing virtual items offered and enhanced functionalities on YY Music have all contributed to the increased revenues generated from the sale of virtual items on YY Music. Our paying users for YY Music increased from approximately 97,000 for the six months ended June 30, 2011 to 400,000 for the six months ended June 30, 2012.

Other revenues, which primarily consisted of membership subscription fees, increased from RMB2.0 million in the six months ended June 30, 2011 to RMB31.0 million (US$4.9 million) in the six months ended June 30, 2012. This increase was primarily attributable to an increase in the number of users who subscribed to our membership program and paid the monthly subscription fee; we had approximately 301,000 such members as of June 30, 2012.

Online advertising revenues. Our online advertising revenues increased by 42.0% from RMB35.5 million in the six months ended June 30, 2011 to RMB50.4 million (US$7.9 million) in the same period in 2012. This increase was primarily attributable to an increase in the average revenue per advertiser which increased from approximately RMB427,000 in the six months ended June 30, 2011 to RMB504,000 (US$79,000) in the same period in 2012. This increase was partly driven by (a) the increase in the number of our average daily unique visitors to Duowan.com from 6.8 million in June 2011 to 19.9 million in June 2012, making online advertising on Duowan.com more attractive to a larger number of online game developers as an effective way to market games to a larger audience, (b) an increase in the average prices for our advertising slots due to Duowan.com's increasing popularity, and (c) the effective efforts of our sales and marketing team in promoting advertising on Duowan.com.

Cost of Revenues. Our cost of revenues increased by 109.5% from RMB78.3 million in the six months ended June 30, 2011 to RMB164.1 million (US$25.8 million) in the same period in 2012. The increase in our cost of revenues was due in large part to increases in bandwidth costs, which increased by 95.7% from RMB32.8 million in the six months ended June 30, 2011 to RMB64.2 million (US$10.1 million) in the same

period in 2012 and an increase in our YY Music activities costs. The increase in bandwidth costs was primarily due to (i) an increase in the amount of bandwidth required since we provided video functionality to an increasing number of our channels in the six months ended June 30, 2012 and (ii) an increase in the number of monthly active users on YY Client from approximately 48.8 million in June 2011 to 66.3 million in June 2012. Our YY Music activities costs, primarily consisting of the portion of revenues shared with performers and channel owners in different YY Music channels, amounted to RMB30.5 million (US$4.8 million) in the six months ended June 30, 2012 as our IVAS revenues from the sale of virtual items on YY Music channels increased. In addition, salary and welfare costs increased from RMB15.9 million in the six months ended June 30, 2011 to RMB20.4 million (US$3.2 million) in the same period in 2012, mainly due to our hiring of additional employees to serve our rapidly expanding user base. Payment handling costs increased from RMB4.8 million in the six months ended June 30, 2011 to RMB8.9 million (US$1.4 million) in the same period in 2012, primarily because of the higher IVAS sales and an increase in the number of users paying through third party payment channels.

Operating Expenses. Our operating expenses increased by 20.4% from RMB110.3 million in the six months ended June 30, 2011 to RMB132.8 million (US$20.9 million) in the same period in 2012, primarily due to an increase in research and development expenses, which reflected the general growth of our business operations, partially offset by a decrease in share-based compensation expenses.

Research and development expenses. Our research and development expenses increased by 80.1% from RMB43.2 million in the six months ended June 30, 2011 to RMB77.8 million (US$12.2 million) in the same period in 2012. This increase was primarily due to a significant increase in salaries and other benefits for research and development personnel, which was in turn mainly driven by an increase in our research and development staff, especially engineers, from 281 as of June 30, 2011 to 584 as of June 30, 2012. In addition, share-based compensation allocated to research and development expenses increased from RMB13.9 million in the six months ended June 30, 2011 to RMB19.7 million (US$3.1 million) in the same period in 2012.

Sales and marketing expenses. Our sales and marketing expenses decreased by 38.6% from RMB7.9 million in the six months ended June 30, 2011 to RMB4.9 million (US$0.8 million) in the same period in 2012. This decrease was primarily due to the fact that in the six months ended June 30, 2011, we conducted a one-time publicity campaign for Duowan.com on a third party website; we did not subsequently conduct similar publicity campaigns, leading to a decrease in our sales and marketing expenses. Share-based compensation allocated to sales and marketing expenses decreased from RMB660,000 in the six months ended June 30, 2011 to RMB500,000 (US$78,703) in the six months ended June 30, 2012.

General and administrative expenses. Our general and administrative expenses decreased by 15.2% from RMB59.2 million in the six months ended June 30, 2011 to RMB50.2 million (US$7.9 million) in the same period in 2012. This decrease was primarily due to a lower amount of share-based compensation expenses being allocated to general and administrative expenses from RMB48.2 million in the six months ended June 30, 2011 to RMB29.6 million (US$4.7 million) in the six months ended June 30, 2012.

Foreign Currency Exchange Gains (loss). We had net foreign currency exchange loss of RMB1.8 million (US$0.3 million) in the six months ended June 30, 2012, compared to a net foreign currency exchange gain of RMB4.0 million in the same period in 2011. This decrease was primarily due to the fact that we converted our proceeds from the issuance of common shares to an existing shareholder from U.S. dollars into Renminbi and the fact that the value of the Renminbi depreciated against the U.S. dollar during the six months ended June 30, 2012.

Interest Income. Our interest income increased from RMB1.3 million in the six months ended June 30, 2011 to RMB6.0 million (US$0.9 million) in the same period in 2012. This increase was primarily due to higher levels of cash on hand, partly as a result of depositing the proceeds from the issuance of common shares to Tiger Global Six YY Holdings into various bank accounts.

Income Tax Expenses. We recorded income tax expenses of RMB3.4 million in the six months ended June 30, 2011 compared to RMB11.2 million (US$1.8 million) in the same period in 2012. This increase was primarily due to the higher revenues recorded by certain of our PRC subsidiaries.

Net Income. As a result of the foregoing, we had a net income of RMB20.8 million (US$3.3 million) in the six months ended June 30, 2012 as compared to a net loss of RMB68.6 million in the same period in 2011.

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Net Revenues. Our net revenues increased by 149.2% from RMB128.3 million in 2010 to RMB319.7 million (US$50.3 million) in 2011. This increase was due to increases in both our online advertising revenues and online game revenues and the contribution of revenues from YY Music, which was officially launched in March 2011.

IVAS revenues. Our IVAS revenues, which consisted of revenues from online games and YY Music as well as other sources, increased significantly from RMB87.6 million in 2010 to RMB232.4 million (US$36.6 million) in 2011. The overall increase primarily reflected an increase in the number of paying users which partly led to a decrease in ARPU. The number of our paying users increased from approximately 492,000 in the year ended December 31, 2010 to 1.4 million in the year ended December 31, 2011. This increase in paying users was attributable to (i) a significant increase in the number of monthly active users from 35.4 million in December 2010 to 53.4 million in December 2011, (ii) an increase in the number of online games we operated from 2010 to 2011 and (iii) the official launch and increasing popularity of YY Music and the introduction of our membership program. Our ARPU for IVAS users decreased from RMB177.9 in 2010 to RMB164.3 (US$25.9) in 2011, primarily driven by the increase in the number of paying users which grew at a rate faster than the IVAS revenues for the period primarily due to the launch of YY Music in March 2011 and our membership program in October 2011, the latter of which charges a relatively low membership fee of RMB20.0 per month and partly offset by the increasing average price we charged for virtual items in 2011.

Revenues from online games, all from web games, increased significantly from RMB86.3 million in 2010 to RMB165.9 million (US$26.1 million) in 2011. The number of online games we hosted increased from 23 as of December 31, 2010 to 45 as of December 31, 2011, raising the volume of new virtual items available for purchase. Our number of paying users for online games increased from approximately 492,000 for the year ended December 31, 2010 to 871,000 for the year ended December 31, 2011.

Revenues from YY Music, which was launched in March 2011 and became increasingly popular during the year, amounted to RMB52.9 million (US$8.3 million) for 2011. Our paying users for YY Music amounted to approximately 225,000 for the fourth quarter of 2011.

Other revenues, which primarily consisted of membership subscription fees and other services, increased significantly from RMB1.3 million in 2010 to RMB13.6 million (US$2.1 million) in 2011. This increase was primarily attributable to the launching of our membership program in October 2011 and other services.

Online advertising revenues. Our online advertising revenues increased by 114.5% from RMB40.7 million in 2010 to RMB87.3 million (US$13.7 million) in 2011. This increase was primarily attributable to an increase in the average revenue per advertiser and, to a lesser extent, an increase in the number of advertisers. The average revenue per advertiser increased from RMB340,000 in 2010 to RMB623,000 (US$98,000) in 2011, and the number of our advertisers increased from 120 in 2010 to 140 in 2011. These increases were partly driven by (a) the increase in the number of our average daily unique visitors to Duowan.com from 5.5 million in December 2010 to 9.9 million in December 2011, making online advertising on Duowan.com more attractive to a larger number of online game developers as an effective way for them to market their games to a larger audience, and (b) the effective efforts of our sales and marketing team to acquire new advertisers and promote our advertising services to existing advertisers.

Cost of Revenues. Our cost of revenues increased by 66.0% from RMB110.1 million in 2010 to RMB182.7 million (US$28.8 million). The increase in our cost of revenues was due in large part to increases in bandwidth costs, which increased by 131.1% from RMB32.5 million in 2010 to RMB75.1 million (US$11.8 million) in 2011. The increase in bandwidth costs reflected an increase in the number of monthly active users on YY Client from approximately 35.4 million in December 2010 to 53.4 million in December 2011. In addition, salary and welfare costs increased from RMB23.5 million in 2010 to RMB33.4 million (US$5.3 million) in 2011, mainly due to our hiring of additional employees to serve our rapidly expanding user base. Share-based compensation, as allocated to cost of revenues, decreased from RMB31.7 million in 2010 to RMB15.4 million (US$2.4 million) in 2011. Payment handling costs increased from RMB6.8 million in 2010 to RMB9.3 million (US$1.5 million) in 2011, primarily because our users purchased more virtual items through third party payment channels. The increase in our cost of revenues was also attributable to the YY Music activities costs of RMB6.8 million (US$1.1 million) we incurred in the year of 2011.

Operating Expenses. Our operating expenses decreased by 6.1% from RMB253.8 million in 2010 to RMB238.4 million (US$37.5 million), primarily due to a decrease in general and administrative expenses, partly offset by increases in research and development expenses and sales and marketing expenses, which reflected the general growth of our business operations and the significant share-based compensation expenses we incurred.

Research and development expenses. Our research and development expenses increased by 117.1% from RMB49.2 million in 2010 to RMB106.8 million (US$16.8 million) in 2011. This increase was primarily due to a significant increase in salaries and other benefits for research and development personnel, which was in turn mainly due to an increase in our research and development staff headcount from 194 as of December 31, 2010 to 401 as of December 31, 2011. In addition, share-based compensation allocated to research and development expenses increased from RMB21.6 million in 2010 to RMB31.7 million (US$5.0 million) in 2011.

Sales and marketing expenses. Our sales and marketing expenses increased by 8.1% from RMB12.4 million in 2010 to RMB13.4 million (US$2.1 million) in 2011. This increase was primarily due to a significant increase in salaries, commissions and other benefits for our sales and marketing personnel, partly offset by a decrease in share-based compensations allocated to sales and marketing expenses from RMB1.5 million in 2010 to RMB1.3 million (US$0.2 million) in 2011.

General and administrative expenses. Our general and administrative expenses decreased by 38.5% from RMB192.2 million in 2010 to RMB118.2 million (US$18.6 million) in 2011. This decrease was primarily due to a significant decrease in share-based compensation expenses allocated to general and administrative expenses, from RMB182.1 million in 2010 to RMB86.5 million (US$13.6 million) in 2011.

Foreign Currency Exchange (Losses) Gains. We had a net foreign currency exchange loss of RMB551,000 in 2010 and a net foreign currency exchange gain of RMB14.1 million (US$2.2 million) in 2011. This increase was primarily due to the fact that we converted approximately US$75.0 million of the proceeds from the issuance of common shares to Tiger Global Six YY Holdings from U.S. dollars into Renminbi and the fact that the value of the Renminbi rose against the U.S. dollar during 2011.

Interest Income. Our interest income increased from RMB56,000 in 2010 to RMB4.9 million (US$771,000) in 2011. This increase was primarily due to higher levels of short-term deposits as a result of additional cash received from of our issuance of common shares to Tiger Global Six YY Holdings during 2011.

Income Tax Expenses. We had income tax expenses of RMB2.3 million in 2010 and RMB1.3 million (US$205,000) in 2011, respectively. This decrease was primarily due to the fact that our deferred income tax benefits increased in 2011; Zhuhai Duowan claimed 150% of its research and development expenses for the year in assessing its tax assessable profits in 2011, in line with a policy promulgated by the State Tax Bureau of the PRC for enterprises engaged in research and development activities.

Net Loss. As a result of the foregoing, our net loss decreased from RMB238.9 million in 2010 to RMB83.2 million (US$13.1 million) in 2011.

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Net Revenues. Our net revenues increased by 292.4% from RMB32.7 million in 2009 to RMB128.3 million in 2010. This increase was due to increases in both our online advertising revenues and online game revenues.

IVAS revenues. Our IVAS revenues, which primarily consisted of revenues from online games, increased significantly from RMB13.8 million in 2009 to RMB87.6 million in 2010. Revenues from IVAS from online games, all from web games, increased by 563.8% from RMB13.0 million in 2009 to RMB86.3 million in 2010, reflecting primarily an increase in the number of our paying users and, to a lesser extent, an increase in ARPU. The number of our paying users increased from approximately 147,000 in the six months ended December 31, 2009 to 492,000 in the year ended December 31, 2010. This increase in paying users was attributable to (a) a significant increase in the number of monthly active users from 16.2 million in January 2010 to 35.4 million in December 2010, and (b) an increase in the number of online games we operated from the end of 2009 to the end of 2010, from 13 to 23, raising the volume of new virtual items a user may purchase. Our ARPU for IVAS increased to RMB177.9 in 2010, primarily driven by the increasing average price we charged for virtual items in 2010.

Online advertising revenues. Our online advertising revenues increased by 115.3% from RMB18.9 million in 2009 to RMB40.7 million in 2010. This increase was attributable to the increase in the number of advertisers and an increase in the average revenue per advertiser. The number of our advertisers increased from 105 in 2009 to 120 in 2010, and the average revenue per advertiser increased from RMB180,000 in 2009 to RMB340,000 in 2010. These increases were partly driven by (a) the increase in the number of our average daily unique visitors to Duowan.com from 4.5 million in December 2009 to 5.5 million in December 2010, making online advertising on Duowan.com more attractive to a larger number of online game developers as an effective way for them to market their games to a larger audience, and (b) the effective efforts of our sales and marketing team to acquire new advertisers and promote our advertising services to existing advertisers.

Cost of Revenues. Our cost of revenues increased by 282.3% from RMB28.8 million in 2009 to RMB110.1 million in 2010. The increase in our cost of revenues was due in large part to increases in bandwidth costs, which increased by 282.4% from RMB8.5 million in 2009 to RMB32.5 million in 2010. The increase in bandwidth costs reflected an increase in the number of monthly active users on YY Client from approximately 16.2 million in January 2010 to 35.4 million in December 2010. In addition, salary and welfare costs increased from RMB6.9 million in 2009 to RMB23.5 million in 2010, mainly due to our hiring of additional employees to serve our rapidly expanding user base. Share-based compensation, as allocated to cost of revenues, increased from RMB5.3 million in 2009 to RMB31.7 million in 2010. Payment handling costs increased from RMB1.7 million in 2009 to RMB6.8 million in 2010, primarily because our users purchased more virtual items through third party payment channels.

Operating Expenses. Our operating expenses increased by 403.6% from RMB50.4 million in 2009 to RMB253.8 million in 2010, primarily due to increases in research and development, general and administrative expenses as well as sales and marketing expenses, which reflected the general growth of our business operations and the significant share-based compensation expenses we incurred.

Research and development expenses. Our research and development expenses increased by 290.5% from RMB12.6 million in 2009 to RMB49.2 million in 2010. This increase was primarily due to a significant increase in salaries and other benefits for research and development personnel, which was in turn mainly due to an increase in our research and development staff headcount from 100 as of December 31, 2009 to 194 as of December 31, 2010. In addition, share-based compensation allocated to research and development expenses increased significantly from RMB2.5 million in 2009 to RMB21.6 million in 2010.

Sales and marketing expenses. Our sales and marketing expenses increased by 148.0% from RMB5.0 million in 2009 to RMB12.4 million in 2010. This increase was primarily due to a significant increase in salaries, commissions and other benefits for our sales and marketing personnel. Share-based compensations

allocated to sales and marketing expenses increased from RMB0.2 million in 2009 to RMB1.5 million in 2010.

General and administrative expenses. Our general and administrative expenses increased by 484.2% from RMB32.9 million in 2009 to RMB192.2 million in 2010. This increase was primarily due to a significant increase in share-based compensation expenses, from RMB28.5 million in 2009 to RMB182.1 million in 2010, and, to a lesser extent, an increase in salaries and other benefits for our management team and other employees.

Foreign Currency Exchange Losses. Our net foreign currency exchange losses increased from RMB15,000 in 2009 to RMB551,000 in 2010. This increase was primarily due to the conversion of proceeds from our Series C-1 and C-2 preferred shares financing from U.S. dollars into RMB and the fact that the value of the RMB rose against the U.S. dollar during 2010.

Interest Income. Our interest income increased from RMB46,000 in 2009 to RMB56,000 in 2010. This increase was primarily due to additional cash received as a result of our series C preferred shares financing during the year.

Income Tax Expenses. We had income tax expenses of RMB0.4 million in 2009 and RMB2.3 million in 2010. This change was primarily due to higher levels of revenues in certain of our PRC subsidiaries and PRC affiliated entities, such as Zhuhai Daren Computer Technology Company, or Zhuhai Daren.

Net Loss. As a result of the foregoing, our net loss increased from RMB47.1 million in 2009 to RMB238.9 million in 2010.

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Selected Quarterly Results of Operations

The following table presents our unaudited consolidated results of operations for the eight quarters in the period from July 1, 2010 to June 30, 2012. You should read the following table in conjunction with our audited and unaudited consolidated financial statements and related notes included elsewhere in this prospectus. We have prepared the unaudited condensed consolidated quarterly financial information on the same basis as our audited consolidated financial statements. This unaudited quarterly consolidated financial information includes all adjustments, consisting only of normal and recurring adjustments, that we consider necessary for a fair representation of our financial position and operating results for the quarters presented.

	For the Three Months Ended							
	September 30, 2010	December 31, 2010	March 31, 2011	June 30, 2011	September 30, 2011	December 31, 2011	March 31, 2012	June 30, 2012
	(Unaudited) *(in thousands of RMB, except for share, per share and per ADS data)*							
Internet value-added service								
—Online game	26,127	27,149	34,479	37,200	41,689	52,565	68,806	81,592
—YY Music	—	—	40	9,605	17,794	25,415	33,763	58,958
—Others	366	396	686	1,283	3,041	8,579	13,427	17,534
Online advertising	11,709	15,240	12,152	23,315	25,437	26,375	20,667	29,703
Total net revenues	38,202	42,785	47,357	71,403	87,961	112,934	136,663	187,787
Cost of revenues[1]	(29,973)	(39,921)	(37,237)	(41,112)	(48,354)	(55,996)	(68,954)	(95,184)
Gross profit	8,229	2,864	10,120	30,291	39,607	56,938	67,709	92,603
Operating expenses[1]								
Research and development expenses	(13,932)	(18,123)	(21,172)	(22,043)	(30,894)	(32,695)	(36,719)	(41,090)
Sales and marketing expenses	(3,452)	(2,996)	(3,722)	(4,195)	(2,705)	(2,759)	(2,046)	(2,816)
General and administrative expenses	(51,307)	(79,053)	(28,210)	(30,955)	(29,610)	(29,466)	(25,330)	(24,840)
Total operating expenses	(68,691)	(100,172)	(53,104)	(57,193)	(63,209)	(64,920)	(64,095)	(68,746)
Government grants	—	—	—	—	—	1,982	642	29
Operating (loss) income	(60,462)	(97,308)	(42,984)	(26,902)	(23,602)	(6,000)	4,256	23,886
(Loss) income before income tax expenses	(60,484)	(97,795)	(42,295)	(22,229)	(16,115)	184	7,215	25,127
Net (loss) income attributable to YY Inc.	(61,313)	(99,472)	(42,927)	(25,708)	(18,546)	4,025	3,521	17,295

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(1) Share-based compensation was allocated in cost of revenues and operating expenses as follows:

	For the Three Months Ended							
	September 30, 2010	December 31, 2010	March 31, 2011	June 30, 2011	September 30, 2011	December 31, 2011	March 31, 2012	June 30, 2012
	(Unaudited) *(in thousands of RMB)*							
Cost of revenues	8,566	13,076	4,408	4,832	3,533	2,676	2,171	2,215
Research and development expenses	5,843	8,917	6,624	7,263	9,754	8,031	9,641	10,090
Sales and marketing expenses	405	619	315	345	364	312	248	252
General and administrative expenses	49,197	75,088	22,983	25,198	20,867	17,496	15,473	14,170
Total:	64,011	97,700	34,330	37,638	34,518	28,515	27,533	26,727

The following table sets forth our historical unaudited consolidated selected quarterly results of operations for the periods indicated, as a percentage of total net revenues.

	For the Three Months Ended							
	September 30, 2010	December 31, 2010	March 31, 2011	June 30, 2011	September 30, 2011	December 31, 2011	March 31, 2012	June 30, 2012
	(Unaudited)							
Internet value-added service								
—Online game	68.4	63.5	72.8	52.1	47.4	46.5	50.3	43.4
—YY Music	—	—	0.1	13.5	20.2	22.5	24.7	31.4
—Others	1.0	0.9	1.4	1.8	3.5	7.6	9.8	9.3
Online advertising	30.7	35.6	25.7	32.7	28.9	23.4	15.1	15.8
Total net revenues	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Cost of revenues	(78.5)	(93.3)	(78.6)	(57.6)	(55.0)	(49.6)	(50.5)	(50.7)
Gross profit	21.5	6.7	21.4	42.4	45.0	50.4	49.5	49.3
Operating expenses								
Research and development expenses	(36.5)	(42.4)	(44.7)	(30.9)	(35.1)	(29.0)	(26.9)	(21.9)
Sales and marketing expenses	(9.0)	(7.0)	(7.9)	(5.9)	(3.1)	(2.4)	(1.5)	(1.5)
General and administrative expenses	(134.3)	(184.8)	(59.6)	(43.4)	(33.7)	(26.1)	(18.5)	(13.2)
Total operating expenses	(179.8)	(234.1)	(112.1)	(80.1)	(71.9)	(57.5)	(46.9)	(36.6)
Government grants	—	—	—	—	—	1.8	0.5	0.0
Operating (loss) income	(158.3)	(227.4)	(90.8)	(37.7)	(26.8)	(5.3)	3.1	12.7
(Loss) income before income tax expenses	(158.3)	(228.6)	(89.3)	(31.1)	(18.3)	0.2	5.3	13.4
Net (loss) income attributable to YY Inc.	(160.5)	(232.5)	(90.6)	(36.0)	(21.1)	3.6	2.6	9.2

Liquidity and Capital Resources

Cash Flows and Working Capital

To date, we have financed our operations primarily through private placements of preferred and common shares to investors as well as cash flows from operations. See "Description of Share Capital—History of Securities Issuances." As of June 30, 2012, we had RMB187.9 million (US$29.6 million) in cash and cash equivalents and RMB507.1 million (US$79.8 million) in short term deposits. We expect to require cash to fund our ongoing operational needs, particularly our bandwidth costs, salaries and benefits and potential acquisitions or strategic investments. We believe that our cash and the anticipated cash flow from operations will be sufficient to meet our anticipated cash needs for the next 12 months. However, we may require additional cash resources due to changing business conditions or other future developments, including any investments or acquisitions we may decide to selectively pursue. If our existing cash resources are insufficient to meet our requirements, we may seek to sell equity or equity-linked securities, debt securities or borrow from banks.

The following table sets forth a summary of our cash flows for the periods indicated:

	For the Year Ended December 31,				For the Six Months Ended June 30,		
	2009	2010	2011		2011	2012	
	RMB	RMB	RMB	US$	RMB	RMB	US$
	(in thousands)						
Net cash (used in) provided by operating activities	(4,476)	16,228	99,817	15,868	12,497	131,723	20,734
Net cash used in investing activities	(4,509)	(33,576)	(528,357)	(83,999)	(323,981)	(72,777)	(11,456)
Net cash provided by (used in) financing activities	74,629	(3,138)	477,882	75,975	317,045	—	—
Net increase (decrease) in cash and cash equivalents	65,644	(20,486)	49,342	7,844	5,561	58,946	9,278
Cash and cash equivalents at the beginning of the year period	40,797	106,427	83,683	13,304	83,683	128,891	20,288
Effect of exchange rates change on cash and cash equivalents	(14)	(2,258)	(4,134)	(657)	(2,153)	97	16
Cash and cash equivalents at the end of the year period	106,427	83,683	128,891	20,491	87,091	187,934	29,582

Operating Activities

Net cash used in or generated from operating activities consists primarily of our net loss mitigated by non-cash adjustments, such as share-based compensation, impairment of intangible asset, loss on disposal of property and equipment, deferred taxes and depreciation of property and equipment, and adjusted by changes in operating assets and liabilities, such as accounts receivable and accrued liabilities, account payables and other payables.

Net cash provided by operating activities for the six months ended June 30, 2012 was approximately RMB131.7 million (US$20.7 million), primarily resulting from RMB410.2 million (US$64.6 million) of cash revenues we received from the sale of IVAS and advertisements, partially offset by our employee salaries and welfare payment of RMB103.8 million (US$16.3 million), our sales-related cash outflow of RMB90.4 million (US$14.2 million), which mainly consisted of the amounts due to third party game developers under revenue-sharing arrangements, distributions under arrangements with performers and channel owners on YY Music, payment collection costs and business taxes, our payments for server maintenance and data center leases of RMB60.8 million (US$9.6 million) and our general operating costs of RMB23.5 million (US$3.7 million).

Net cash provided by operating activities for the year ended December 31, 2011 was approximately RMB99.8 million (US$15.9 million), primarily resulting from RMB395.8 million (US$62.9 million) of cash revenues we received from the sale of IVAS and advertisements, partially offset by our sales-related cash outflow of RMB81.9 million (US$13.0 million), which mainly consisted of the amounts due to third party game developers under revenue sharing arrangements, payment collection costs and business taxes, our employee salaries and welfare payment of RMB118.0 million (US$18.8 million), our payments for server maintenance and data center leases of RMB71.4 million (US$11.4 million) and our general operating costs of RMB24.7 million (US$3.9 million).

Net cash provided by operating activities for the year ended December 31, 2010 was approximately RMB16.2 million, primarily resulting from RMB151.0 million cash revenues we received from the sale of IVAS and advertisements, partially offset by our sales-related cash outflow of RMB33.9 million, which mainly consisted of the amounts due to third party game developers under revenue sharing arrangements, payment collection costs and business taxes, our employee salaries and welfare payment of RMB59.2 million, our payments for server maintenance and data center leases of RMB29.8 million and our general operating costs of RMB11.9 million.

Net cash used in operating activities for the year ended December 31, 2009 was approximately RMB4.5 million, primarily resulting from our employee salaries and welfare payment of RMB18.0 million, our payments for server maintenance and data center leases of RMB8.2 million, our sales-related cash outflow of RMB8.1 million, which mainly consisted of the amounts due to third party game developers under revenue sharing arrangements, payment collection costs and business taxes and our general operating costs of RMB6.7 million, partially offset by RMB36.5 million cash revenues we received from the sale of IVAS and advertisements.

Investing Activities

Net cash used in investing activities largely reflects purchases of property and equipment in connection with the expansion and upgrade of our technology infrastructure, purchases of intangibles assets and our equity investments in privately-held companies, such as associated game developers with whom we jointly operate online web games and or an online communications company which can increase our capacity for data delivery.

Net cash used in investing activities amounted to RMB72.8 million (US$11.5 million) in the six months ended June 30, 2012. Net cash used in investing activities primarily resulted from the placement of short-term deposits of RMB364.4 million (US$57.4 million), consideration of RMB11.7 million (US$1.8 million) paid in connection with an acquisition, and payments of RMB25.8 million (US$4.1 million) for the purchase of property and equipment, which mainly consisted of the purchase of servers to serve our expanded user base and, to a lesser extent, the purchase of office furniture and other office set-up related costs, partially offset by the maturity of term deposits in various banks in the amount of RMB330.0 million (US$51.9 million).

Net cash used in investing activities amounted to RMB528.4 million (US$84.0 million) in the year ended December 31, 2011. Net cash used in investing activities primarily resulted from the placement of short-term deposits of RMB872.4 million (US$138.7 million), payments of RMB47.0 million (US$7.5 million) for the purchase of property and equipment, which mainly consisted of the purchase of servers to serve our expanded user base and, to a lesser extent, the purchase of office furniture and other office set-up related costs, and equity investments of RMB4.5 million associated with the purchase of a minority equity interest in Zhuhai JinShan KuaiKuai Technology Co., Ltd., a company which provides online game technological research services in China, and Shenzhen Yingpeng Information Technology Company Limited, a company which provides mobile internet related content in China, partly offset by the maturity of term deposits in various banks in the amount of RMB399.7 million (US$63.5 million).

Net cash used in investing activities amounted to RMB33.6 million in 2010, primarily attributable to the acquisition of property and equipment in the amount of RMB14.7 million and the purchase of intangible assets in the amount of RMB13.5 million. The acquisition of property and equipment mainly consisted of the purchase of

servers to serve our expanded user base and, to a lesser extent, the purchase of office furniture and other office set-up related costs. The purchase of intangible assets primarily represented the purchase of domain names in preparation for the continued expansion of our platform.

Net cash used in investing activities amounted to RMB4.5 million in 2009, primarily attributable to the acquisition of property and equipment in the amount of RMB5.9 million and investments under the equity method in the amount of RMB1.0 million due to our acquisition of Zhuhai Daren, partially offset by the maturity of term deposits in various banks in the amount of RMB1.5 million and the repayment of a loan to a related party of RMB1.0 million. The repayment of the loan to a related party was due to the fact that we extended a RMB1.0 million loan to Zhuhai Daren in advance of the completion of our investment therein, treating the loan as a receivable. The loan was later repaid. The acquisition of property and equipment primarily related to the purchase of servers to serve an expanded user base.

Financing Activities

Net cash provided by financing activities amounted to nil in the six months ended June 30, 2012.

Net cash provided by financing activities was RMB477.9 million (US$76.0 million) in the year ended December 31, 2011, primarily attributable to proceeds from the issuance of common shares to Tiger Global Six YY Holdings, net of issuance costs, of RMB489.0 million (US$77.7 million), partially offset by our repurchase of share options in the amount of RMB11.1 million (US$1.8 million).

Net cash used in financing activities amounted to RMB3.1 million in 2010, primarily attributable to our repurchase of share options in the amount of RMB2.6 million in January 2010.

Net cash provided by financing activities amounted to RMB74.6 million in 2009, primarily attributable to proceeds from issuance of preferred shares in the amount of RMB80.3 million, partially offset by our repurchase of shares and warrants in the amount of RMB5.7 million.

Capital Expenditures

We made capital expenditures of RMB6.5 million, RMB34.9 million and RMB41.6 million (US$6.6 million) in 2009, 2010 and 2011, respectively. We incurred capital expenditure of approximately RMB45.2 million (US$7.1 million) for the six months ended June 30, 2012. Our capital expenditures are primarily used to purchase computers, servers, office furniture and other equipment. As we expand, we may move to larger offices and purchase additional office furniture and other equipment.

Contractual Obligations and Capital Commitments

The following table sets forth our contractual obligations as of December 31, 2011:

	Payment Due by Period				
	Total	Less than 1 year	1-2 years	2-3 years	More than 3 years
	(in thousands of RMB)				
Operating lease obligations[1]	50,833	10,987	12,448	13,561	13,837

(1) Operating lease obligations refer to the lease of bandwidth and offices under operating lease agreements, where a significant portion of the risks and rewards of ownership are retained by the lessor. Payments made under operating leases are charged to the consolidated statements of operations on a straight-line basis over the period of the lease, including any free lease periods.

Our operating lease obligations increased from December 31, 2011 to June 30, 2012 primarily because we entered into new leases for expanded office space. In the six months ended June 30, 2012, we incurred capital

commitments amounting to RMB500,000 (US$78,703) for leasehold improvements which were contracted but not yet reflected in our financial statements.

Off-Balance Sheet Commitments and Arrangements

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholder's equity or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or product development services with us.

Inflation

Since our inception, inflation in China has not materially impacted our results of operations. According to the National Bureau of Statistics of China, the change of consumer price index, or CPI, in China was (0.7)%, 3.3% and 5.4% in 2009, 2010 and 2011, respectively. The CPI rose by 2.2% in the first six months of 2012 compared to the same period in 2011. Although we have not in the past been materially affected by inflation since our inception, we can provide no assurance that we will not be affected in the future by higher rates of inflation in China.

Contract for Dandan Tang

A Joint Operation Agreement dated July 1, 2011 was entered into between the Zhuhai branch of Guangzhou Huaduo and 7th Road for the joint operation of Dandan Tang, one of our most popular online games, and to provide relevant game-related services. The original term of this agreement was one year from the signing date and the agreement was automatically renewed till June 30, 2013. Under the agreement, 7th Road granted the Zhuhai branch of Guangzhou Huaduo non-exclusive, non-transferable rights to conduct certain activities with respect to Dandan Tang, including but not limited to operating the game and the use of the authorized trademarks and domain name associated with the game. Guangzhou Huaduo, pursuant to the agreement, supplies all necessary hardware and equipment to provide game services relating to Dandan Tang and guarantees the smooth operation of the servers and network in addition to using its best efforts to promote and market the game. 7th Road is responsible for resolving any issues encountered in Dandan Tang's operations and may update the game from time to time. Both parties are to share a certain percentage of the net income derived from the game on a monthly basis.

Quantitative and Qualitative Disclosure about Market Risk

Foreign Exchange Risk

The revenues and expenses of our subsidiaries and PRC consolidated affiliated entities are generally denominated in RMB and their assets and liabilities are denominated in RMB. Our financing activities are denominated in U.S. dollars.

To date, we have not entered into hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. Although our exposure to foreign exchange risks is generally limited, the value of your investment in our ADSs will be affected by the exchange rate between the U.S. dollar and the RMB because the value of our business is effectively denominated in RMB, while our ADSs will be traded in U.S. dollars.

The RMB is not freely convertible into foreign currencies. Remittances of foreign currencies into the PRC and exchange of foreign currencies into RMB require approval by foreign exchange administrative authorities and certain supporting documentation. The State Administration for Foreign Exchange, under the authority of the People's Bank of China, controls the conversion of RMB into other currencies.

The value of the RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. The conversion of RMB into foreign currencies, including U.S. dollars, has been based on rates set by the People's Bank of China. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the RMB to the U.S. dollar. Under the revised policy, the RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy resulted in a more than 20% appreciation of the RMB against the U.S. dollar in the following three years. Since July 2008, however, the RMB has traded within a narrow range against the U.S. dollar. As a consequence, the RMB has fluctuated significantly since July 2008 against other freely traded currencies, in tandem with the U.S. dollar. On June 20, 2010, the People's Bank of China announced that the PRC government would further reform the Renminbi exchange rate regime and increase the flexibility of the exchange rate. It is difficult to predict how this new policy may impact the Renminbi exchange rate. To the extent that we need to convert U.S. dollars we receive from this offering into RMB for our operations, appreciation of the RMB against the U.S. dollar would have an adverse effect on the RMB amount we receive from the conversion. Conversely, if we decide to convert the RMB into U.S. dollars for the purpose of making payments for dividends on our common shares or ADSs or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amounts available to us.

Interest Risk

Our exposure to interest rate risk primarily relates to the interest income generated by excess cash, which is mostly held in interest-bearing bank deposits. Interest-earning instruments carry a degree of interest rate risk. We have not been exposed to, nor do we anticipate being exposed to, material risks due to changes in market interest rates. However, our future interest income may fall short of expectations due to changes in market interest rates.

Critical Accounting Policies

We prepare our financial statements in conformity with U.S. GAAP, which requires us to make estimates and assumptions that affect our reporting of, among other things, assets and liabilities, revenues and expenses. We regularly evaluate these estimates and assumptions based on the most recently available information, our own historical experiences and other factors that we believe to be relevant under the circumstances. Since our financial reporting process inherently relies on the use of estimates and assumptions, our actual results could differ from these estimates. This is especially true with some accounting policies that require higher degrees of judgment than others in their application. We consider the policies discussed below to be critical to an understanding of our audited consolidated financial statements because they involve the greatest reliance on our management's judgment.

Revenue Recognition and Deferred Revenue

We generate revenues from IVAS and online advertising. Revenues from IVAS are generated based on the revenue-sharing with game developers for direct purchase and conversion of game tokens, sales of virtual items in online games, YY Music and other channels, and membership subscription fees, as well as other IVAS. Online advertising revenues are primarily generated from sales of different forms of advertising on Duowan.com. Revenue is recognized when persuasive evidence of an arrangement exists, service has been rendered, the price is fixed or determinable and collection is reasonably assured. Revenue is deferred until these criteria are met as describe below.

In October 2009, the Financial Accounting Standards Board (the "FASB") issued a new guidance to address the accounting for multiple-deliverable arrangements. This new guidance is effective prospectively in fiscal years beginning upon or after June 15, 2010, and early adoption is permitted. We have elected early adoption of this new guidance through a retrospective application to all revenue arrangements for all periods presented in our financial statements included elsewhere in this prospectus.

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IVAS

We offer our IVAS on our platform, including online games, YY Music and membership. Users can play web games and participate in YY Music through our platform free of charge, but they are charged when they purchase virtual items. In addition, users who subscribe to our membership program pay monthly fees in order to enjoy certain functions and privileges unavailable to other users. We operate a virtual currency system under which our users can directly purchase our virtual currency, game tokens and virtual items on YY Client's online community channels or pay membership subscription fees via third-party payment systems, including payments using mobile phones and internet debit/credit card payments. Our virtual currency can be used to (a) convert into game tokens that can be used to purchase virtual items in online games, (b) purchase virtual items in channels on YY Client, or (c) pay monthly membership subscription fees. Virtual currency sold but not yet consumed by the users is recorded as "advances from users" and, upon being converted or used, is recognized as revenue according to the respective prescribed revenue recognition policies addressed below:

Online games

Users play online games on our website free of charge, but they are charged for purchases of in-game virtual items including consumable and perpetual items, which can be utilized in the online games to enhance their game-playing experience. Currently, these online games on our platform that contribute to IVAS revenues are all web games. Consumable items represent virtual items that can be consumed by a specific user within a specified period of time. Perpetual items represent virtual items that are accessible to the user's account over the life of the online game. Almost all of these online games can be accessed and played by users on our platform without downloading separate software.

We recognize revenues when recognition criteria defined under U.S. GAAP are satisfied. For purposes of determining when the service has been provided, we have determined that there is an implied obligation for us to the paying user to continue providing access to the games such that the users can utilize the virtual items purchased by game tokens. Game players need to log on and access the games through our platform because their virtual currency, game tokens, virtual items, and game history are specific to our game accounts and are non-transferable to other platforms. To purchase in-game virtual items, our users can either charge their game accounts by purchasing game tokens, or virtual currency from our platform, which are convertible into game tokens based on a predetermined exchange rate agreed among us and the relevant game developers. To purchase virtual items for YY client channel activities, our users can consume their virtual currency directly.

The proceeds from the purchase of our virtual currency is recorded as an "advance from users," representing prepayments received from users in the form of our virtual currency but not yet consumed or converted into game specific tokens. Upon the conversion into a game token from our virtual currency or upon the direct purchase of a game token, whichever is applicable, the proceeds will be shared between us and the relevant game developer based on a predetermined contractual ratio. Our portion, net of the game developer's proceeds, is recorded as deferred revenue and amortized according to the prescribed revenue recognition policies described below. Game tokens are non-refundable and non-exchangeable among different games. Users typically do not convert our virtual currency into game tokens or purchase game tokens unless they soon plan to purchase in-game virtual items.

We generate revenues from offering online games developed by both third parties and by ourselves. The majority of online game revenues have been derived from third party developed games.

Third party developed games

Under contracts signed between us and the respective game developers, revenues from the sale or conversion of game tokens to be used for the purchase of in-game virtual items derived from online games

developed by third parties are shared between us and the game developers based on a pre-agreed ratio for each game. These revenue-sharing arrangements typically last for a range of one year to two years.

The third party developed games under non-exclusive licensing contracts are maintained and updated by the game developers. We mainly provide access to the platform and limited after-sale services to the game players. The determination of whether to record these revenues using the gross or net method is based on an assessment of various factors; the primary factors are whether we act as the principal in offering services to the game players or as agent in the transaction, and the specific requirements of each contract. We determined that for third party developed games, the third party game developers are the principal given that the game developers design and develop the game services offered, have reasonable latitude to establish prices of game tokens, and are responsible for maintaining and upgrading the game content and virtual items. Accordingly, we record online game revenue net of the pre-agreed portion of revenue sharing with the game developers.

Given that third party developed games are managed and administered by the third party game developers, we do not have access to the data on the consumption details such as when a game token is spent on the virtual items or the types of virtual items (consumable or perpetual items) purchased by each individual game player. However, we maintain historical data on the timing of the conversion of our virtual currency into game-specific tokens and the amount of game tokens purchased. We believe that our performance for, and obligation to, the game developers correspond to the game developers' services to the users. We have adopted a policy to recognize revenues relating to game tokens for third party developed games over the estimated user relationship with us on a game-by-game basis, which are approximately three to six months for the periods presented. Future usage patterns may differ from historical usage patterns and therefore the estimated user relationship with us may change in the future.

When we launch a new game, we estimate the user relationship based on other similar types of games in the market until the new game establishes its own history. We also consider the game's profile, attributes, target audience, and its appeal to players of different demographic groups in estimating the user relationship period.

The estimated user relationship period is based on data collected from those users who have acquired game tokens. To estimate the period of the user relationship, we maintain a software system that captures the following information for each user: (a) the frequency that users log into each game via our platform, and (b) the amount and the timing of when users charge or convert his or her game tokens. We estimate the user relationship period for a particular game to be (1) the date a player purchases or converts from virtual currency to a game token through 2) the date we estimate the user plays the game for the last time. This computation is completed on a user by user basis. Then, the results for all analyzed users are averaged to determine one estimated user relationship period for each game. Each month's in-game payments are recognized over the end user relationship period calculated for that game.

To estimate the date the user plays the game for the last time, we selected all paying users that logged on during a particular month and continue to track these users log on behavior over at least a six month period to determine if each user is "active" or "inactive," which is determined based on a review of the period of inactivity or idle period from the user's last log-on. We observe the behavior of these users to see whether they subsequently return to a game based on different inactive periods (e.g. not logging on) of one month, two months, three months and so forth. The percentage of users calculated that do not log back on is estimated to be the probability that users will not return to the game after a certain period of inactivity.

We consider a paying player to be inactive once he or she has reached a period of inactivity for which it is probable (defined as at least 80%) that a player will not return to a specific game. We believe that using an 80% threshold for the likelihood that a player will not return to a game is a reasonable estimate that achieves the magnitude of "probable" under the threshold described in ASC 450 *Contingencies*. We have consistently applied this threshold to our analysis. Based on our assessment, the inactive period ranges generally from one to three months depending on the game.

The consideration of user relationship with each online game is based on our best estimate that takes into account all known and relevant information at the time of assessment. We assess the estimated user relationships on a quarterly basis. Any adjustments arising from changes in user relationship as a result of new information will be accounted as a change in accounting estimate in accordance with ASC 250 *Accounting Changes and Error Corrections*.

Self-developed games

Revenues derived from our self-developed games are recorded on a gross basis as we act as a principal to fulfill all obligations. We do not maintain information on consumption details of in-game virtual items, and only have limited information related to the frequency of log-ons for our two self-developed games. Given that certain historical data is not available, we use the user relationship of third party games with similar popularity, gaming experience and sales to determine the estimated period of the user relationship for our self-developed games. The estimated lives of the user relationships of our self-developed games are approximately four months for the periods presented.

YY Music Revenue

YY Music revenue consists of sales of virtual items to be used on YY Client's music channels. Users use our virtual currencies to purchase virtual items to show support for their favorite performers or gain access to privileges and special features in the channels. We operate the YY platform and offer virtual items in the music channels so we have primary responsibility to the end users. Accordingly, revenues are recognized on a gross basis because we are the primary obligor in the arrangement. Revenue is recognized for the sale of virtual items sold in YY Music channels immediately if the virtual item is a consumable or, in the case of time-based virtual items, recognized ratably over the period each virtual item is made available to the user, which does not exceed one year. We do not have further obligations to the user after the virtual items are consumed. Virtual items may be sold individually or bundled into one arrangement. When our customers purchase multiple virtual items bundled within the same arrangement, we evaluate such arrangements under ASC 605-25 *Multiple-Element Arrangements*. We identify the deliverables under the arrangement and determine if such deliverables meet the criteria to be accounted for as separate units of accounting. We allocate the arrangement consideration to those separate units based on their relative selling price. We recognize revenue for each unit of accounting in accordance with the applicable revenue recognition method, assuming all other revenue recognition criteria are met.

Other revenue

Other revenue mainly represents revenue from membership subscription fees, technical support fees, server rental income and revenue from the sale of other items on the YY platform. We launched our membership program where members can receive enhanced user privileges when using YY Client. The membership fee is collected up-front from each member. The receipt of membership fees is initially recorded as deferred revenue, and revenue is recognized ratably over the period of the membership subscription. Server rental income is recognized on a straight-line basis over the rental period.

Advertising revenues

Advertising revenues are derived principally from advertising arrangements where the advertisers pay to place their advertisements on Duowan.com in different formats over a particular period of time. Such formats generally include but are not limited to banners, text-links, videos, logos, and buttons. Advertisements on our website are generally charged on the basis of duration, and advertising contracts are signed to establish the fixed price and the advertising services to be provided. Where collectability is reasonably assured, advertising revenues from advertising contracts are recognized ratably over the contract period of display.

We enter into advertising contracts with third party advertising agencies, as well as with advertisers directly. A typical contract term would range from one to three months. Both third party advertising agencies and direct advertisers are generally billed at the end of the display period and payments are due usually within six months.

Where our customers purchase multiple advertising spaces with different display periods in the same contract, we allocate the total consideration to the various advertising elements based on relative selling price and recognize revenue for the different elements over their respective display periods. We determine the fair values of different advertising elements based on our best estimate of selling prices of each advertisement within the contract, taking into consideration our standard price list and historical discounts granted. We recognize revenue on the elements delivered and defer the recognition of revenue for the fair value of the undelivered elements until the remaining obligations have been satisfied. Where all of the elements within an arrangement are delivered uniformly over the agreement period, the revenues are recognized on a straight line basis over the contract period.

Transactions with third party advertising agencies

For contracts entered into with third party advertising agencies, the third party advertising agencies will in turn sell the advertising services to advertisers. Revenue is recognized ratably over the contractual period of display based on the following criteria:

- there is persuasive evidence that an arrangement exists—we enter into framework and execution agreements with the advertising agencies, specifying price, advertising content, format and timing;
- price is fixed or determinable—the price charged to the advertising agencies are specified in the agreements, including relevant discount and rebate rates;
- services are rendered—we recognize revenue ratably as the elements are delivered over the contract period of display; and
- collectability is reasonably assured—we assess the credit history of each advertising agency before entering into any framework and execution agreements. If the collectability from the agencies is assessed is not reasonably assured, we recognize revenue only when the cash is received and all the other revenue criteria are met.

We provide sales incentives in the forms of discounts and rebates to third party advertising agencies based on purchase volume. As the advertising agencies are viewed as the customers in these transactions, revenue is recognized based on the price charged to the agencies, net of sales incentives provided to the agencies. Sales incentives are estimated and recorded at the time of revenue recognition based on the contracted rebate rates and estimated sales volume based on historical experience.

Transactions with advertisers

We also enter into advertisement contracts directly with advertisers. Under these contracts, similar to transactions with third party advertising agencies, we recognize revenue ratably as the advertising services purchased from us are delivered over the periods of display specified by the relevant contracts. The terms and conditions, including price, are fixed according to the relevant advertising contract. We also perform a credit assessment of all advertisers prior to entering into contracts. Revenue is recognized based on the amount charged to the advertisers, net of discounts.

Advances from users and deferred revenue

Advances from users are prepayments from users for our virtual currency that are not yet consumed or converted into game tokens, and upon the consumption or conversion, are amortized according to the prescribed revenue recognition policies. Deferred revenue primarily consists of those unamortized game tokens in relation to the portion of game tokens retained by us or the sale of virtual items where there is still an implied obligation to be provided by us and will be recognized as revenue when all of the revenue recognition criteria are met. Deferred revenue also consists of upfront membership fees received and recognized ratably over the period of the membership subscription.

Share-based compensation

We awarded a number of share-based compensation to our employees and non-employees (such as consultants), which include share options, restricted shares and restricted share units granted to employees and non-employees, share-based awards granted to our chief executive officer and chairman and share-based awards granted in relation to our acquisition of NeoTasks Inc. The details of these share-based awards and the respective terms and conditions are described in "Share-based compensation" in note 18 to our audited consolidated financial statements for the years ended December 31, 2009, 2010 and 2011 and in note 14 to our unaudited
interim condensed consolidated financial statements for the six months ended June 30, 2011 and June 30, 2012, which are included elsewhere in this prospectus.

Share options

Options were initially accounted for as equity-classified awards because there are no explicit repurchase rights specified in the award documents and the number of shares of our common shares issued under these awards are fixed and determined at the time of grants. All options to employees and non-employees are measured based on the grant date fair value of the award and recognized as compensation expense based on the graded-vesting method, net of estimated forfeitures, over the requisite service period, with a corresponding impact reflected in additional paid-in capital. The options to non-employees are re-measured at each reporting date using the fair value as at each period end. The compensation expense is recognized using the graded-vesting method.

Nevertheless, a number of our outstanding employee share-based awards relating to stock options granted to employees and non-employees, or the Pre-2009 Scheme Options, prior to the adoption of our 2009 Scheme had been subject to past practices of repurchases in conjunction with our preferred shares and common share issuance made to our shareholders and investors, details of which are described in "Share-based compensation' in note 18 to our audited consolidated financial statements which are included elsewhere in this prospectus.

Upon the negotiation and occurrence of our repurchase of certain outstanding share-based awards in November 2009, the details of which are set out in "Share-based compensation" in note 18 to our audited consolidated financial statements which are included elsewhere in this prospectus, we considered it probable for holders of the Pre-2009 Scheme Options to develop an expectation that we might continue to repurchase their vested options in the future. As a result, such past practices result in a constructive obligation of ours. Such initially equity-classified awards were considered to have been tainted and they began to be reflected as a stock compensation liability on our consolidated balance sheets, commencing on the date when the definitive agreement on the repurchase was reached with the respective holders of the instruments in 2009. In the case of any future repurchases, the repurchase price of these awards would be determined by our board of directors with reference to valuation results regarding the fair value of our common shares prevailing at the time of repurchase and therefore it was not determinable until the date of repurchase.

We continued to amortize share-based compensation expenses for those awards expected to vest on a graded-vesting basis over the requisite service period. We re-measured the fair value of the awards at the end of each reporting period until either the repurchase rights were exercised or the holders were exposed to the market value of the shares for a reasonable period of time of at least six months, or the awards were settled, cancelled or expire unexercised.

On September 15, 2011, we determined not to undertake any repurchases of vested or unvested share-based compensation awards, except under those conditions specified in the relevant award scheme and grant documents. In addition, any proposed repurchase of vested or unvested share-based compensation awards should be approved by the majority votes of the board of directors. Our intention was specifically communicated to all employees. All employees with vested or unvested awards also confirmed their understanding and agreement through written confirmation. Accordingly, the classification of the liability-classified awards was changed to become equity-classified.

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The following table sets forth certain information regarding the share options granted to our employees in 2009, with the share and per share information presented to give retroactive effect to a 1:490 share split in December 2009.

Grant Date	Common Shares Underlying Options Granted	Exercise Price Per Common Share (US$)	Fair Value Per Option as of the Grant Date (US$)	Fair Value Per Common Shares as of the Grant Date (US$)	Type of Valuation	Intrinsic Value Per Option [(1)] (US$)
January 1, 2009	8,499,050	0.0067	0.0297	0.0351	Retrospective	

(1) The intrinsic value in the table above represents the pre-tax intrinsic value (the difference between the estimated initial public offering price and the exercise price) of the awards outstanding.

We engaged an independent third party appraiser to assist us in our determination of the fair value of our share options as of each grant date and each re-measurement date. However, our management is ultimately responsible for such determination.

In determining the value of share options, we have used the binomial option pricing model to determine the fair value of equity-classified awards and liability-classified awards. Under this option pricing model, certain assumptions are required. Changes in these assumptions could significantly affect the fair value of share options and hence the amount of compensation expense we recognized in our consolidated financial statements.

The key assumptions used in valuation of the options for grant date and re-measurement date fair values in 2009, 2010 and 2011 and the six months ended June 30, 2012 are summarized in the following table:

	Years Ended December 31,			Six Months Ended June 30,
	2009	2010	2011	2012
Risk-free interest rate [(1)]	2.81% -3.61%	3.01% - 3.78%	3.34% - 4.01%	2.99%
Exercise multiple[(2)] (times)	2.2	2.2	2.2	2.2
Expected term[(3)] (years)	8 -10	7 - 9	6 - 8	5.5
Expected volatility[(4)]	62.50% - 68.85%	54.60% - 61.25%	53.06% - 55.34%	56.19%
Expected dividend yield [(5)]	—	—	—	—

(1) The risk-free interest rate of periods within the contractual life of the share option is based on the China Government Bond yield as at the valuation dates.
(2) The exercise-multiple is an assumption about early exercise behavior or patterns based on stock-price appreciation rather than the time that has elapsed since the grant date. It represents the expected ratio of stock price to exercise price at the time of exercise.
(3) The expected term is the remaining contract life of the option.
(4) Expected volatility is estimated based on the average of historical volatilities of the comparable companies in the same industry as at the valuation dates.
(5) Neither Duowan BVI nor us has a history or the expectation of paying dividends on its common shares. The expected dividend yield was estimated based on our expected dividend policy over the expected term of the option.

Share-based award for our acquisition of NeoTasks

In December 2008, in connection with the acquisition of NeoTasks, we issued warrants to purchase 17,915,380 common shares and 8,957,690 common shares of our company to two founders of NeoTasks with a service condition of three years. In October 2009, our board approved the request of these warrant holders to exercise their warrants to acquire 26,873,070 restricted shares that were subject to a restricted share agreement with the same rights and vesting conditions as the original warrant grants.

These share-based awards were initially accounted for as equity-classified awards because there are no explicit repurchase rights specified in the award documents and the number of shares of our common shares issued under these awards are fixed and determined at the time of grants.

We recognize the value of the portion of the warrants/restricted shares that we ultimately expect to vest as expense over the requisite service periods in our consolidated statements of operations on a graded-vesting basis.

However, a number of our outstanding warrants/restricted shares had been subject to practices of repurchases in conjunction with our preferred share and common share issuance made to our shareholders and investors, details of which are described in “Share-based compensation” in note 18 to our audited consolidated financial statements which are included elsewhere in this prospectus.

Upon the negotiation and occurrence of the latest repurchase of outstanding share-based awards in 2009, we considered that it is probable that holders may develop an expectation that we might continue to repurchase their vested warrants in the future. As a result, such past practices result in a constructive obligation of ours. Such initially equity-classified awards were considered to have been tainted and they began to be reflected as a stock compensation liability on our consolidated balance sheet, commencing on the date when the definitive agreement on the First Repurchase was reached with the respective holders of the instruments.

We continued to amortize share-based compensation expense for those awards expected to vest on a graded-vesting basis over the requisite service period. We re-measured the fair value of the awards at the end of each reporting period until either the repurchase rights are exercised or the holders are exposed to the market value of the shares for a reasonable period of time (at least six months), or the awards are settled, cancelled or expire unexercised.

The fair value of warrants/restricted shares was based on the fair value of our underlying common shares on the grant date and re-measurement date.

The restricted shares granted to NeoTasks had been fully vested as of December 31, 2011.

Restricted shares

Restricted shares issued to our employees are measured based on the grant date fair value of the award and recognized as compensation expense based on the graded-vesting method, net of estimated forfeitures, over the requisite service period, with a corresponding impact reflected in additional paid-in capital. The fair value of restricted shares was based on the fair value of our underlying common shares on the grant date.

We account for restricted shares issued to non-employees are measured at fair value at the date the services are completed. These awards are re-measured at each reporting date using the fair value as at each period end until the measurement date. The compensation expenses is recognized using the graded vesting method.

We are required to estimate forfeiture at the time of grant and revise those estimated in subsequent periods if actual forfeitures differ from those estimates. Historical data was used to estimate pre-vesting forfeitures and record share-based compensation expenses only for those awards that we expect to vest.

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The following table sets forth certain information regarding the restricted shares granted to our employees and non-employees at different dates in 2009, 2010 and 2011 and the six months ended June 30, 2012 with share and per share information presented to give retroactive effect to a 1:490 share split.

Grant Date	Restricted Shares Granted	Fair Value Per Common Share as of the Grant Date	Type/Methodology of Valuation	Intrinsic Value Per Restricted Share[3]
		(US$)		(US$)
January 1, 2010	23,686,542	0.1590	Retrospective/ GTM[1]	
February 1, 2010	4,257,335	0.1875	Retrospective/ GTM[1]	
April 1, 2010	2,000,000	0.2721	Retrospective/ GTM[1]	
July 1, 2010	20,060,000	0.4666	Retrospective/ GTM[1]	
October 1, 2010	500,000	0.6988	Retrospective/ GTM[1]	
January 1, 2011	10,846,800	0.9362	Retrospective/ Backsolve[2]	

(1) GTM denotes the guideline transaction method under the market approach based on the enterprise value to revenue multiples of our own equity transactions close to the valuation date.

(2) Backsolve denotes the back solve method under the market approach based on our own equity transactions as of the valuation date.

(3) Represents the pre-tax intrinsic value, which is the estimated initial public offering price of our common shares.

Restricted share units

Restricted share units issued to our employees are measured based on the grant date fair value of the award and recognized as compensation expense based on the graded-vesting method, net of estimated forfeitures, over the requisite service period, with a corresponding impact reflected in additional paid-in capital. The fair value of restricted shares was based on the fair value of our underlying common shares on the grant date.

We are required to estimate forfeiture at the time of grant and to revise those estimates in subsequent periods if actual forfeitures differ with those estimates. Historical data was used to estimate pre-vesting forfeitures and record share-based compensation expenses only for those awards that we expect to vest.

The following table sets forth certain information regarding the restricted share units granted to our employees in 2011 and the six months ended June 30, 2012 with share and per share information.

Grant Date	Restricted Share Units Granted	Fair Value Per Common Share as of the Grant Date	Type/Methodology of Valuation	Intrinsic Value Per Restricted Share Unit[2]
		(US$)		(US$)
September 16, 2011	9,097,000	1.0630	Contemporaneous/ DCF[1]	
January 1, 2012	1,668,000	1.0869	Contemporaneous/ DCF[1]	
March 31, 2012	6,597,921	1.1153	Contemporaneous/ DCF[1]	

(1) DCF denotes the discounted cash flow method under the income approach which explicitly recognizes that the business enterprise value as of the valuation date is developed by discounting future net cash flow to the present value at a rate that reflects both the current return requirements of the market and the risks inherent in the specific investment.

(2) Represents the pre-tax intrinsic value, which is the estimated initial public offering price of our common shares.

On July 15, 2012, we granted 533,000 restricted share units under the 2011 Plan that are subject to vesting over a four-year period. The fair value of the restricted share units at the grant date was US$1.1284 per share. The Contemporaneous/DCF valuation method was used, and the intrinsic value, which represents the pre-tax intrinsic value per restricted share unit of the estimated initial public offering price of our common shares is .

Share-based awards granted to chief executive officer and chairman

On February 23, 2010, Mr. David Xueling Li and Mr. Jun Lei, our co-founder, chairman and director, were granted 13,369,813 and 29,678,483 restricted shares, which vested immediately and over a four-year period (50% after the second anniversary and 25% each year thereafter), respectively. These restricted shares are subject to a performance condition which relates to the number of peak concurrent users on YY Client. Such performance condition was met as of December 31, 2010.

We recognized these awards as employee share-based compensation Awards using fair value of the awards on the grant date. The compensation expense for the restricted shares held by Mr. David Xueling Li was fully recognized and the compensation expense for the restricted shares held by Mr. Jun Lei was recognized over the requisite service period using the graded vesting method.

The fair value of the share-based awards above was determined at the respective grant dates by us with the assistance of an independent valuation company.

Common share value

Given that we issued common shares and warrants to Tiger, an independent investor, in January 2011, we used the Backsolve Method based on our own share transactions to determine the fair value of our equity as of January 1, 2011. Among the valuation methodologies, the Backsolve Method is the most objective indicator of the enterprise value at the development stage like our company in January 2011. In view of the fast growing number of registered user accounts, with relatively fixed staff costs and network expenses, we judged it is reasonable to assume that our business enterprise value would increase in line with our growing revenue. For valuation dates in 2010, as there was no share transactions with investor in 2010, we could not adopt the Backsolve Method. Instead, we adopted the Guideline Transaction Method under the market approach and applied the implied business enterprise value to revenue multiples based on the increase in the business enterprise value between our series C financing in November 2009 and the warrants issued to Tiger in January 2011 over the increase in corresponding 12-month trailing revenues, to the 12-month trailing revenue, to determine the fair value of our equity in 2010. The income approach—discounted cash flow method, or DCF—was also used in preparing a business enterprise value analysis of our company as of January 1, 2008, September 16, 2011, January 1, 2012 and March 31, 2012 and for the beneficial conversion feature assessments as of June 1, 2008, August 1, 2008 and November 1, 2009.

The determination of the fair value of our common shares requires complex and subjective judgments to be made regarding our projected financial and operating results, our unique business risks, the liquidity of our shares and our operating history and prospects at the time of each grant. Had our management used different assumptions and estimates, the resulting fair value of our common shares and the resulting share-based compensation expenses could have been different.

We believe that the determinations of the fair market value of our common shares were fair and reasonable at the times they were made. Our board of directors' methodologies, approaches and assumptions consistent with the American Institute of Certified Public Accountants Practice Guide, *Valuation of Private-Held-Company Equity Securities Issued as Compensation,* or the AICPA Practice Guide.

More details are described in "—Fair value of our common shares."

Acquisition

We apply the purchase method of accounting to account for our acquisitions. We determine the acquisition date based on the date at which all required licenses are transferred to us and we obtained control of the acquiree.

Purchase consideration generally consists of cash, contingent consideration and equity securities. In estimating the fair value of equity compensation, we consider both income and market approach and selected the methodology that is most indicative of our fair value in an orderly transaction between market participants as of the measurement date. Under the market approach, we utilize publicly-traded comparable company information to determine the revenue and earnings multiples that are used to value our equity securities. Under the income approach, we determine the fair value of our equity securities based on the estimated future cash flow discounted by an estimated weighted-average cost of capital, which reflects the overall level of inherent risk and the rate of return an outside investor would expect to earn. We base the cash flow projections on forecasted cash flows derived from the most recent annual financial forecast using a terminal value based on the perpetuity growth model.

The identifiable assets acquired and liabilities and contingent liabilities assumed in a business acquisition are measured initially at the fair value at the acquisition date. The excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill.

We are responsible for determining the fair value of the equity issued, assets acquired, liabilities assumed and intangibles identified as of the relevant acquisition date. Post-acquisition expenses are charged to general and administrative expenses directly.

Goodwill

Goodwill represents the amount by which the cost of acquired net assets in a business acquisition exceeds the fair value of the net identifiable assets on the date of purchase. Goodwill is carried at cost less accumulated impairment losses. Goodwill is allocated to the reporting units that are expected to benefit from the business combination in which the goodwill arises for the purpose of impairment testing. If the carrying value of the reporting unit exceeds its fair value, an impairment loss is recorded to the extent that the carrying value of goodwill exceeds its fair value. We have determined that the reporting units for testing goodwill impairment are the operating segments that constitute a business for which discrete financial information is available and for which management regularly reviews the operating results.

We estimate the fair value of our reporting units using discounted cash flow valuation models. There are inherent limitations in any estimation technique and a minor change in the assumption could result in a significant change in its estimate of fair value, thereby increasing or decreasing the amounts of our consolidated assets, shareholders' equity and net income or loss.

We perform an impairment test on October 1 of each year or whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. No impairment loss is recognized for all periods presented.

Intangible assets

Intangible assets that are acquired in business acquisitions are recognized apart from goodwill if the intangible assets arise from contractual or other legal rights, or are separately identifiable if the intangible assets do not arise from contractual or other legal rights.

The costs of determinable-lived intangible assets are amortized to expense over their estimated life and stated at cost (fair value at acquisition) less accumulated amortization. The value of indefinite-lived intangible assets is not amortized, but tested for impairment annually on October 1 of each year, or whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. We reassess indefinite-lived intangible assets at each reporting period to determine whether events or circumstances continue to support an indefinite useful life.

Impairment of long-lived assets and intangible assets

The carrying amounts of long-lived assets and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is evaluated by a comparison of the carrying amount of assets to future undiscounted net cash flows expected to be generated by the assets. Such assets are considered to be impaired if the sum of the expected undiscounted cash flow is less than carrying amount of the assets. The impairment to be recognized is measured by the amount by which the carrying amounts of the assets exceed the fair value of the assets. No impairment of long-lived assets and intangible assets was recognized for any of the periods presented.

Taxation and uncertain tax positions

Current income tax is provided on the basis of income for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes. In accordance with the regulations of the relevant tax jurisdictions, deferred income taxes are accounted for using the liability approach which requires the recognition of income taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in our financial statements or tax returns. Deferred income taxes are determined based on the differences between the financial reporting and tax basis of assets and liabilities and are measured using the currently enacted tax rates and laws. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the consolidated statements of operations in the period that includes the enactment date.

We currently have deferred tax assets resulting from net operating loss carryforwards and deductible temporary differences, all of which are available to reduce future tax payable in our significant tax jurisdictions. The largest component of our deferred assets are the temporary differences generated by our PRC subsidiary and VIE due to recognition of the deferred revenue. In assessing whether such deferred tax assets can be realized in the future, we need to make judgments and estimates on the ability of each of our PRC subsidiary and VIE to generate taxable income in the future years. To the extent that we believe it is more likely than not that some portion or the entire amount of deferred tax assets will not be realized, we established a total valuation allowance to offset the deferred tax assets. As of December 31, 2009, 2010 and 2011 and June 30, 2012, a total valuation allowance of RMB4.7 million, RMB8.1 million, RMB1.9 million (US$0.3 million) and RMB2.3 million (US$0.4 million), respectively, was recognized against deferred tax assets. If we subsequently determine that all or a portion of the temporary differences are more like than not to be realized, the valuation allowance will be released, which will result in a tax benefit in our consolidated statements of operations.

We adopted the guidance on accounting for uncertainty in income taxes on January 1, 2008. The guidance prescribes a more likely than not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Guidance was also provided on derecognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods, and income tax disclosures. Significant judgment is required in evaluating our uncertain tax positions and determining the relevant provision for income taxes. We did not have any adjustment to the opening balance of retained earnings as of January 1, 2008 as a result of the implementation of the guidance. We had no interest and penalties associated with tax positions for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012. As of December 31, 2009, 2010 and 2011 and June 30, 2012, we had no significant unrecognized uncertain tax positions.

Foreign currency

We use RMB as our reporting currency. The functional currency of our company, incorporated in the Cayman Islands, and our subsidiaries incorporated in the British Virgin Islands and Hong Kong is U.S. dollars, while the functional currency of the other entities is RMB. In the consolidated financial statements, the financial information of our company and our subsidiaries which use U.S. dollars as their functional currency have been translated into Renminbi. Assets and liabilities are translated at the exchange rates on the balance sheet date, equity amounts are translated at historical exchange rates, and revenues, expenses, gains and losses are translated using the average rate for the year. Translation adjustments arising from these are reported as foreign currency translation adjustments and are shown as a component of other comprehensive income or loss in the statement of shareholders’ equity and comprehensive income.

Foreign currency transactions denominated in currencies other than functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are re-measured at the applicable rates of exchange in effect at that date. Foreign exchange gains and losses resulting from the settlement of such

transactions and from re-measurement at year-end are recognized in foreign currency exchange gain/loss, net in the consolidated statement of operations.

Fair value of our common shares

In determining the fair values of our common shares as of each award grant date, three generally accepted approaches to value were considered: cost, market and income approaches. While useful for certain purposes, the cost approach is generally not considered applicable to the valuation of a company as a going concern, as it does not capture the future earning potential of the business. The comparability of the financial metrics of comparable companies in our industry and thus the relevance of the market approach based on guideline companies method were also considered low because our target market and stage of development were different from those of the publicly listed companies in the same industry. In view of the above, we determined that the income approach is the most appropriate method to derive the fair values of our common shares for valuation dates with no equity transaction close to the award grant date. In case we have own equity transactions close to the award grant date, guideline transaction method of the market approach or backsolve method were adopted. In addition, we took into consideration the guidance prescribed by the American Institute of Certified Public Accountants Audit and Accounting Practice Aid, Valuation of Privately-Held-Company Equity Securities Issued as Compensation, or the Practice Aid.

We are a private company with no quoted market prices for our common shares. We have therefore estimated, with assistance from an independent valuation firm, the fair value of our common shares at certain dates in 2010, 2011 and the six months ended June 30, 2012 for the following purposes:

(a) to determine the fair value of our common shares at the date of the grant and re-purchase date of a share-based compensation award as one of the inputs into determining the fair value of the award as of the grant date or the re-purchase date;

(b) to determine the fair value of warrants issued to Tiger Global Six YY Holdings as of the issuance date and re-measurement date; and

(c) to determine the fair value of our common shares at the date of the grant of restricted shares and restricted share units as one of the inputs into determining the fair value of the award as of the grant date.

The following table sets forth the fair values of our common shares estimated from July 1, 2010 to the date of this prospectus:

Date	Fair Value of Common Shares (US$ per share)	Type/Methodology of Valuation	Purpose of Valuation
July 1, 2010	0.4666	Retrospective/ GTM(1)	(a)
October 1, 2010	0.6988	Retrospective/ GTM(1)	(a)
January 1, 2011	0.9362	Retrospective/ Backsolve(2)	(b)
May 1, 2011	0.9952	Retrospective/ GTM(1)	(a)
September 16, 2011	1.0630	Contemporaneous/ DCF(3)	(c)
January 1, 2012	1.0869	Contemporaneous/ DCF(3)	(c)
March 31, 2012	1.1153	Contemporaneous/ DCF(3)	(c)
June 30, 2012	1.1335	Contemporaneous/ DCF(3)	(c)

(1) GTM denotes guideline transaction method under market approach based on the enterprise value to revenue multiples of our own equity transactions close to the valuation date.

(2) Backsolve denotes the back solve method under market approach based on our own equity transactions as of the valuation date.

(3) DCF denotes the discounted cash flow method under the income approach which explicitly recognizes that the business enterprise value as of the valuation date is developed by discounting future net cash flow to the present value at a rate that reflects both the current return requirements of the market and the risks inherent in the specific investment.

When estimating the fair value of the common shares, our management considered a number of factors, including the result of an independent third party appraisal and the equity transactions conducted by our company, while taking into account standard valuation methods and the achievement of certain events. We obtained a retrospective valuation instead of a contemporaneous valuation for valuation dates prior to August 2011 by an unrelated valuation specialist because, at that time, our financial and other resources were mainly focused on our research and development efforts.

Due to the changing environment in which we are operating, a number of assumptions were established in deriving the fair value of our common shares. These assumptions include: there will be no major changes in the existing political, legal, fiscal and economic conditions in China; there will be no major changes in the current taxation law in China; exchange rates and interest rates will not differ materially from those presently prevailing; the availability of finance will not be a constraint on the future growth of our operations; we will retain and have competent management, key personnel, and technical staff to support our ongoing operations; and industry trends and market conditions for related industries will not deviate significantly from economic forecasts.

Equity value as of September 16, 2011, January 1, 2012, March 31, 2012 and June 30, 2012

Valuation of common equity as of September 16, 2011, January 1, 2012, March 31, 2012 and June 30, 2012 are based on the income approach—discounted cashflow analysis. The income approach involves applying appropriate discount rates to estimated cash flows that are subject to a number of assumptions. These assumptions include: (i) no material changes in the existing political, legal, fiscal and economic conditions in China; (ii) our ability to recruit and retain competent management, key personnel and technical staff to support our ongoing operations; (iii) exchange rates and interest rates will not differ materially from those presently prevailing; (iv) the availability of financing will not be a constraint on the future growth of our operation; and (v) industry trends and market conditions for related industries will not deviate significantly from economic forecasts. These assumptions are inherently uncertain and subjective.

The risks associated with achieving an estimated cash flow were assessed in selecting the appropriate discount rates. The discount rates were based on the estimated market required rate of return for investing in our company, or weighted average cost of capital, or WACC, which was derived using the capital asset pricing model, a method that market participants commonly use to price securities. The change in WACC was the combined result of the changes in risk-free interest rate, industry-average correlative relative volatility coefficient beta, equity risk premium, size of our company, scale of our business and our ability in achieving forecast projections.

A discount for lack of marketability, or DLOM, was also applied to reflect the fact there is no ready public market for our shares as we are a closely held private company. DLOM was quantified using the Black-Scholes option pricing model. Under this option-pricing method, the cost of the put option, which can hedge the price change before the privately held shares can be sold, was considered as a basis to determine the DLOM. This option pricing method is one of the methods commonly used in estimating DLOM as it can take into consideration factors such as timing of a liquidity event (such as an initial public offering) and estimated volatility of equity securities. The farther the valuation date is from an expected liquidity event, the higher the put option value and thus the higher the implied DLOM. The lower the DLOM used for the valuation, the higher the determined fair value of the common shares.

The discount rates and DLOM used are provided as follows:

Valuation dates	WACC	DLOM
September 16, 2011	16.5%	15.0%
January 1, 2012	16.0%	15.0%
March 31, 2012	16.0%	15.0%
June 30, 2012	16.0%	15.0%

Equity value as of January 1, 2011

We issued common shares and warrants to Tiger, an independent investor, in January 2011. We adopted the Backsolve Method to determine the equity value of our company by matching the sum of fair value of common shares issued and warrants granted to Tiger with the consideration of US$50.0 million.

Equity value as of July 1, 2010, October 1, 2010 and May 1, 2011

During the year 2010, we mainly focused on raising peak concurrent user levels and exploring new revenue sources related to YY such as virtual items sold in music channels created by YY users. Hence, we did not prepare financial projections. Since our operating costs such as staff costs and network expenses are relatively fixed in nature, we judged it reasonable to assume that our increase in business enterprise value was in a linear relationship with the increase in revenue. As such, a linear relationship of around 41 times, devised from the increase of business enterprise value between series C financing as of November 1, 2009 and the warrants issued to Tiger as of January 2011 over the increase of corresponding 12-month trailing revenues, was applied to the 12-month trailing revenue as of the valuation date to estimate the business enterprise value and hence equity value as of each valuation date stated in this section. We adopted the GTM for these valuation dates.

Allocation of equity value

Our equity values determined at the respective valuation dates based on the above assumptions were allocated between the preferred shares and common shares using the option pricing model taking into account the guidance prescribed by the AICPA Audit and Accounting Practice Aid "Valuation of Privately-Held-Company Equity Securities Issued as Compensation." We have taken into consideration estimates of the anticipated timing of a potential liquidity event, such as an initial public offering, and estimates of the volatility of our equity securities. The anticipated timing is based on the plans of our board and management. The estimated volatility was derived by referring to the average annualized standard deviation of the share prices of listed comparable companies for the historical period matching with the terms of the options. Estimating the volatility of the share price of a privately held company is complex because there is no readily available market for the shares. The volatility of our shares was estimated based on the historical volatility of the shares of comparable listed companies. Had we used different estimates of volatility, the allocations between preferred and common shares would have been different.

Changes in fair values

Below are descriptions of how the fair values of our common shares changed in the past 12 months prior to the date of this prospectus.

The determined fair value of our common shares increased from US$1.0630 per share as of September 16, 2011 to US$1.0869 per share as of January 1, 2012. We believe this is primarily because of our ability to generate cash, substantially driven by:

- The increasing popularity of YY as reflected in the sharp increase in registered user accounts from 232 million to 266 million over this 3.5 months period;
- Our high quality voice-enabled services and robust server technology having further driven peak concurrent users and monthly active users to reach a new high during this period; and
- A change in WACC from 16.5% to 16.0% as a result of decrease in risk-free rate.

The increase in the fair value of our common shares, from US$1.0869 per share as of January 1, 2012 to US$1.1153 per share as of March 31, 2012, is primarily because our ability to generate cash increased, substantially driven by:

- The increasing popularity of YY as reflected in the sharp increase in registered user accounts from 266 million to 302 million over this three-month period; and

- The growth of our peak concurrent users and our monthly active users, which resulted from, among other reasons, the high quality of our services and technology.

The increase in the fair value of our common shares, from US$1.1153 per share as of March 31, 2012 to US$1.1335 per share as of June 30, 2012 is primarily because our ability to generate cash increased, substantially driven by:

- The increasing popularity of YY as reflected in the sharp increase in registered user accounts from 302 million to 345 million over this three-month period; and
- Our monthly active users having grown as a result of, among other reasons, the high quality of our services and technology.

Fair value of our series A, B, C-1 and C-2 preferred shares

In addition to our common shares, we have also determined the fair value of the series A, B, C-1 and C-2 preferred shares with the assistance of an independent valuation agency, the result of which is used to determine the amount of redemption values as well as the amortization of the associated beneficial conversion feature. Consistent with common shares discussed above, the determination of the fair value of our series A, B, C-1 and C-2 preferred shares requires complex and subjective judgments to be made regarding our projected financial and operating results, our unique business risks, the liquidity of these shares and our operating history and prospects at the time of valuation.

Recently Issued Accounting Pronouncements

In May 2011, the FASB issued Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs, an accounting standard update which amended the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. We adopted this standard effective in the first quarter of 2012 with no material impact on our consolidated financial statements and disclosures.

In June 2011, the FASB issued an accounting standards update on the presentation of comprehensive income under which the option to present the components of other comprehensive income as part of the statement of shareholders' equity has been eliminated. We adopted this standard effective in the first quarter of 2012. The standard requires other comprehensive income be presented as part of a single continuous statement of comprehensive income or in a statement of other comprehensive income immediately following the statement of operations. Reclassification adjustments from other comprehensive income to net income must be presented on the face of the financial statements. This standard must be retrospectively applied to all reporting periods presented in financial reports issued after the effective date. The new accounting guidance is effective for interim and annual periods beginning after December 15, 2011. We intend to provide the required financial reporting presentation upon the effective date of this standard. The adoption of this guidance will change the presentation of our financial statement but will not affect the calculation of net income, comprehensive income or earnings per share.

In August 2011, the FASB approved changes to the goodwill impairment guidance that is intended to reduce the cost and complexity of the annual impairment test. The changes will provide entities an option to perform a "qualitative" assessment to determine whether further impairment testing (i.e. step 2) is necessary. If an entity believes, as a result of its qualitative assessment, that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is required. Otherwise, no further testing is required. The final standard was issued in September 2011. The changes will be effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011 and earlier adoption is permitted.

In December 2011, the FASB issued a further authoritative pronouncement, Accounting Standard Updated, or ASU2011-12, Deferral of the Effective Date for Amendments to the Presentation of Reclassification of Items

Out of Accumulated Other Comprehensive Income in ASU2011-05, Presentation of Comprehensive Income. Under the amendments in ASU 2011-05, entities are required to present reclassification adjustments and the effect of those reclassification adjustments on the face of the financial statements where net income is presented, by component of net income, and on the face of the financial statements where other comprehensive income is presented, by component of other comprehensive income. In addition, the amendments in ASU 2011-05 require that reclassification adjustments be presented in interim financial periods. The amendments supersede changes to those paragraphs in ASU2011-05 that pertain to how, when, and where reclassification adjustments are presented. Due to the time required to properly make such a reassessment and to evaluate alternative presentation formats, the Board decided that it is necessary to reinstate the requirements for the presentation of reclassifications out of accumulated other comprehensive income that were in place before the issuance of ASU2011-05. The amendments in this ASU are effective for public entities for fiscal years, and interim periods within those years, beginning after December 15, 2011. We adopted this standard effective in the first quarter of 2012.

In December 2011, the FASB issued an authoritative pronouncement on disclosures about offsetting assets and liabilities. Under this pronouncement, entities are required to disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. This scope would include derivatives, sale and repurchase agreements and reverse sale and repurchase agreements, and securities borrowing and securities lending arrangements. An entity is required to apply the amendments for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. An entity should provide the disclosures required by those amendments retrospectively for all comparative periods presented. This pronouncement is not expected to have a material impact on our financial position, results of operations or cash flows.

BUSINESS

Overview

YY is a revolutionary rich communication social platform that engages users in real-time online group activities through voice, text and video. YY Client, our core product launched in China in July 2008, has attracted 344.6 million registered user accounts as of June 30, 2012 and had 66.3 million monthly active users in June 2012.

People are social creatures with a fundamental desire to connect, interact and communicate with each other. YY empowers users to create and organize groups of varying sizes to discover and participate in a wide range of online activities, including online games, karaoke, music concerts, education, live shows and conference calls. We believe that our proprietary technology infrastructure was the first to develop the capacity to support simultaneous communications among millions of concurrent users in a single channel. YY's scale, social features and high quality voice and video make it popular among internet users in China, as evidenced by the 10.0 million peak concurrent users on YY in August 2012 and 260.9 billion voice minutes that users spent on YY Client in the first six months in 2012.

Our platform consists of YY Client, the YY.com and Duowan.com web portals and Mobile YY. YY Client is our PC-based software that provides real-time access to user-created online activities groups, which we refer to as channels. Although online communication tools such as instant messenger and social networking services existed when we introduced YY Client in July 2008, these tools and services were confined to text or limited-scale voice or video communications. YY Client has transformed online social communications by enabling large-scale group activities through our platform. In 2011, we held an approximate 84.2% market share in the real-time online group voice communications market in China in terms of cumulative user time spent, according to the iResearch Report. On average, each active user spent approximately 53.5 hours on YY Client in June 2012. YY Client is available for free download from YY.com, our online portal and guide to channels, events and content available across our platform. We also operate Duowan.com, the No. 2 game media website in China that provides access to and interactive resources for online games as measured in terms of monthly unique visitors in the three months ended March 31, 2012, according to iResearch. To increase the accessibility and usage of YY Client, we introduced our mobile application, Mobile YY, in September 2010.

Delivering a superior user experience is our core focus, and it relies on our proprietary technology and industry know-how. A single YY channel can currently have from only a handful to more than 1.3 million concurrent users. YY enables users to continually create new channels to engage in activities on our open platform designed to make offline group activities more effective and efficient online. YY is supported by our highly scalable infrastructure throughout China and our proprietary algorithms enabling low latency, low jitter and low loss rates in delivering voice and video data.

While the basic use of our platform is currently free, we monetize our user base through IVAS and online advertising. Currently, revenues from IVAS are primarily generated through sales of virtual items and game tokens that our users may purchase on our platform, including online games and YY Music. Online advertising revenues are primarily generated from sales of different forms of advertising on Duowan.com. We believe that we will be able to capitalize on the large and highly engaged user base of our open platform by exploring additional monetization opportunities and diversifying our revenue sources.

We have achieved significant growth in recent years. Our total net revenues increased from RMB32.7 million in 2009 to RMB128.3 million in 2010 and to RMB319.7 million (US$50.8 million) in 2011, representing a CAGR of 212.6% from 2009 to 2011. For the six months ended June 30, 2012, our total net revenues grew to RMB324.5 million (US$51.1 million), representing a 173.2% increase from RMB118.8 million for the six months ended June 30, 2011. We had a net loss of RMB47.1 million, RMB238.9 million and RMB83.2 million (US$13.2 million) in 2009, 2010 and 2011, respectively, and in the six months ended June 30, 2012, we had a net income of RMB20.8 million (US$3.3 million). Our adjusted net loss, a non-GAAP measure, decreased from RMB10.6 million in 2009 to RMB1.9 million in 2010, and in 2011, we had an adjusted net income of RMB51.8

million (US$8.2 million). In the six months ended June 30, 2012, our adjusted net income amounted to RMB75.1 million (US$11.8 million) compared to an adjusted net loss of RMB3.3 million in the same period in 2011. Our adjusted net (loss) income excludes non-cash share-based compensation expenses. For information regarding adjusted net (loss) income and a reconciliation of each to net (loss) income, see "Prospectus Summary—Our Summary Consolidated Financial Data—Non-GAAP Financial Measure" on page 11.

Our Strengths

We believe the following factors have contributed to the success of our rich communication social platform:

Large and highly engaged user base. We have attracted a large and highly engaged user base since we launched YY Client in July 2008. YY Client has attracted 344.6 million registered user accounts as of June 30, 2012 and 66.3 million monthly active users in June 2012. In June 2012, an average of approximately 521,000 registered user accounts and 60,000 new channels were created on YY Client each day. The increasing number of YY users and channels reflects the increased content, topics and activities on our platform for our users to explore. These factors drive greater user engagement and ultimately increase the number of monetization opportunities available to us. On average, each active user spent approximately 53.5 hours on YY Client in June 2012. We believe our number of registered users and the level of user engagement are among the highest of all internet companies in China, which creates high barriers of entry for potential competitors.

Powerful network effects. The more users use YY, the more diverse and vibrant our social ecosystem becomes, and the greater the value of our platform to our users and partners. This network effect encourages loyalty among our existing users and incentivizes them to attract new users, resulting in more channels and activities being created and more interests being catered to. This in turn leads to greater user engagement, a further enlarged user base and a thriving online social ecosystem. Our registered user accounts as of December 31, 2009, 2010 and 2011 and June 30, 2012 were 36.5 million, 124.7 million, 266.2 million and 344.6 million, respectively, which were achieved with minimal sales and marketing expenses. Our growing user base in turn attracts high quality content and more business partners on our platform.

Superior user experience. YY provides a rich communication social platform for high-fidelity communications in real time for millions of concurrent users in hundreds of thousands of channels. The platform facilitates access to a vast array of content through an intuitive graphical user interface that enables simple discovery of relevant content and engagement with other users. In addition, the platform also offers various options for easy and effective channel creation and management, thus encouraging higher levels of engagement from channel owners and managers. YY's ease of use results in high levels of user participation, which we believe appeals to new users, increases user loyalty and creates high barriers to entry as users accustomed to our high quality user experience are less likely to tolerate technical glitches or obtuse interfaces in competing products.

Scalable platform serving a broad range of potential end markets. The open architecture of the YY platform allows our user community to create, expand and develop novel ways to utilize the platform. The continuous, organic enrichment of the content available on our platform extends our relevance to new markets and users. While YY Client was originally intended to facilitate real-time communications among players of online games, our users quickly expanded its uses to include online events and performances, such as karaoke, music concerts, talk shows, education seminars and conference calls. We are able to gather an increasing amount of expertise on user behavior and preferences to more effectively design, promote and manage our products and services. The breadth of the potential uses and end markets addressed by our platform also creates many potential monetization opportunities for us to pursue.

Proprietary and scalable technology infrastructure. We have invested significant resources in developing our proprietary technology to support our business and future growth. Our proprietary technology infrastructure ensures high service quality characterized by high fidelity delivery of large amounts of voice and video data to

millions of concurrent users across the generally inefficient and unstable telecom network infrastructure in China. We had 10.0 million peak concurrent users on YY Client in August 2012, and our users spent an aggregate of 196.2 billion voice minutes on YY Client in the first six months in 2011 and 260.9 billion voice minutes in the first six months of 2012. Our scalable architecture consists of cloud-based server infrastructure and our proprietary algorithms that automatically detect the fastest and best way to dynamically route voice and video data. We believe the proprietary nature and scalability of our technology infrastructure form the basis for our superior user experience.

Our Strategies

Our mission is to make offline group activities available and better online. We are dedicated to continue to achieve our mission by pursuing the following strategies:

Further expand our user base. We aim to further expand our user base, as we believe the size of our user base represents an important competitive advantage. We periodically analyze proprietary data on our user behavior to gain a deeper understanding of their needs and preferences to further improve and expand our products and services in order to better address user demand. For example, we identified significant user demand for live online music concerts, celebrity/fan interaction events and online education. We addressed these demands by enabling users to host these live events and launching and increasing online video features on our platform, among other measures, and intend to further expand our capacity in these areas, especially in making video-enabled features more attractive and more widely available to our users. Furthermore, we intend to develop better content-search tools to help our users search for and find the content they want more easily and to develop new functionalities to allow users to access records of their historical interaction with others whenever they desire.

Increase the monetization of our user base. We plan to increase the monetization of our user base through paid products and services. Firstly, we intend to develop and introduce more IVAS, such as new in-channel paid activities, online conference calls and further enhanced privileges for our membership program and the recently introduced live broadcasting of online games. Secondly, we intend to increase the number of our paying users by raising their awareness of our paid products and services, especially existing in-channel virtual items, and enhancing the online payment process to make it easier for users to pay. Third, we plan to introduce third party applications or events that can be monetized through our open platform.

Further develop and expand the use of Mobile YY. As we plan to make our products and services more accessible, we are further developing Mobile YY. By the end of June 2012, there were 1.1 billion mobile users in China, according to the MIIT, almost twice as many as the 538 million internet users in China by the end of June 2012, according to the China Internet Network Information Center. Since the launch of our Mobile YY in September 2010, an increasing portion of our users has been accessing our platform through Mobile YY and there were approximately 10.1 million activations of Mobile YY in the six months ended June 30, 2012. We believe there is significant potential to grow both the number of Mobile YY users as well as their level of engagement on Mobile YY, and will continue to introduce new mobile-specific features and applications.

Continue to invest in our leading technology infrastructure. We intend to continue investing in and developing our industry-leading technology that supports our platform. As registered user accounts continue to increase, we intend to further augment our infrastructure capacity to more efficiently and reliably deliver voice and video data. We expect to obtain additional servers and bandwidth as part of our efforts to ensure that we can continue to provide the same level of high quality services to our users. We also intend to expand our technology team. We believe that maintaining and upgrading our industry-leading technology infrastructure will help us continue to attract new users and engender greater user loyalty.

The YY Platform

The YY platform consists of YY Client, the YY.com and Duowan.com web portals and Mobile YY. YY Client is our PC-based user software that provides access to user-created online social activities groups, which we also refer to as channels. We operate Duowan.com, which provides access to and interactive resources for online games. To increase the accessibility and usage of YY Client, we also offer Mobile YY, a smartphone application.

YY Client

Our core product, YY Client, enables users to engage in live interactions online, and we continue to develop and upgrade it to address evolving user needs. YY Client provides access to user-created online social activities groups, which we refer to as channels. YY Client is compatible with most major internet-enabled devices, including PCs and mobile operating systems through Mobile YY. YY Client is widely accessible to most internet users in China because its voice-enabled features only require a minimal bandwidth of approximately 2 KB per second. YY Client is available for free download from YY.com, Duowan.com and other internet software download centers. To make YY Client even more easily accessible, we also recently introduced the beta version of a web-based YY Client, an extension of YY Client which makes YY available to a larger audience because it does not require downloads or installations and can be accessed solely using a web browser. We expect this new web-based YY Client to be launched in September 2012, and it will contain most of the important features as our existing YY Client other than video functionalities which we expect to launch later in the fourth quarter of 2012.

The first version of YY Client, launched in July 2008, was instantly popular with users due to its voice-enabled features that allowed online game players to communicate with large groups of fellow gamers in real time. Game players typically organize various game players' guilds for players to discuss gaming strategies and play online games together. Such online game players' guilds, which can consist of up to thousands of players, built their own channels on YY Client to communicate with fellow guild members in real time when playing games online.

As users of YY Client eventually began to use it for purposes other than game-related group voice communications, we discovered that there was a significant potential market for a platform enabling large groups to gather, meet and socialize in real time. As a result, we further developed and tailored YY Client in response to that market need, and turned it into the revolutionary rich communication social platform that it is today. We gradually introduced video-enabled channels beginning in late 2011 in order to further enrich user experience and expand the versatility and potential application of our platform. We have since expanded the use of our video features to include some of our most popular music and education channels and will further expand the availability of video features over time. YY's registered user accounts had increased significantly from 36.5 million as of December 31, 2009 to 344.6 million registered user accounts as of June 30, 2012. YY also had 35.4 million, 53.4 million, 66.3 million active user accounts in December 2010 and 2011 and June 2012.

All of the basic social interface features enabled by our YY Client, such as the ability to engage in multi-party voice- and video-enabled communications, are currently available to our users free of charge. In addition, some IVAS, such as virtual monthly tickets and virtual flowers, are free to users up to a certain threshold. We currently earn revenues from YY Client through sales of IVAS paid through online third party payment systems. We also began generating revenues from our membership program in October 2011.

Channels on YY Client—User-created and User-defined

On YY Client, users can create individual channels for any live social gathering covering a broad range of interests and topics. YY Client offers unlimited potential for users to create channels to cover new topics and interests, quickly gain a fast growing user base and emerge as one of the most popular channels. YY Music, one of the most popular segments on our platform, began generating revenues from the sale of virtual items beginning in March 2011.

Currently, the most popular channel topics on YY channels include the following:

- ***Games.*** YY channels are a popular live online communications tool for several major types of online games, such as massive multiplayer online games, web games, first person shooter games and real-time strategy games. Game players gather on YY channels for in-game real-time exchanges and to share game-playing tips, discuss strategies, game walk-throughs and guides, and organize guild-related social events. We intend to develop and introduce other game-related IVAS, such as the recently introduced live broadcasting of online games, in the future.
- ***Music.*** Users gather on YY channels to participate in a range of music activities such as karaoke and live concerts/singing competitions. Beginning in March 2011, we launched a service offering various virtual items for sale on YY Music. We have expanded our virtual item offerings, and in turn, revenues, from YY Music, and expect to continue to do so in the future. For karaoke, one of the most popular activities on YY channels, we enable users to sing live to, and receive live feedback from, an online audience. We also host a variety of live online concerts and singing competitions showcasing the performances of grassroots musicians, professional performers and celebrities.
- ***Education.*** Our users host and participate in live lectures or personal tutoring sessions on a range of subjects using a wide variety of teaching tools we provide, including video, PowerPoint, white board, screen shots and Q&A sessions. The most popular subjects include foreign language education, the PRC civil servant examination, and IT training. Users also discuss exam-taking and personal interview tips on YY channels.
- ***Talk Shows.*** Our users use YY channels to organize and participate in talk shows, where channel owners, managers or designated persons host live talks or discussions on any topic of their interest. These talk shows are conducted either in the traditional talk show format with a host, or in more informal interactive settings. Talk shows revolve around topics such as comedy, sports, celebrity group and current events.
- ***Finance.*** Users interested in finance and investment can find and interact with other users, including financial experts on YY channels. YY channels offer a wide range of opportunities for users to interact among each other and discuss finance-related topics, including stock market trends and investment basics.
- ***Literature.*** Users gather on YY channels to review and conduct live discussions on literature, particularly novels. Our popular literary channels include book clubs or fan clubs for famous writers. Users on YY channels also host live events such as book promotions and meet-the-author events.
- ***Conference Calls.*** YY channels are often used as a convenient online gathering place for a wide range of uses, such as informal gatherings between friends or business meetings. YY enables small and medium business as well as large corporations to conduct conference call easily, efficiently and economically on YY channels, even for conference calls with thousands of participants.

Organization and Management of Channels

A majority of our users are introduced to us by invitation from friends, so they usually visit the channels that are recommended to them when first using YY Client. To help our users navigate and explore the channels on YY Client, we created online catalogs grouped by topics and common interests for users to browse the channels. Within each group, the channels are then ranked in terms of popularity. These online catalogs are also searchable by keywords, which makes it easier for users looking to explore social groups beyond their usual channels to find and join other channels that touch upon different interest areas.

Each YY channel is set up by one user, who becomes the channel’s owner. Each channel owner has the ability to tailor such channel to his or her own specific interests and use the management tools we provide to

establish housekeeping rules, manage hierarchies and manage daily operations of the channel. Channel owners are usually highly motivated and engaged in the active promotion of their channels, often recruiting like-minded users to help manage their channels. As a channel grows in size, a channel owner can allocate powers and responsibilities to other users to monitor and maintain order within the channel.

Each of our channels can support millions of people concurrently, and to date, the largest online event we hosted attracted approximately 1.4 million peak concurrent users in a single channel. We provide three basic management modes for channel owners to organize the live voice and video-communications within their channels: “queue,” “chair” and “free” modes. Typically, channel owners and managers choose the type of management mode for their channels depending on the number of users in their channels and the specific needs of these channels. In queue mode, each user can sign in to line up to speak or broadcast, and can only be heard or seen when his or her turn comes “at the mic.” This queue mode is a popular mode for karaoke channels, where users take turns performing live in front of other channel users. In chair mode, only the “chair,” meaning the owners or other designated persons, are allowed to speak or broadcast video; the remaining users can listen, watch and respond through typing text on the screen. This mode is often used in channels set up by online game players’ guilds, as some of these guilds have thousands of users taking orders from a few leaders, who can speak and direct their team’s collective actions while the users are simultaneously signed on to play certain online games. In free mode, any user in the channel can conduct effective voice- and video-enabled communications at any time; this mode is often chosen by channels with a limited number of users, since too many people talking at once would make effective communication impossible. In addition, we provide channel owners and managers with a broad range of functions to tailor the channels to suit particular needs, such as granting certain privileges to a member who makes particular contributions to the channel or banning certain channel users for inappropriate behavior.

We work closely with channel owners and managers by considering and implementing some of their suggestions and feedback and providing them with the tools they require to successfully manage and promote their channels. We also monitor channels for levels of user activity and periodically shut down inactive ones.

Game Center on YY Client

The game center on YY Client currently consists of a game lobby and a game box. The game lobby enables users to access various online games, all of which are web games, without downloading any additional software and the game box is where users can download a client to access massive multi-player online games, which we recently launched. Our online portals, YY.com and Duowan.com, also offer links to online games on YY Client. We conduct market research regarding trends and demand for online games and various types of in-game virtual items, and often work with third party game developers to develop and offer a wide range of in-game virtual items. We intend to continue to source popular online games to users on YY Client.

Online Portals

YY.com is our community-driven portal site that offers visitors and our users a centralized location where they can learn about, navigate and access all that our broader platform has to offer. Through YY.com, our user community is able to download the latest versions of YY Client and Mobile YY applications to enjoy dynamic live group activities and access special-interest resources and entertainment such as online music, online education and online games. For example, the music page on YY.com provides a comprehensive library of “greatest hits” recordings from popular performers on YY Client’s live performance channels, among others. Beginning in late September 2011, YY.com began providing updated schedules and information on upcoming live concert performances by performers on YY channels, and currently hosts numerous fan clubs for popular performers. In addition, YY.com hosts a text-based discussion forum where our user community can exchange information, advertise their channels and special user activities, solicit additional members for their channels or clubs and provide feedback to us regarding our products and services. YY.com also offers a channel guide that users can use to identify channels that cater to their respective interests.

Duowan.com is a dedicated game media website that provides comprehensive information on online games and other resources for users and online game players. Duowan.com was the No. 2 game media website in China in terms of monthly unique visitors in the three months ended March 31, 2012, according to iResearch.Duowan.com provides comprehensive gaming resources such as updated news and announcements of gaming events and the launch or release of new games, and hosts a text-based discussion forum in which users can discuss their game-playing strategies and interact socially through postings. Duowan.com was launched in 2005 and had 4.5 million, 5.5 million and 9.9 million average daily unique visitors for the months of December 2009, 2010 and 2011, respectively. Due to the popularity of Duowan.com, it has become a desired platform for gaming companies to promote their products and services. We also promote and provide links to various content on YY.com and YY Client through Duowan.com. We believe that the cross-promotional effect among YY Client, YY.com and Duowan.com has increased user traffic for both websites significantly over the years, and has significantly contributed to the rapid user growth on YY.

Mobile Applications

An important element of our strategy is to continue to develop new mobile applications to capture a greater share of the growing number of users that access live online social platforms, internet communications and other internet services through mobile operating systems. While we continue to develop and upgrade our platform, a key focus of our research and development is on Mobile YY, a version of YY Client that can be accessed through mobile devices that we launched in September 2010.We intend to further develop Mobile YY to reach more users. There is currently no monetization of Mobile YY. We expect that in the future, we will monetize Mobile YY in the same way YY Client is currently monetized—by selling virtual items. See “Risk Factors—Risks Relating to Our Business—If we are unable to successfully capture and retain the growing number of users that access internet services through mobile devices, or successfully monetize Mobile YY, our business, financial condition and results of operations may be materially and adversely affected.”

Mobile YY contains the basic functions and services offered on our regular YY Client. Its existing key functions include real-time multi-media messages with delivery status, access to thousands of user-created entertainment channels with numerous entertainment options, and the ability to enter group voice or video-enabled channels. We believe that Mobile YY helps users keep in touch with their friends or online guilds and social groups when they do not have convenient access to a PC. Our users currently utilize Mobile YY for a wide range of activities, including listening to live music and sportscasts and singing karaoke. Mobile YY also offers a uniquely mobile feature, Sound Sharing, which is a recording-sharing service that allows users to record and share their own singing as well as third-party performances for evaluation from other users; this function is not available when accessing YY via PCs. An additional function on Mobile YY that our PC-based YY Client does not have is location-based services such as the ability to geographically locate fellow users nearby. Other features that are both available from YY Client and Mobile YY, but that are more popularly accessed by users of Mobile YY, include voice messaging services and one-on-one live chats.

We also recently introduced another mobile application, WeiChang, that is designed to allowing users to sing online through their mobile devices. WeiChang is essentially a mobile karaoke application that provides high-quality musical accompaniment, real-time lyrics display and allows users to evaluate and rank each others’ performances. We intend to explore more user-friendly, mobile-specific functions for our platform in the future.

Why Users Love YY

The growth of our user base has largely been viral in nature through word-of-mouth. According to the iResearch Report, approximately 90.6% of our users are willing to recommend YY Client to their friends. We believe our users love the YY platform for the following reasons:

Large Scale. YY Client had attracted 344.6 million registered user accounts from its launch in July 2008 to June 30, 2012 and had 66.3 million monthly active users in June 2012. As of June 30, 2012, there were approximately 11.6 million channels on YY Client. The peak concurrent user number was 10.0 million in August 2012.

Ability to Pursue Diverse Interests. YY provides an open platform for users to register and set up channels as places for live social groups to gather online, catering to their own individual needs and diverse interests. Although online games and music have been the two most popular channel topics since the launch of YY Client, new channels have quickly emerged and expanded into a variety of interests and topics, such as talk shows, education and finance.

Opportunities for Self-Expression and Achievement. We offer our users a unique platform to reach a large number of other people online and express themselves or achieve whatever they desire, which may be difficult for them to do in the offline world. Whether it is by singing, playing games, or learning or teaching certain skills, they can engage with other people in a rich and meaningful manner and send and receive feedback and rewards in exchange.

Social Interactions and Activities. Strong bonds are created from the friendships and social relationships that we foster among our users. We encourage user engagement through various in-channel community applications, such as enabling users to send different types of virtual gifts, vote or use tickets to support their favorite performers. In addition, we provide social games and instant messaging functions for our users.

Quality of Experience. We believe our high quality voice- and video-enabled communication tools and channel management functions contribute greatly to our high level of user satisfaction. We provide YY channel owners and managers with various functions that enable them to better organize their channels and manage user interaction. These functions increase the ease of use of our YY Client, enhance user experience and enforce the sense of ownership of the channel owners and managers. For example, members of online game players' guilds for massive multi-player online role-playing games congregate on YY Client to discuss gaming strategies and to communicate in real-time during online games because our platform gives them sufficient voice quality and ability to manage their organization.

As part of our efforts to continue to improve user satisfaction, we have a dedicated customer service and operation team and provide user support 24 hours a day, seven days a week. Our users also help us improve YY and provide significant feedback to our customer service teams which help further improve our products and services.

Selected Stories of YY

Below are stories of some of the most successful channel owners, hosts, singers and events on YY Client. All of the individuals below now rely on YY as their primary source of income.

Music Channel Owner

A YY user whose nickname is Cabbage (青菜) decided to run his own YY Music channel in May 2008, after listening to performers sing on various YY channels. Cabbage aspired to provide a central performance venue for talented singers and music lovers, and he recruited and signed top singers and also hired professionals to evaluate the singers' performances. As of July 2012, Cabbage organized and managed 14 channels, including karaoke channels and talk show channels, with over one million visitors in aggregate per day and approximately 2,000 contracted performers across all channels. Cabbage has become one of the most successful channel owners on YY. By the end of July 2012, his YY channels in aggregate had peak concurrent users of approximately 200,000, and his most popular channel had approximately 90,000 peak concurrent users.

Singer

A YY user whose nickname is Poison (毒药) and is currently one of our most popular singers on YY Music has turned her hobby into a promising career through the YY platform. Poison first learned about YY by joining an online game players' guild in 2008, but soon became a singer on YY. As Poison gradually attracted more fans through continued performances, she began to earn a steady income through YY and quit her job as an office

clerk in 2011 to pursue a career as a singer on YY Music. Poison opened her own live channel in February 2012. As of July 31, 2012, she had approximately 15,000 peak concurrent users per performance and 185,000 subscribers on her own live video channel. On her last birthday, Poison held a live concert which attracted approximately 36,000 peak concurrent users on her own video channel, and received numerous virtual gifts, including virtual gifts worth more than RMB100,000 from one ardent fan alone. As of July 2012, Poison had 16,000 regular fans and two fan clubs on the YY platform.

Talk Show Host

A YY user who refers to himself as Mr. Li (李先生) is a popular prime-time talk show host on YY. Originally a middle-school dropout, Mr. Li worked odd jobs such as DJ and internet café administrator before becoming a talk show host on YY. As his experience grew, he gained a large fan base and a prime-time slot for his talk show on various YY channels. As of July 2012, Mr. Li's YY video channel was subscribed by approximately 185,000 YY users. Mr. Li hosted a show on his last birthday, attracting approximately 50,000 peak concurrent users on his own video channel and receiving over RMB76,000 in virtual gifts. Mr. Li has over 50,000 regular fans and five fan clubs on the YY platform.

Education Channel Owner

A YY user, Mr. Xing (邢先生), is the owner of a successful internet education company that teaches classes through YY education channels. He first chose YY as a platform for conducting internet classes in 2009 because of YY's user-friendly, ad-free interface and ability to support millions of concurrent users in a single channel. Currently, all of Mr. Xing's courses are taught exclusively on YY. As Mr. Xing's education business expanded, he benefited from our continuous improvement of our education channel tools, using new features including video, PowerPoint, white board, screen shots, Q&A sessions and other functions to expand and enrich his classes, and his courses on YY education channels grew from the one initial Adobe Photoshop class to 15 different software design courses. As of July 2012, Mr. Xing's education channel had a staff of over 120 teachers and 500 recruiters and tutors, and taught over 300,000 students through YY education channels, among which over 30,000 are paying students, at an average rate of approximately RMB1,000 to RMB3,400 per person per class.

Live Video Online Celebration of YY's Fourth Anniversary

On July 28, 2012, to celebrate the fourth anniversary of the launch of our YY platform, we hosted a live celebration event on YY. As part of the celebration, we invited the most popular performers from our channels and famous Chinese movie and TV celebrities to attend and host the event through live video and voice feeds. The event offered users and loyal fans a chance to listen to and interact with their favorite YY performers as well as other celebrities. The event ultimately attracted approximately 1.4 million peak concurrent users with live video, voice and text interaction functionalities, creating a single-channel attendance record for our platform and signaling a new technological milestone for our infrastructure.

Monetization Opportunities

As users continue to unlock the full potential of our platform, we believe we will have increasing opportunities to expand our portfolio of products and services, and monetize them in various manners. Currently, we derive revenues from our users and third party advertisers.

Internet Value Added Services

We primarily generate revenues from paying users of online games, YY Music and memberships. Our users purchase virtual YY currency and prepaid game tokens which can be used to acquire virtual items to be consumed throughout our platform, including in-game virtual items and other virtual items in our channels. We enable users to acquire our virtual YY currency and prepaid game tokens through major third party online

payment systems using bank cards and mobile payments. By cooperating with major online payment service providers in China, we provide high quality and reliable online payment services to users. We believe the following areas represent the most significant monetization opportunities for our platform:

Online Games. Online games, including massive multiplayer online games and web games, have become an increasingly popular source of entertainment for individuals and groups of internet users. According to the iResearch Report, China's online gaming market generated RMB32.7 billion (US$5.1 billion) of revenue in 2010, and is expected to grow to RMB43.5 billion (US$6.8 billion) in 2013. In China, the monetization of online games has largely been driven by the sale of virtual items to be used and sold within games.

Our platform attracts a large number of online game players and is particularly attractive to online game players' guilds, the members of which congregate on YY Client to discuss gaming strategies and to communicate in real time during online games. Our platform provides users with access to a wide variety of games which we monetize. We intend to source more popular online games to continually enhance user experience and continue being a valuable platform on which game developers can launch and operate their games. We also intend to develop and introduce more online-games related services, such as the recently introduced live broadcasting of online games.

Music. YY has become a popular platform for live online music performances on music channels. YY provides a stage for grassroots musicians, celebrities and professional performers to perform live. These live performances encompass a variety of formats, including karaoke, singing competitions and live concert. Starting from March 2011, users can purchase and present virtual gifts to their favorite performers to show support. In 2012, we commissioned a report conducted by DCCI, which researched the market for karaoke and live music performance in ten major cities in China, including Beijing, Shanghai and Shenzhen. The DCCI report indicates that approximately 20-30% of each city's population participates in karaoke at least once a month, and approximately 80% of those who participate in karaoke go with friends or colleagues as a way of relaxing and socializing. According to DCCI, the total market size for karaoke and live music performance in these ten major cities was US$ 8.6 billion at the time the report was conducted. We believe that these data show a strong market potential for online karaoke or live concerts and strong growth capability for YY Music, which allows people to socialize and sing online and eliminates the need to travel to attend live concerts. We have encouraged and facilitated numerous large-scale music events such as fan club gatherings and meet-and-greets with various performers, as well as concerts and singing competitions for performers from various music channels. In the future, we intend to encourage more live music events which users can access in real time for an entry fee. For details, see "—The YY Platform—YY Client—Channels on YY Client—Music."

We also have arrangements in place with channel owners and performers, in which each channel owner or performer is offered a portion of the revenues we receive from selling virtual items on YY Music. These arrangements align our interest with the interests of the channel owners and performers on YY Music, thus incentivizing channel owners and performers to improve content on YY Music channels and enhancing the attractiveness of our platform to YY Music users.

Membership. We provide enhanced membership privileges to users who pay a monthly fee and subscribe to our membership program. Enhanced privileges include access to special features, such as priority entrance to some live performances. In the future, we intend to continue exploring different ways to expand our members-only offerings so as to better serve our members and attract a larger membership base.

Education. YY provides a convenient and efficient platform for lectures or personal tutoring sessions to be conducted in real time. Our education channels provide numerous classes that cover diverse subjects such as foreign languages, the PRC government civil employee examination and IT training. In the future, we intend to continue enabling users to conduct education courses and cooperate with various educational institutions to provide online classes on YY for a fee. We intend to work with tutoring companies, for example, to open more channels for the teaching of classes online, and we are currently negotiating with numerous education providers

to expand the education offerings on our channels, to improve the relevant functions necessary for these online classes and to negotiate the relevant fee-sharing arrangements.

Advertising Services

We believe that our extensive user base represents an attractive demographic target for advertisers. We believe our advertising business will continue to develop as we grow our user base and advertisers embrace our platform and solutions for them.

Online Display Advertising. According to iResearch, Duowan was the No. 2 game media website in China in the three months ended March 31, 2012, with a market share of 15.7% in terms of monthly unique visitors during that period. Also, according to the iResearch Report, total online advertising spending by game developers in China was approximately RMB690.0 million (US$108.6 million) in 2010, while the overall online advertising market in China was RMB32.6 billion (US$5.1 billion). According to the iResearch Report, the overall online advertising market in China is expected to grow to as much as RMB143.1 billion (US$22.5 billion) in 2014, representing a CAGR of 34.5% from 2010 to 2014.

The vast majority of our current advertising revenues are generated from advertisements on Duowan.com. We do not advertise on YY.com and Mobile YY, and have minimal advertising on YY Client, for the benefit of user experience. We mainly sell online advertisements to major game developers in the form of banners, text-links, videos, logos and buttons on Duowan.com. We pioneered the “pre-order” business model in which we provide advertisers with a list of targeted potential customers who have expressed prior interest in or demand for their products. In the future, we intend to expand our capacity and advertisement solutions for online advertising as our user base grows and to launch additional special interest content-driven portals to complement Duowan.com.

We generate most of our advertising revenues from advertising agencies representing advertisers and, to a lesser extent, from advertisers directly. A significant majority of our advertisers are game developers. We typically enter into framework advertising agreements with advertising agencies representing advertisers, with these agreements generally having a duration of one year, renewable on a yearly basis. Under the framework agreements, we usually set a minimum sales target for the advertising agencies, and typically impose certain penalties, including reduced rebates, if the advertising agencies fail to achieve the target within the year. We intend to further diversify our advertising client base.

Our Technology

Prior to the introduction of YY, we believe there had been no existing network infrastructure in China that could be adopted to support the kind of multi-user, real-time online voice and video communications on a scale necessary for our platform, which caused us to build and develop our own network infrastructure. We believe we are an industry leader in providing quality multi-user voice- and video-enabled online services in China, and we intend to continue to update our technology to maintain this leadership position.

Superb QoS for online multi-media communications

Quality of Service, or QoS, assurance is a key element of any high quality delivery of voice and video data over the internet. For live voice- or video-enabled communications, any data packet loss and jitter, or delay in transmission, is often immediately noticeable to users. We devote significant resources to maintain and develop a creative combination of multiple voice- and voice-over internet protocol, or VOIP, quality assurance mechanisms to minimize data loss and jitter. The mechanisms we employ include cloud-based intelligence routing, low-bitrate redundant solution, upstream-forward error correction and adaptive jitter. A special intelligent routing algorithm we designed automatically seeks optimal ways of delivering voice and video data across our cloud-based network, enabling us to provide consistent QoS even when the QoS levels are lower on certain routes.

We employ computer programs and design and implement a standardized set of measurements to help monitor our service quality. Our system periodically collects, and our team of experts analyzes, data from each of

our data centers to evaluate the voice- and video-quality for each user using a systematic standard. We have set up formal procedures to handle different levels of server breakdowns and network-related emergencies, and our team can remotely discover issues and access any server to promptly resolve issues.

Large, dedicated cloud-based network infrastructure

Our team of experts developed a cloud-based network infrastructure specifically designed to handle multi-party voice- and video-enabled real-time online interactions. We own more than 4,000 servers which are hosted in the data centers we lease from third parties throughout the country as of the date of this prospectus. To deliver voice data, we require only a limited bandwidth of approximately 2 KB per second, which is easily obtainable. Our cloud-based network infrastructure provides quality data delivery and allows multiple users to interact online from anywhere in China easily and with minimal delay.

Our system is designed for scalability and reliability to support growth in our user base. The number of our servers contributes significantly to our fast streaming speed and reliable services, and can be expanded with comparative ease, given the low cost of renting data centers to host additional servers in any high traffic regions in our network. We believe that our current network facilities and broadband capacity provide us with sufficient capacity to carry out our current operations, and can be expanded to meet additional capacity relatively quickly. The amount of bandwidth we lease is continually expanded to reflect increased peak concurrent users.

Content management and monitoring

YY Client, YY.com and Duowan.com all contain user-generated content, which we are required to monitor for compliance with PRC laws and regulations. A team within our data security department helps in enforcing our internal procedures to ensure that the content in our system are in compliance with applicable laws and regulations. They are aided by a program designed to periodically sweep our platform and the data being conveyed in our system for sensitive key words or questionable materials. Content that contain certain keywords are automatically filtered by our program and cannot be successfully posted on our platform. Thus we are able to minimize offending materials on our platform and to remove such materials promptly after they are discovered. See “Risk Factors—Risks Relating to Our Business—We may be held liable for information or content displayed on, retrieved from or linked to our platform, or distributed to users, and PRC authorities may impose legal sanctions on us, including, in serious cases, suspending or revoking the licenses necessary to operate our platform.”

Accumulated experience and data for a proprietary technology platform

Significant time and efforts are required to build and operate an infrastructure such as ours. We believe that the extensive experience and vast data we have accumulated in resolving the numerous issues encountered in operating an expanding rich communication social platform makes it difficult for competitors to operate a platform of a similar scale or to challenge our leading position. For example, the technological difficulties which a platform that hosts 10,000 concurrent users faces differ greatly from the difficulties a platform with 100,000 and 1,000,000 concurrent users faces, including many issues to be considered when programming for the platform and planning the infrastructure. Since our launch, we have gradually developed an effective system to identify, study and resolve issues that we encounter every day. In addition, our team members have been trained over the years to anticipate and resolve any issues quickly and effectively, having gained significant knowledge from building and maintaining our platform over time.

Technology team

As of June 30, 2012, our dedicated technology team consisted of approximately 671 employees; the team is divided into three departments, serving (a) YY Client, (b) online games and YY.com and (c) Duowan.com, respectively. Approximately 39 members of our technology team are dedicated solely to monitoring and maintaining our network infrastructure 24 hours a day, seven days a week. Our technology team checks the voice and video data quality received by various users, the quality of user experience on YY Client and the proper

functioning of our server equipment in our network, as well as contacting internet data center hosts to fix any issues located through such checks. Having launched and developed our video-enabled technology on an increasing number of channels, our team expects to provide full voice- and video-enabled live social interactions in the future.

Marketing and Sales

Viral and other marketing for YY Client and Mobile YY

We believe the most efficient form of marketing for YY Client and Mobile YY is word of mouth referrals and repeat user visits, which are ultimately driven by our delivery of superior user experience. Historically, we have incurred minimal marketing expenses for YY Client and Mobile YY and have built a large community of loyal users primarily through viral marketing. We believe the large number of active users on our platform in itself constitutes a key driver of our user growth as many internet users in China seek to join an established and vibrant online community for purposes of socializing and achieving maximal self-expression. The more users use YY, the more vibrant our social ecosystem becomes, and the greater the value of our platform to our users, which encourages user loyalty and incentivizes them to recruit new users for our online games, YY Music and our membership subscription.

While we have significantly benefited from the effects of powerful viral marketing, we recently initiated, and plan to continue, certain marketing activities designed to further promote YY Client and Mobile YY to a broader range of potential users. For instance, we plan to conduct a range of marketing campaigns to promote the educational and professional benefits of using our online social platform by holding discussion forums at numerous leading colleges and universities in China. We believe younger users are generally more receptive to new technology and spend more time online compared to other segments of the population. They tend to frequently share online resources and programs among friends and are likely to remain loyal to such resources and programs that they use from an early age. We also award our YY Client and Mobile YY users and channel owners virtual currencies based on the time they spend on our platform. We believe such incentives may further increase user loyalty and enhance the attractiveness of our platform.

Advertisers on Duowan.com

Dedicated sales team

As of June 30, 2012, we had a dedicated sales force of 33 experienced professionals to help us maintain and increase our online advertising revenues; 24 of these professionals were in charge of serving advertisers and advertising agencies. Our sales force, located in Beijing, Shanghai and Guangzhou, is divided into three regional teams to cover all major geographic areas in China where we have advertisers. Currently, a majority of our sales effort is devoted to maintaining and expanding the level of our advertising revenues from online games, since advertising revenues from online games contributed a substantial majority of our online advertising revenue. Although our online advertising will remain an important source of revenues for us, we expect our online advertising revenues as a percentage of our total revenues to decrease in the future as we capitalize on increased monetization opportunities for YY Client and as IVAS revenues continue to increase.

The compensation for our sales personnel includes basic monthly salaries and sales commissions based on the advertising revenues that they bring in.

Targeted marketing strategy

Our sales team devotes significant resources to maintaining close relationships with major online game developers and major advertising agencies, communicating with them every week to seek feedback, obtain industry news and study potential demand for advertising. We provide different types of advertising to our advertisers, which include (a) traditional banners, text-links, videos, logos and buttons on fixed webpage positions on Duowan.com, (b) literatures promoting an advertiser’s game in the form of special articles or feature

stories introducing the game or any new features to the game, and (c) special offer campaigns sending existing users free virtual items or access codes to encourage players to join various online games.

We intend to expand our focus, in particular, on special offer campaigns that help advertisers target users who have previously expressed interest in certain types of products and services. For example, for the launch of a new online game, we spread the word among our users as to the launch date and solicit user interest in playing the game for a trial period; those interested are asked to join a waitlist to pre-order the game for a trial session once it becomes available. Once the game is launched, we send coupon codes to users on the waitlist to encourage them to log into the game and complete a trial session. The goal of this pre-order advertising strategy is to target only the users who are interested in a certain product, and to effectively turn trial usage into actual usage after the trial period ends. This type of advertising has proven to be effective with our users and advertisers because it matches user interest with targeted advertising efforts, sparing our users from unwanted spam advertising while helping our advertisers minimize the cost of sending test trials to potentially uninterested recipients.

Services for game developers

We work with game developers in hosting third party games that are available through our platform. We have a team that specifically monitors the performance of our online games, retires underperforming games, further promotes popular games, regularly liaises with existing game developers to maintain good relationships and explores potential opportunities with new game developers. We have also recently launched an initiative wherein we plan to work with third party game developers in developing new online web games in exchange for the exclusive right to host these games on our platform.

Competition

We face competition in several major aspects of our business, particularly from companies that provide online social networking, internet communication and online games. We also compete for online advertising revenues with other internet companies that sell online advertising services in China.

Social connectivity and communications. We are not aware of any other company that offers a live voice-or video-enabled online social platform of similar scale as ours in China. In relation to voice-enabled communication tools, there are several internet voice communication service providers in China, including iSpeak, Tencent’s QQtalk and Dudu, and leading international internet voice communication service providers, such as Skype, are expanding into the China market. In addition, some other leading Chinese internet companies have announced the launch of internet voice communication services. We compete with other internet companies that provide voice and video services to Chinese internet users. However, we do not believe any of these companies have the capacity to handle large group multi-party voice- and video-enabled live interactions like we do, and we do not believe they can compete directly with us on the number of users we can support concurrently on our voice- and video-enabled platform. The internet voice and video communication industry in China has become increasingly competitive, and some of our potential competitors are adopting aggressive measures to gain market share and may challenge our leading market position in the future.

We may also face potential competition from global social networking service providers that seek to enter the China market, whether independently or through the formation of alliances with, or acquisition of, PRC domestic internet companies. However, we do not believe these companies pose direct competition to us as they do not currently offer voice- and video-enabled technology on a large scale.

The barriers to entry are comparatively high in this field, because of the technical challenges facing the delivery of voice and video data through frequent unstable internet connections in China. In addition, unless a competitor has reached a certain size, we believe it would be difficult for such competitor to economically and efficiently resolve the practical operational difficulties that arise when a platform hosts large numbers of concurrent users. This in turn would lead to inability to timely resolve technical issues as they arise, which would

impact user experience and make it difficult, we believe, to challenge our current dominance in the market for the provision of platform and services for voice- and video-enabled live online social group gathering.

Online game media and hosting. We have various competitors in the online game media market in China. Duowan.com's primary competitor among game media websites is 17173.com. For web game hosting, our competitors include other major internet companies that host web games, such as Tencent, Qihoo 360 and other private companies.

Research and Development

We believe that our ability to develop internet and mobile online applications and services tailored to respond to the needs of our user base has been a key factor for the success of our business. We have been able to rapidly scale our product development output and deliver an increasing range of products and services to fulfill changing user needs. To maintain and enhance our market leadership position, we will need to continue to invest in research and development in order to enhance our products and services.

As of June 30, 2012, our research and development team consisted of 584 development and technical staff. All of our service programs are designed and developed internally, including various interactive technologies. We expect to continue to develop all of our core technologies in-house.

We currently focus our product development efforts on three areas: (a) the continued improvement of our audio quality and further expansion of video-enabled features on our rich communication social platform, (b) the ongoing improvement of general user experience on YY Client by providing virtual items, additional games and online game add-ons as well as certain members-only special features, and (c) the continued development of Mobile YY. We will further invest in our voice and video technology to ensure that we continue to offer high quality live online social gathering experiences to our users, maintain the close communications we have with our existing users so as to identify user demand and offer product and service improvements to meet such demand and improve user experience. In addition, we are continuing to further develop Mobile YY to reach more users.

Intellectual Property

We regard our patents, trademarks, domain names, copyrights, trade secrets, proprietary technologies and similar intellectual property as critical to our success. We seek to protect our intellectual property rights through a combination of patent, trademark, copyright and trade secret protection laws in the PRC and other jurisdictions, as well as through confidentiality agreements and procedures with our employees, partners and others. The intellectual property rights we own include: (1) three patents relating to our proprietary technology; (2) 31 registered domain names, including YY.com, Duowan. com and Chinaduo.com; (3) copyrights to 41 software programs developed by us relating to various aspects of our operations, including voice software, games platform, general support and user management; and (4) 39 trademarks and service marks for our brands and logos in China, including YY and certain Chinese logos relating to Duowan and YY.

Employees

The following table sets forth the numbers of our employees, categorized by function, as of June 30, 2012:

Functions	Number of Employees
Management	19
Customer services and operations	306
Engineering and maintenance	87
Research and development	584
Sales and marketing	46
General and administration	62
Total	1,104

We had a total of 339, 600 and 854 employees as of December 31, 2009, 2010 and 2011, respectively.

Our success depends on our ability to attract, retain and motivate qualified personnel. We have developed a corporate culture that encourages initiative, technical superiority and self-development. In addition, we periodically evaluate our employees' performance and provide them with training sessions tailored to each job function to enhance performance and service quality.

As required by regulations in China, we participate in various employee social security plans that are organized by municipal and provincial governments, including pension, unemployment insurance, childbirth insurance, work-related injury insurance, medical insurance and housing insurance. We are required under PRC law to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government from time to time. We have accrued, in the aggregate, RMB42,088 (US$6,625) for pension or similar retirement benefits for our executive officers and directors, as required under PRC laws, for the fiscal year ended December 31, 2011. We believe that we maintain a good working relationship with our employees and we have not experienced any significant labor disputes as of the date of this prospectus.

Facilities

Our principal executive offices are located on premises comprising approximately 10,300 square meters in Guangzhou, China. This facility currently accommodates our management headquarters, principal development, engineering, sales and marketing, human resources and administrative activities. The lease for this Guangzhou facility expires in 2015. We also have a branch office in Beijing focusing on research and development, a branch office in Zhuhai focusing on games related businesses, and a representative office in Shanghai that handles advertising-related matters. We lease these relatively small premises under lease agreements from unrelated third parties, and we plan to renew these leases from time to time as needed.

Our servers are hosted in leased internet data centers in different geographic regions in China. The data centers in our network are owned and maintained for us by major domestic internet data center providers. We typically enter into leasing and hosting service agreements that are renewable annually. We believe that our existing facilities are sufficient for our current needs and we will obtain adequate facilities, principally through leasing, to accommodate our future expansion plans.

Legal Proceedings

We are currently not a party to, and are not aware of any threat of, any legal, arbitration or administrative proceedings that, in the opinion of our management, are likely to have a material and adverse effect on our business, financial condition or results of operations. From time to time, we have become, and may in the future become, a party to various legal or administrative proceedings arising in the ordinary course of our business. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management attention and other factors.

PRC REGULATION

Certain areas related to the internet, such as telecommunications, internet information services, connections to the international information networks, internet information security and censorship and online game operations, are covered extensively by a number of existing laws and regulations issued by various PRC governmental authorities, including:

- the Ministry of Industry and Information Technology, or the MIIT;
- the Ministry of Culture, or the MOC;
- the General Administration of Press and Publication, or the GAPP;
- the State Administration for Radio, Film and Television, or the SARFT;
- the National Copyright Administration, or the NCA;
- the State Administration for Industry and Commerce, or the SAIC;
- the State Council Information Office, or the SCIO;
- the Ministry of Commerce, or the MOFCOM;
- the Bureau of Protection of State Secrets;
- the Ministry of Public Security; and
- the State Administration of Foreign Exchange, or the SAFE.

As the online social platform and online game industries are still at an early stage of development in China, new laws and regulations may be adopted from time to time to require new licenses and permits in addition to those we currently have. There are substantial uncertainties on the interpretation and implementation of any current and future Chinese laws and regulations, including those applicable to the online social platform and online game industries. See "Risk Factors—Risks Relating to Doing Business in China—Uncertainties in the interpretation and implementation of Chinese laws and regulations could limit the legal protections available to you and us." And this section sets forth the most important laws and regulations that govern our current business activities in China and that affect the dividends payment to our shareholders.

Regulation on Telecommunications Services and Foreign Ownership Restrictions

The Telecommunications Regulations, which became effective on September 25, 2000, are the core regulations on telecommunications services in China. The Telecommunications Regulations set out basic guidelines on different types of telecommunications business activities, including the distinction between "basic telecommunications services" and "value-added telecommunications services." According to the Catalog of Telecommunications Business (2003 Amendment), implemented on April 1, 2003 and attached to the Telecommunications Regulations, internet information services are deemed a type of value-added telecommunications services. The Telecommunications Regulations require the operators of value-added telecommunications services to obtain value-added telecommunications business operation licenses from MIIT or its provincial delegates prior to the commencement of such services. Under these regulations, if the value-added telecommunications services offered include mobile network information services, the operation license for value-added telecommunications business must include the provision of such services in its covered scope. We currently, through Guangzhou Huaduo, our PRC consolidated affiliated entity, hold an ICP license, a sub-category of the value-added telecommunications business operation license, covering the provision of internet and mobile network information services, issued by the Guangdong branch of the MIIT on February 10, 2012.

The Regulations for the Administration of Foreign-Invested Telecommunications Enterprises, or the FITE Regulations, which took effect on January 1, 2002 and were amended on September 10, 2008, are the key

regulations that regulate foreign direct investment in telecommunications companies in China. The FITE Regulations stipulate that the foreign investor of a telecommunications enterprise is prohibited from holding more than 50% of the equity interest in a foreign-invested enterprise that provides value-added telecommunications services, including online games and the provision of internet content. Moreover, such foreign investor shall demonstrate a good track record and experience in operating value-added telecommunications services when applying for the value-added telecommunications business operation license from the MIIT.

On July 13, 2006, the MIIT issued the Circular on Strengthening the Administration of Foreign Investment in Value-added Telecommunications Services, or the MIIT Circular 2006, which requires that (a) foreign investors can only operate a telecommunications business in China through establishing a telecommunications enterprise with a valid telecommunications business operation license; (b) domestic license holders are prohibited from leasing, transferring or selling telecommunications business operation licenses to foreign investors in any form, or providing any resource, sites or facilities to foreign investors to facilitate the unlicensed operation of telecommunications business in China; (c) value-added telecommunications service providers or their shareholders must directly own the domain names and registered trademarks they use in their daily operations; (d) each value-added telecommunications service provider must have the necessary facilities for its approved business operations and maintain such facilities in the geographic regions covered by its license; and (e) all value-added telecommunications service providers should improve network and information security, enact relevant information safety administration regulations and set up emergency plans to ensure network and information safety. The provincial communications administration bureaus, as local authorities in charge of regulating telecommunications services, (a) are required to ensure that existing qualified value-added telecommunications service providers will conduct a self-assessment of their compliance with the MIIT Circular 2006 and submit status reports to the MIIT before November 1, 2006; and (b) may revoke the value-added telecommunications business operation licenses of those that fail to comply with the above requirements or fail to rectify such non-compliance within specified time limits. Due to the lack of any additional interpretation from the regulatory authorities, it remains unclear what impact MIIT Circular 2006 will have on us or the other PRC internet companies with similar corporate and contractual structures.

To comply with such foreign ownership restrictions, we operate our online social platform and online game businesses in China through Guangzhou Huaduo, which is owned by several PRC citizens and Beijing Tuda. Beijing Tuda was established by Messrs. David Xueling Li, Tony Bin Zhao and Jin Cao. Guangzhou Huaduo and Beijing Tuda are both controlled by Huanju Shidai through a series of contractual arrangements. See "Corporate History and Structure." Moreover, Guangzhou Huaduo owns a majority of the domain names, registered trademarks and facilities necessary for daily operations in compliance with the MIIT Circular 2006. Based on our PRC legal counsel, Zhong Lun Law Firm's understanding of the current PRC laws, rules and regulations, our corporate structure complies with all existing PRC laws and regulations. However, we were further advised by our PRC legal counsel that there are substantial uncertainties with respect to the interpretation and application of existing or future PRC laws and regulations and thus there is no assurance that Chinese governmental authorities would take a view consistent with the opinions of our PRC legal counsel.

Internet Information Services

The Administrative Measures on Internet Information Services, or the ICP Measures, issued by the State Council on September 25, 2000 and amended on January 8, 2011, regulate the provision of internet information services. According to the ICP Measures, "internet information services" refer to services that provide internet information to online users, and are categorized as either commercial services or non-commercial services. Pursuant to the ICP Measures, internet information commercial service providers shall obtain an ICP license, from the relevant local authorities before engaging in the providing of any commercial internet information services in China. In addition, if the internet information services involve provision of news, publication, education, medicine, health, pharmaceuticals, medical equipment and other services that statutorily require approvals from other additional governmental authorities, such approvals must be obtained before applying for

the ICP license. Guangzhou Huaduo presently holds the ICP license on internet and mobile network information services issued by the Guangdong branch of the MIIT on February 10, 2012.

Besides, the ICP Measures and other relevant measures also ban the internet activities that constitute publication of any content that propagates obscenity, pornography, gambling and violence, incite the commission of crimes or infringe upon the lawful rights and interests of third parties, among others. If an internet information service provider detects information transmitted on their system that falls within the specifically prohibited scope, such provider must terminate such transmission, delete such information immediately, keep records and report to the governmental authorities in charge. Any provider's violation of these prescriptions will lead to the revocation of its ICP license and, in serious cases, the shutting down of its internet systems.

Internet Publication and Cultural Products

The Tentative Measures for Internet Publication Administration, or Internet Publication Measures, were jointly promulgated by the GAPP and the MIIT on June 27, 2002 and became effective on August 1, 2002. The Internet Publication Measures imposed a license requirement for any company that engages in internet publishing, which means any act by an internet information service provider to select, edit and process content or programs and to make such content or programs publicly available on the internet. The provision of online games is deemed an internet publication activity; therefore, an online game operator must (i) obtain an Internet Publishing License so that it can directly offer its online games to the public in the PRC, or (ii) publish its online games through a qualified press entity by entering into an entrustment agreement.

The Rules for the Administration of Electronic Publication, or the Electronic Publication Rules, was issued by the GAPP on February 21, 2008 and became effective on April 15, 2008. Under the Electronic Publication Rules and other regulations issued by the GAPP, online games are classified as a kind of electronic publication, and publishing of online games is required to be conducted by licensed electronic publishing entities that have been issued standard publication codes. Pursuant to the Electronic Publication Rules, if a PRC company is contractually authorized to publish foreign electronic publications, it must obtain the approval of, and register the copyright license contract with, the GAPP.

We, through Guangzhou Huaduo, obtained an Internet Publishing License for the publication of online games and mobile phone games on November 7, 2011. With the issued Internet Publishing License, we are in the process of applying for the GAPP's pre-approval for publishing online games. For more information on the pre-approval by the GAPP, see "—Regulation on Online Games and Foreign Ownership Restrictions."

Regulation on Online Games and Foreign Ownership Restrictions

On June 3, 2010, the MOC promulgated the Provisional Administration Measures of Online Games, or the Online Game Measures, which came into effect on August 1, 2010. The Online Game Measures governs the research, development and operation of online games and the issuance and trading services of virtual currency. It specifies that the MOC is responsible for the censorship of imported online games and the filing of records of domestic online games. The procedures for the filing of records of domestic online games must be conducted with the MOC within 30 days after the commencement date of the online operation of such online games or the occurrence date of any material alteration of such online games.

All operators of online games, issuers of virtual currencies and providers of virtual currency trading services, or Online Game Business Operators, are required to obtain Internet Culture Operation Licenses. An Internet Culture Operation License is valid for three years and in case of renewal, the renewal application should be submitted 30 days prior to the expiry date of such license. An Online Game Business Operator should request the valid identity certificate of game users for registration, and notify the public 60 days ahead of the termination of any online game operations or the transfer of online game operational rights. Online Game Business Operators

are also prohibited from (a) setting compulsory matters in the online games without game users' consent; (b) advertising or promoting the online games that contain prohibited content, such as anything that compromise state security or divulges state secrets; and (c) inducing game users to input legal currencies or virtual currencies to gain online game products or services, by way of random draw or other incidental means. It also states that the state cultural administration authorities will formulate the compulsory clauses of a standard online game service agreement, which have been promulgated on July 29, 2010 and are required to be incorporated into the service agreement entered into between the Online Game Business Operators, with no conflicts with the rest of clauses in such service agreements. Guangzhou Huaduo holds a valid Internet Culture Operation License that was last updated in March 2011.

On July 11, 2008, the General Office of the State Council promulgated the Regulation on Main Functions, Internal Organization and Staffing of the GAPP, or the Regulation on Three Provisions. On September 7, 2009, the Central Organization Establishment Commission issued the corresponding interpretations, or the Interpretations on Three Provisions. The Regulation on Three Provisions and the Interpretation on Three Provisions granted the MOC overall jurisdiction to regulate the online gaming industry, and granted the GAPP the authority to issue approvals for the internet publication of online games. Specifically, (a) the MOC is empowered to administrate online games (other than the pre-examination and approval before internet publication of online games); (b) subject to the MOC's overall administration, GAPP is responsible for the pre-examination and approval of the internet publication of online games; and (c) once an online game is launched, the online game will be only administrated and regulated by the MOC. On November 7, 2011, Guangzhou Huaduo obtained an Internet Publishing License for the publication of online games and mobile phone games. The online games we currently offer are domestically produced games, and are published by third parties qualified to publish online games. Approximately 88% of the online games currently available on YY Client have been filed with the GAPP as electronic publications, and the others are still undergoing the filing process.

On September 28, 2009, the GAPP, the NCA and the National Working Group to Eliminate Pornography and Illegal Publications jointly issued the Circular on Consistent Implementation of the Stipulation on the Three Determinations of the State Council and the Relevant Interpretations of the State Commission for Public Sector Reform and the Further Strengthening of the Pre-approval of Online Games and the Approval and Examination of Imported Online Games, or Circular 13. Circular 13 explicitly prohibits foreign investors from directly or indirectly engaging in online gaming business in China, including through variable interest entity structures, or VIE Structures. Foreign investors are not allowed to indirectly control or participate in PRC operating companies' online game operations, whether (a) by establishing other joint ventures, entering into contractual arrangements or providing technical support for such operating companies; or (b) in a disguised form such as by incorporating or directing user registration, user account management or game card consumption into online gaming platforms that are ultimately controlled or owned by foreign companies. Circular 13 reiterates that the GAPP is responsible for the examination and approval of the import and publication of online games and states that downloading from the internet is considered a publication activity, which is subject to approval from the GAPP. Violations of Circular 13 will result in severe penalties. For detailed analysis, see "Risk Factors—Risks Relating to Our Corporate Structure and Industry—We may be adversely affected by the complexity, uncertainties and changes in PRC regulation of internet business and companies."

Anti-fatigue Compliance System and Real-name Registration System

On April 15, 2007, in order to curb addictive online game-playing by minors, eight PRC government authorities, including the GAPP, the Ministry of Education, the Ministry of Public Security and the MIIT, jointly issued a circular requiring the implementation of an anti-fatigue compliance system and a real-name registration system by all PRC online game operators. Under the anti-fatigue compliance system, three hours or less of continuous playing by minors, defined as game players under 18 years of age, is considered to be "healthy", three to five hours is deemed "fatiguing", and five hours or more is deemed "unhealthy." Game operators are required

to reduce the value of in-game benefits to a game player by half if it discovers that the amount of a time a game player spends online has reached the "fatiguing" level, and to zero in the case of the "unhealthy" level.

To identify whether a game player is a minor and thus subject to the anti-fatigue compliance system, a real-name registration system should be adopted to require online game players to register their real identity information before playing online games. Pursuant to a notice issued by the relevant eight government authorities on August 3, 2011, online game operators must submit the identity information of game players to the National Citizen Identity Information Center, a subordinate public institution of the Ministry of Public Security, for verification as of October 1, 2011.

We have developed and implemented an anti-fatigue and compulsory real-name registration system in all our online games, and will cooperate with the National Citizen Identity Information Center to launch the identity verification system upon the issuance of relevant implementing rules. For game players who do not provide verified identity information, we assume that they are minors under 18 years of age. In order to comply with the anti-fatigue rules, we set up our system so that after three hours of playing our online games, minors only receive half of the virtual items or other in-game benefits they would otherwise earn, and after playing for more than five hours, minors would receive no in-game benefits. These restrictions could limit our ability to increase our online games business among minors. Furthermore, if these restrictions were expanded to apply to adult game players in the future, our online games business could be materially and adversely affected. See "Risk Factors—Risks Related to Our Corporate Structure and Our Industry—Intensified government regulation of the internet industry in China could restrict our ability to maintain or increase our user level or the level of user traffic to our YY platform.

Virtual Currency

On January 25, 2007, the Ministry of Public Security, the MOC, the MIIT and the GAPP jointly issued a circular regarding online gambling which has implications for the issuance and use of virtual currency. To curtail online games that involve online gambling while addressing concerns that virtual currency might be used for money laundering or illicit trade, the circular (a) prohibits online game operators from charging commissions in the form of virtual currency in connection with winning or losing of games; (b) requires online game operators to impose limits on use of virtual currency in guessing and betting games; (c) bans the conversion of virtual currency into real currency or property; and (d) prohibits services that enable game players to transfer virtual currency to other players. In February 2007, 14 PRC regulatory authorities jointly issued a circular to further strengthen the oversight of internet cafes and online games. In accordance with the circular, the People's Bank of China, or PBOC, has the authority to regulate virtual currency, including: (a) setting limits on the aggregate amount of virtual currency that can be issued by online game operators and the amount of virtual currency that can be purchased by an individual; (b) stipulating that virtual currency issued by online game operators can only be used for purchasing virtual products and services within the online games and not for purchasing tangible or physical products; (c) requiring that the price for redemption of virtual currency shall not exceed the respective original purchase price; and (d) banning the trading of virtual currency.

On June 4, 2009, the MOC and the MOFCOM jointly issued a notice to strengthen the administration of online game virtual currency. The Virtual Currency Notice requires businesses that (a) issue online game virtual currency (in the form of prepaid cards and/or pre-payment or prepaid card points), or (b) offer online game virtual currency transaction services to apply for approval from the MOC through its provincial branches within three months after the issuance of the notice. The Virtual Currency Notice prohibits businesses that issue online game virtual currency from providing services that would enable the trading of such virtual currency. Any business that fails to submit the requisite application will be subject to sanctions, including, without limitation, mandatory corrective measures and fines.

Under the Virtual Currency Notice, an online game virtual currency transaction service provider means a business providing platform services relating to trading of online game virtual currency among game users. The

Virtual Currency Notice further requires an online game virtual currency transaction service provider to comply with relevant e-commerce regulations issued by the MOFCOM. According to the Guiding Opinions on Online Trading (Interim) issued by the MOFCOM on March 6, 2007, online platform services are trading services provided to online buyers and sellers through a computer information system operated by the service provider.

The Virtual Currency Notice regulates, among others, the amount of virtual currency a business can issue, the retention period of user records, the function of virtual currency and the return of unused virtual currency upon the termination of online services. It prohibits online game operators from distributing virtual items or virtual currency to players based on random selection through lucky draw, wager or lottery which involves cash or virtual currency directly paid by the players. The Virtual Currency Notice bans the issuance of virtual currency by game operators to game players through means other than purchases with legal currency. Any business that does not provide online game virtual currency transaction services is required to adopt technical measures to restrict the transfer of online game virtual currency among accounts of different game players.

In addition, the Online Game Measures promulgated in June 2010 further provide that (i) virtual currency may only be used to purchase services and products provided by the online service provider that issues the currency; (ii) the purpose of issuing virtual currency shall not be malicious appropriation of the user's advance payment; (iii) the storage period of online gamers' purchase record shall not be shorter than 180 days; (iv) the types, price and total amount of virtual currency shall be filed with the cultural administration department at the provincial level. The Online Game Measures stipulate that virtual currency service providers may not provide virtual currency transaction services to minors or for online games that fail to obtain the necessary approval or filings, and that such providers should keep transaction records, accounting records and other relevant information for its users for at least 180 days.

Online Music

On November 20, 2006, the MOC issued Several Suggestions of the MOC on the Development and Administration of Internet Music, or the Suggestions, which became effective on the same date. The Suggestions, among other things, reiterate the requirement for an internet service provider to obtain an Internet Culture Operation License to carry out any business relating to internet music products. In addition, foreign investors are prohibited from operating internet culture businesses. However, the laws and regulations on internet music products are still evolving, and there have not been any provisions clarifying whether music products will be regulated by the Suggestions or how such regulation would be carried out.

On August 18, 2009, the MOC promulgated the Notice on Strengthening and Improving the Content Review of Online Music, or the Online Music Notice. According to the Online Music Notice, only "internet culture operating entities" approved by the MOC may engage in the production, release, dissemination (including providing direct links to music products) and importation of online music products. The content of online music shall be reviewed by or filed with the MOC. Internet culture operating entities should establish a strict self-monitoring system of online music content and set up a special department in charge of such monitoring.

Guangzhou Huaduo holds a valid Internet Culture Operation License covering our provision of online music. More than 99% of the music offered on our websites is sung by grassroots performers along with recorded music. If any music provided through our platform is found to lack necessary filings and/or approvals, we could be requested to cease providing such music or be subject to claims from third parties or penalties from the MOC or its local branches. See "Risk Factors—Risks Relating to Our Corporate Structure and Our Industry—If our PRC consolidated affiliated entities fail to obtain and maintain the requisite licenses and approvals required under the complex regulatory environment for internet-based businesses in China, our business, financial condition and results of operations may be materially and adversely affected." Moreover, the unauthorized posting of online music on our platform by third parties may expose us to the risk of administrative penalties and intellectual property infringement lawsuits. See "Risk Factors—Risks Relating to Our Business—We may be held liable for information or content displayed on, retrieved from or linked to our platform, or distributed to our

users, and PRC authorities may impose legal sanctions on us, including, in serious cases, suspending or revoking the licenses necessary to operate our platform."

In 2011, the MOC greatly intensified its regulation of the provision of online music products. According to the series of Notices on Clearing Online Music Products that are in Violation of Relevant Regulations promulgated by the MOC since January 7, 2011, entities that provide any the following will be subject to relevant penalties or sanctions imposed by the MOC: (a) online music products or relevant services without obtaining corresponding qualifications, (b) imported online music products that have not passed the content review of the MOC or (c) domestically developed online music products that have not been filed with the MOC. Thus far, we believe that we have eliminated from our platform any online music products that may fall into the scope of those prohibited online music products thereunder.

Online Transmission of Audio-Visual Programs

The Measures for the Administration of Publication of Audio-Visual Programs through Internet or Other Information Network, or the Audio-Visual Measures, promulgated by the SARFT on July 6, 2004 and put into effect on October 11, 2004, apply to the activities relating to the opening, broadcasting, integration, transmission or download of audio-visual programs using internet or other information network. Under the Audio-Visual Measures, to engage in the business of transmitting audio-visual programs, a license issued by SARFT is required. Foreign invested enterprises are not allowed to carry out such business.

On April 13, 2005, the State Council promulgated the Certain Decisions on the Entry of the Non- state-owned Capital into the Cultural Industry. On July 6, 2005, five PRC governmental authorities, including the MOC, the SARFT, the GAPP, the CSRC and the MOFCOM, jointly adopted the Several Opinions on Canvassing Foreign Investment into the Cultural Sector. According to these regulations, non-state-owned capital and foreign investors are not allowed to engage in the business of transmitting audio-visual programs through information networks.

To further regulate the provision of audio-visual program services to the public via the internet, including through mobile networks, within the territory of the PRC, the SARFT and the MIIT jointly promulgated the Administrative Provisions on Internet Audio-Visual Program Service, or the Audio-Visual Program Provisions, on December 20, 2007, which came into effect on January 31, 2008. Providers of internet audio-visual program services are required to obtain a License for Online Transmission of Audio-Visual Programs issued by SARFT, or complete certain registration procedures with SARFT. In general, providers of internet audio-visual program services must be either state-owned or state-controlled entities, and the business to be carried out by such providers must satisfy the overall planning and guidance catalog for internet audio-visual program service determined by SARFT. In a press conference jointly held by SARFT and MIIT to answer questions relating to the Audio-Visual Program Provisions in February 2008, SARFT and MIIT clarified that providers of internet audio-visual program services who engaged in such services prior to the promulgation of the Audio-Visual Program Provisions are eligible to register their business and continue their operation of internet audio-visual program services so long as those providers did not violate the relevant laws and regulations in the past. On May 21, 2008, SARFT issued a Notice on Relevant Issues Concerning Application and Approval of License for the Online Transmission of Audio-Visual Programs, which further sets out detailed provisions concerning the application and approval process regarding the License for Online Transmission of Audio-Visual Programs. The notice also states that providers of internet audio-visual program services that engaged in such services prior to the promulgation of the Audio-Visual Program Provisions are eligible to apply for the license so long as their violation of the laws and regulations is minor in scope and can be rectified in a timely manner and they have no records of violation during the last three months prior to the promulgation of the Audio-Visual Program Provisions. Further, on March 31, 2009, SARFT promulgated the Notice on Strengthening the Administration of the Content of Internet Audio-Visual Programs, which reiterates the pre-approval requirements for the audio-visual programs transmitted via the internet, including through mobile networks, where applicable, and

prohibits certain types of internet audio-visual programs containing violence, pornography, gambling, terrorism, superstition or other similarly prohibited elements.

On April 1, 2010, the SARFT issued the Internet Audio-visual Program Services Categories (Provisional), or the Provisional Categories, which classified internet audio-visual program services into four categories.

Guangzhou Huaduo holds a valid License for Online Transmission of Audio-Visual Programs with the business classification of converging and play-on-demand service for certain kinds of audio-visual programs—literary, artistic and entertaining—as prescribed in the Provisional Categories.

Production of Radio and Television Programs

On July 19, 2004, the SARFT issued the Regulations on the Administration of Production of Radio and Television Programs, or the Radio and TV Programs Regulations, which become effective on August 20, 2004. The Radio and TV Programs Regulations require any entities engaging in the production of radio and television programs to obtain a license for such businesses from the SARFT or its provincial branches. Entities with the License for Production and Operation of Radio and TV Programs must conduct their business operations strictly in compliance with the approved scope of production and operations and these entities (except radio and TV stations) must not produce radio and TV programs regarding current political news or similar subjects.

Guangzhou Huaduo holds an effective License for Production and Operation of Radio and TV Programs, issued on October 8, 2011, covering the production, reproduction and publication of broadcasting plays, TV dramas, cartoons (excluding production), special subjects, special columns (excluding current political news category) and entertainment programs.

Regulation on Internet Bulletin Board Services

On November 6, 2000, the MIIT promulgated the Administrative Measures on Internet Bulletin Board Services, or BBS Measures, which required commercial internet information service providers which provide bulletin boards, discussion forums, chat rooms or similar services, or BBS services, to obtain specific approval from the competent telecommunications authorities. Commercial internet information service providers are also required to conspicuously display their ICP license numbers and the rules of the BBS and inform users of the possible legal liabilities and consequences for posting improper comments. Another notice issued by the MIIT in March 2001 further specified the qualifications and requirements for approval of BBS services and emphasized the principles of daily supervision on BBS services.

The above-stated administrative approval or filing requirement for BBS was cancelled on July 4, 2010.

Online Education Services

On July 5, 2000, the Ministry of Education promulgated the Measures for the Administration of Educational Websites and Online Schools. Accordingly, an entity that operates educational websites and online schools is required to obtain prior approval from the competent administrative educational authorities. Educational websites are defined as institutions which establish online information databases by collecting, editing and storing educational information or establish online platform and search tools for educational purposes, and which provide public educational information to website visitors or users through the internet or educational TV stations. These measures also include specific provisions regarding the qualifications and procedures for obtaining the approval for operating educational websites. We currently offer some education-related services on our platform and are applying for the relevant necessary approvals.

Regulation on Advertising Business and Conditions on Foreign Investment

The SAIC is the primary governmental authority regulating advertising activities in China. Regulations that apply to advertising business primarily include:

- Advertisement Law of the People's Republic of China, promulgated by the Standing Committee of the National People's Congress on October 27, 1994 and effective since February 1, 1995;
- Administrative Regulations for Advertising, promulgated by the State Council on October 26, 1987 and effective since December 1, 1987; and
- Implementation Rules for the Administrative Regulations for Advertising, promulgated by the State Council on January 9, 1988 and amended on December 3, 1998, December 1, 2000 and November 30, 2004, respectively.

According to the above regulations, companies that engage in advertising activities must each obtain, from the SAIC or its local branches, a business license which specifically includes operating an advertising business in its business scope. An enterprise engaging in advertising business within the specifications in its business scope does not need to apply for an advertising operation license, provided that such enterprise is not a radio station, television station, newspaper or magazine publisher or any other entity otherwise specified in the relevant laws or administrative regulations. Enterprises conducting advertising activities without such a license may be subject to penalties, including fines, confiscation of advertising income and orders to cease advertising operations. The business license of an advertising company is valid for the duration of its existence, unless the license is suspended or revoked due to a violation of any relevant laws or regulations.

PRC advertising laws and regulations set certain content requirements for advertisements in China, 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. Advertisers, advertising agencies, and advertising distributors are required to ensure that the content of the advertisements they prepare or distribute is true and in complete compliance with applicable laws. In providing advertising services, advertising operators and advertising distributors must review the supporting documents provided by advertisers for 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, advertising distributors 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. Where serious violations occur, the SAIC or its local branches may revoke such offenders' licenses or permits for their advertising business operations.

Under the Administrative Regulations on Foreign-Invested Advertising Enterprises, promulgated in 2008, there is no longer any maximum foreign shareholding percentage restriction applicable to foreign-invested advertising enterprises. However, foreign investors are required to have at least three years prior experience of operating an advertising business outside of China as their main business before receiving approval to directly own a 100% interest in an advertising company in China. Foreign investors with at least two years prior experience of operating an advertising business outside China as their main business are allowed to establish a joint venture with domestic advertising enterprises to operate an advertising business in China.

Intellectual Property Rights

Software Registration

The State Council and the NCA have promulgated various rules and regulations and rules relating to protection of software in China. According to these rules and regulations, software owners, licensees and transferees may register their rights in software with the SCB or its local branches and obtain software copyright

registration certificates. Although such registration is not mandatory under PRC law, software owners, licensees and transferees are encouraged to go through the registration process and registered software rights may be entitled to better protections. As of August 14, 2012, we had registered rights in 41 software programs.

Patents

The National People's Congress adopted the Patent Law of the People's Republic of China in 1984 and amended it in 1992, 2000 and 2008, respectively. A patentable invention, utility model or design must meet three conditions: novelty, inventiveness and practical applicability. Patents cannot be granted for scientific discoveries, rules and methods for intellectual activities, methods used to diagnose or treat diseases, animal and plant breeds or substances obtained by means of nuclear transformation. The Patent Office under the State Intellectual Property Office is responsible for receiving, examining and approving patent applications. A patent is valid for a twenty-year term for an invention and a ten-year term for a utility model or design, starting from the application date. Except under certain specific circumstances provided by law, any third party user must obtain consent or a proper license from the patent owner to use the patent, or else the use will constitute an infringement of the rights of the patent holder.

We have obtained three patents granted from, and 22 patent applications are under review by, the State Intellectual Property Office.

Copyright Law

The Copyright Law of the People's Republic of China, promulgated in 1990 and amended in 2001 and 2010, or the Copyright Law, and its related implementing regulations, promulgated in 2008, are the principal laws and regulations governing the copyright related matters. The amended Copyright law covers internet activities, products disseminated over the internet and software products, among the subjects entitled to copyright protections. Registration of copyright is voluntary, and is administrated by the China Copyright Protection Center.

To address copyright issues relating to the internet, on November 22, 2000, the PRC Supreme People's Court adopted the Interpretations on Some Issues Concerning Applicable Laws for Trial of Disputes over Internet Copyright, or the Interpretations, which were subsequently amended on December 23, 2003 and November 20, 2006. The Interpretations establish joint liability for internet service providers if they participate in, assist in or abet infringing activities committed by any other person through the internet, are aware of the infringing activities committed by their website users through the internet or fail to remove infringing content or take other action to eliminate infringing consequences after receiving a warning with evidence of such infringing activities from the copyright holder. In addition, the internet service providers are liable for copyright infringement if they knowingly upload, transmit or provide any methods, equipment or materials which are intended to bypass or disrupt circumvention technologies designed to protect the copyrights of other people. Upon request, the internet service providers shall provide copyright holders with the registration information of the users who are alleged to be guilty of copyright violations, provided that such copyright holders produce relevant evidence of identification, copyright ownership and infringement. Where an internet service provider takes measures to remove the alleged infringing content after receiving a warning from the relevant copyright holder with good evidence, the PRC courts would not support the claim of the alleged perpetrator of such copyright infringement against the internet service provider for breach of contract.

Under the Copyright Law and its implementation rules, anyone infringing upon the copyrights of others is subject to various civil liabilities, which include stopping the infringement, eliminating the damages, apologizing to the copyright owners and compensating the copyright owners for such owners' actual and other losses resulting from such infringement. If the actual loss of the copyright owner is difficult to calculate, the income received by the offender as a result of the copyright infringement shall be deemed to be the actual loss; or if such income is in itself difficult to calculate, the relevant PRC court may decide the amount of the actual loss up to RMB500,000 for each infringement.

To address the problem of copyright infringement related to content posted or transmitted on the internet, the PRC National Copyright Administration and MIIT jointly promulgated the Measures for Administrative Protection of Copyright Related to Internet on April 29, 2005. These measures, which became effective on May 30, 2005, apply to acts of automatically providing services such as uploading, storing, linking or searching works, audio or video products, or other contents through the internet based on the instructions of internet users who publish contents on the internet, or the Internet Content Providers, without editing, amending or selecting any stored or transmitted content. When imposing administrative penalties upon the act which infringes upon any users' right of communication through information networks, the Measures for Imposing Copyright Administrative Penalties, promulgated in 2009, shall be applied.

Where a copyright holder finds that certain internet content infringes upon its copyright and sends a notice to the relevant internet information service operator, the relevant internet information service operator is required to (i) immediately take measures to remove the relevant contents, and (ii) retain all infringement notices for six months and to record the content, display time and IP addresses or the domain names related to the infringement for 60 days. After any content is removed by an internet information service operator according to the notice of a copyright holder, the content provider may deliver a counter-notice to both the internet information service operator and the copyright holder, stating that the removed content does not infringe upon the copyright of other parties. After the delivery of such counter-notice, the internet information service operator may immediately reinstate the removed contents and shall not bear administrative legal liability for such reinstatement.

An internet information service operator may be subject to cease-and-desist orders and other administrative penalties such as confiscation of illegal income and fines, if it is clearly aware of a copyright infringement through the internet or, although not aware of such infringement, it fails to take measures to remove relevant content upon receipt of the copyright owner's notice of infringement and, as a result, damages public interests. Where there is no evidence to indicate that an internet information service operator is clearly aware of the existence of copyright infringement, or the internet information service operator has taken measures to remove relevant contents upon receipt of the copyright owner's notice, the internet information service provider shall not bear the relevant administrative legal liabilities.

On May 18, 2006, the State Council issued the Protection of the Right of Communication through Information Network, which took effect on July 1, 2006. Under this regulation, an internet information service provider may be exempt from indemnification liabilities under the following circumstances:

- any internet information service provider that provides automatic internet access service upon instructions from its users or provides automatic transmission service for works, performances and audio-visual products provided by its users are not required to assume indemnification liabilities if (a) it has not chosen or altered the transmitted works, performance and audio-visual products and (b) it provides such works, performances and audio-visual products to the designated users and prevents any person other than such designated users from obtaining access.
- any internet information service provider that, for the sake of improving network transmission efficiency, automatically stores and provides to its own users the relevant works, performances and audio-visual products obtained from any other internet information service providers, are not required to assume the indemnification liabilities if (a) it has not altered any of the works, performance or audio-visual products that are automatically stored; (b) it has not affected such original internet information service provider in holding the information about where the users obtain the relevant works, performance and audio-visual products; and (c) when the original internet information service provider revises, deletes or shields the works, performances and audio-visual products, it will automatically revise, delete or shield the same.
- any internet information service provider that provides its users with information memory space for such users to provide the works, performances and audio-visual products to the general public via an informational network are not required to assume the indemnification liabilities if (a) it clearly

indicates that the information memory space is provided to the users and publicizes its own name, contact person and web address; (b) it has not altered the works, performance and audio-visual products that are provided by the users; (c) it is not aware of or has no reason to know that the works, performances and audio-visual products provided by the users infringe upon the copyrights of others; (d) it has not directly derived any economic benefit from the providing of the works, performances and audio-visual products by its users; and (e) after receiving a notice from the copyright holder, it promptly deletes the allegedly infringing works, performances and audio-visual products pursuant to the relevant regulation.

Since 2005, the NCA, together with certain other PRC governmental authorities, have jointly launched annual campaigns specifically aimed to crack down on internet copyright infringement and piracy in China; these campaigns normally last for three to four months every year. According to the Notice of 2010 Campaign to Crack Down on Internet Infringement and Piracy promulgated by the NCA, the Ministry of Public Security and the MIIT on July 19, 2010, the 2010 campaign mainly targeted internet audio and video programs, literature websites, online games, animation, software and art works related to Shanghai World Expo and Guangzhou Asian Games. During the 2010 campaign, starting from late July to the end of October 2010, the local branches of NCA focused on popular movies and TV series, newly published books, online games and animation, music and software and various illegal activities, including, for example, illegal uploading or transmission of a thirty party’s works without proper license or permission, sales of pirated audio-video and software through e-commerce platforms, providing search links, information storage, web hosting or internet access services for third parties engaging in copyright infringement or piracy of copyrighted works and the infringement by use of mobile media. In serious cases, the operating permits of the websites engaging illegal activities were revoked, and such websites were ordered to shut down.

We have adopted measures to mitigate copyright infringement risks, including, for instance, establishing a routine reporting and registration system updated on a monthly basis.

Domain Name

In September 2002, the CNNIC issued the Implementing Rules for Domain Name Registration setting forth detailed rules for registration of domain names. On November 5, 2004, the MIIT promulgated the Measures for Administration of Domain Names for the Chinese Internet, or the Domain Name Measures. The Domain Name Measures regulate the registration of domain names, such as the first tier domain name “.cn.” In February 2006, the CNNIC issued the Measures on Domain Name Dispute Resolution and relevant implementing rules, pursuant to which the CNNIC can authorize a domain name dispute resolution institution to decide disputes. As of August 14, 2012, we had registered 31 domain names, including YY.com, Duowan.com and Chinaduo.com.

Trademark

The PRC Trademark Law, adopted in 1982 and amended in 1993 and 2001, with its implementation rules adopted in 2002, protects registered trademarks. The Trademark Office of the SAIC handles trademark registrations and grants a protection term of ten years to registered trademarks. Trademark license agreements must be filed with the Trademark Office for record. As of August 14, 2012, we had registered 39 trademarks and have applied to register 111 new trademarks.

Internet Infringement

On December 26, 2009, the Standing Committee of National People’s Congress promulgated the Tort Law of the People’s Republic of China, or the Tort Law, which became effective on July 1, 2010. Under the Tort Law, an internet user or an internet service provider that infringes upon the civil rights or interests of others through using the internet assumes tort liability. If an internet user infringes upon the civil rights or interests of another through using the internet, the person being infringed upon has the right to notify and request the internet service

provider whose internet services are facilitating the infringement to take necessary measures including the deletion, blocking or disconnection of an internet link. If, after being notified, the internet service provider fails to take necessary measures in a timely manner to end the infringement, it will be jointly and severally liable for any additional harm caused by its failure to act. According to the Tort Law, civil rights and interests include the personal rights and rights of property, such as the right to life, right to health, right to name, right to reputation, right to honor, right of portraiture, right of privacy, right of marital autonomy, right of guardianship, right to ownership, right to usufruct, right to security interests, copyright, patent right, exclusive right to use trademarks, right to discovery, right to equity interests and right of heritage, among others.

Regulation of Internet Content

The PRC government has promulgated measures relating to internet content through a number of governmental agencies, including the MIIT, the MOC and the GAPP. These measures specifically prohibit internet activities, such as the operation of online games, that result in the publication of any content which is found to contain, among others, propagate obscenity, gambling or violence, instigate crimes, undermine public morality or the cultural traditions of the PRC, or compromise state security or secrets. If an ICP license holder violates these measures, its ICP license may be revoked and its websites may be shut down by the relevant government agencies.

Moreover, according to the Notice on the Work of Purification of Online Games jointly issued by the MOC, the MIIT and other governmental authorities in June 2005, online games in China are required to be registered and filed as software products in accordance with the Administrative Measures on Software Products, promulgated in 2000. In addition, pursuant to the Notice on Enhancing the Content Review Work of Online Game Products promulgated by the MOC in 2004, imported online games are subject to content review by the MOC prior to being offered to Chinese internet users.

Information Security and Censorship

Internet content in China is regulated and restricted from a state security standpoint. The National People's Congress, China's national legislative body, enacted the Decisions on the Maintenance of Internet Security on December 28, 2000, that may subject persons to criminal liabilities in China for any attempt to: (i) gain improper entry to a computer or system of strategic importance; (ii) disseminate politically disruptive information; (iii) leak state secrets; (iv) spread false commercial information or (v) infringe upon intellectual property rights.

In 1997, the Ministry of Public Security issued the Administration Measures on the Security Protection of Computer Information Network with Internationally Connections, which prohibit using the internet in ways which, among others, result in a leakage of state secrets or a spread of socially destabilizing content. The Ministry of Public Security has supervision and inspection powers in this regard, and relevant local security bureaus may also have jurisdiction. If an ICP license holder violates these measures, the PRC government may revoke its ICP license and shut down its websites.

To comply with the above laws and regulations, we have established an internet information security department to implement measures on information filtering. For example, we have adopted a voice monitor system, and installed on our platform various alerts on sensitive words or abnormal activities of users, channels or groups. We also have a dedicated team that maintains 24-hour surveillance on the information posted on our platform, with different categories for monitoring purposes, according to subject and content. We have also established and follow a strict review process and storage system of relevant records which, in combination with various information security measures, have effectively prevented the public dissemination of statutory prohibited information through our websites in the past. We intend to continue to further update our measurements and system and work closely with relevant authorities to avoid any violation of relevant laws and regulations in the future.

Privacy Protection

PRC laws and regulations do not prohibit internet content providers from collecting and analyzing their users' personal information if appropriate authorizations are obtained. We require our users to accept a user agreement whereby they agree to provide certain personal information to us. PRC laws and regulations prohibit internet content providers from disclosing any information transmitted by users through their networks to any third parties without their authorization unless otherwise permitted by law. If an internet content provider violates these regulations, the MIIT or its local bureaus may impose penalties and the internet content provider may be liable for damages caused to its users.

Regulation of Foreign Currency Exchange and Dividend Distribution

Foreign Currency Exchange. The core regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations, as amended in August 2008, or the FEA Regulations. Under the FEA Regulations, the Renminbi is freely convertible for current account items, including the distribution of dividends, interest payments, trade- and service-related foreign exchange transactions, but not for capital account items, such as direct investments, loans, repatriation of investments and investments in securities outside of China, unless the prior approval of the SAFE is obtained and prior registration with the SAFE is made. On August 29, 2008, SAFE promulgated Circular 142 to regulate the conversion of foreign currency into Renminbi by a foreign-invested enterprise by restricting the ways in which the converted Renminbi may be used. Circular 142 stipulates that the registered capital of a foreign-invested enterprise that has been settled in Renminbi converted from foreign currencies may only be used for purposes within the business scope approved by the applicable governmental authority and cannot be used for equity investments within the PRC. Meanwhile, the SAFE strengthened its oversight of the flow and use of the registered capital of a foreign-invested enterprise settled in Renminbi converted from foreign currencies. The use of such Renminbi capital may not be changed without the SAFE's approval, and may not in any case be repayment of Renminbi loans if the proceeds of such loans have not been used. Violations of Circular 142 may lead to severe penalties including heavy fines. As a result, Circular 142 may significantly limit our ability to transfer the net proceeds from this offering to our other PRC subsidiaries through Huanju Shidai, our wholly owned subsidiary in China, and thus may adversely affect our business expansion in China. We may not be able to convert the net proceeds into Renminbi to invest in or acquire any other PRC companies, or establish other VIEs in the PRC.

Dividend Distribution. The Foreign Investment Enterprise Law, promulgated in 1986 and amended in 2000, and the Administrative Rules under the Foreign Investment Enterprise Law, promulgated in 2001, are the key regulations governing distribution of dividends of foreign-invested enterprises.

Under these regulations, a wholly foreign-invested enterprise in China, or a WFOE, may pay dividends only out of its accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, a WFOE is required to allocate at least 10% of its accumulated profits each year, if any, to statutory reserve funds unless its reserves have reached 50% of the registered capital of the enterprises. These reserves are not distributable as cash dividends. The proportional ratio for withdrawal of rewards and welfare funds for employees shall be determined at the discretion of the WFOE. Profits of a WFOE shall not be distributed before the losses thereof before the previous accounting years have been made up. Any undistributed profit for the previous accounting years may be distributed together with the distributable profit for the current accounting year.

Circular 75. The SAFE issued Circular on Several Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and in Return Investments via Overseas Special Purpose Companies, or Circular No. 75, on October 21, 2005, which became effective on November 1, 2005. Under Circular 75, prior registration with the local SAFE branch is required for PRC residents to establish or to control an offshore company for the purposes of financing that offshore company with assets or equity interests in an onshore enterprise located in the PRC. An amendment to registration or filing with the local SAFE branch by such PRC

resident is also required for the injection of equity interests or assets of an onshore enterprise in the offshore company or overseas funds raised by such offshore company, or any other material change involving a change in the capital of the offshore company.

Circular 75 applies retroactively. PRC residents who have established or acquired control of offshore companies that have made onshore investments in the PRC in the past were required to complete the relevant registration procedures with the local SAFE branch by March 31, 2006. Under the relevant rules, failure to comply with the registration procedures set forth in Circular 75 may lead to restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the increase of its registered capital, the payment of dividends and other distributions to its offshore parent or affiliate and the capital inflow from the offshore entity, and may also subject relevant PRC residents to penalties under PRC foreign exchange administration regulations. PRC residents who control our company from time to time are required to register with the SAFE in relation to their investments in us.

We have completed the foreign exchange registration of PRC resident shareholders of Guangzhou Huaduo, as required by Circular 75, for our financings that were completed before the end of 2010. The Circular 75 registration in relation to the issuance of common shares to Tiger Global Six YY Holdings was completed on February 6, 2012.

Stock Option Rules. The Administration Measures on Individual Foreign Exchange Control were promulgated by the PBOC on December 25, 2006, and their Implementation Rules, issued by the SAFE on January 5, 2007, became effective on February 1, 2007. Under these regulations, all foreign exchange matters involved in employee stock ownership plans and stock option plans participated in by onshore individuals, among others, require approval from the SAFE or its authorized branch. Furthermore, the Notices on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies, or the Stock Option Rules, were promulgated by SAFE on February 15, 2012, that replaced the Application Procedures of Foreign Exchange Administration for Domestic Individuals Participating in Employee Stock Ownership Plans or Stock Option Plans of Overseas Publicly-Listed Companies issued by SAFE on March 28, 2007. Pursuant to the Stock Option Rules, PRC residents who are granted shares or stock options by companies listed on overseas stock exchanges based on the stock incentive plans are required to register with SAFE or its local branches, and PRC residents participating in the stock incentive plans of overseas listed companies shall retain a qualified PRC agent, which could be a PRC subsidiary of such overseas publicly-listed company or another qualified institution selected by such PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plans on behalf of these participants. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, purchase and sale of corresponding stocks or interests, and fund transfer. In addition, the PRC agents are required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agents or the overseas entrusted institution or other material changes. The PRC agents shall, on behalf of the PRC residents who have the right to exercise the employee share options, apply to SAFE or its local branches for an annual quota for the payment of foreign currencies in connection with the PRC residents' exercise of the employee share options. The foreign exchange proceeds received by the PRC residents from the sale of shares under the stock incentive plans granted and dividends distributed by the overseas listed companies must be remitted into the bank accounts in the PRC opened by the PRC agents before distribution to such PRC residents. In addition, the PRC agents shall file each quarter the form for record-filing of information of the Domestic Individuals Participating in the Stock Incentive Plans of Overseas Listed Companies with SAFE or its local branches.

We and our PRC citizen employees who have been granted share options, restricted shares or restricted share units, or PRC optionees, will be subject to the Stock Option Rules when our company becomes an overseas listed company upon the completion of this offering. If we or our PRC optionees fail to comply with the Individual Foreign Exchange Rule and the Stock Option Rules, we and/or our PRC optionees may be subject to fines and other legal sanctions. See "Risk Factors—Risks Relating to Doing Business in China—PRC regulations

relating to offshore investment activities by PRC residents may limit our PRC subsidiaries' ability to increase their registered capital or distribute profits to us or otherwise expose us to liability and penalties under PRC law."

In addition, the State Administration for Taxation has issued circulars concerning employee share options, under which our employees working in the PRC who exercise share options will be subject to PRC individual income tax. Our PRC subsidiaries have obligations to file documents related to employee share options with relevant tax authorities and to withhold individual income taxes of those employees who exercise their share options. If our employees fail to pay or if we fail to withhold their income taxes as required by relevant laws and regulations, we may face sanctions imposed by the PRC tax authorities or other PRC government authorities.

Regulation on Tax

PRC Enterprise Income Tax

The PRC enterprise income tax is calculated based on the taxable income determined under the applicable EIT Law and its implementation rules. On March 16, 2007, the National People's Congress of China enacted the New EIT Law, which became effective on January 1, 2008. On December 6, 2007, the State Council promulgated the implementation rules to the New EIT Law, which also became effective on January 1, 2008. The New EIT Law imposes a uniform enterprise income tax rate of 25% on all resident enterprises in China, including foreign-invested enterprises and domestic enterprises, unless they qualify for certain exceptions, and terminates most of the tax exemptions, reductions and preferential treatment available under the previous tax laws and regulations. According to the New EIT Law and relevant regulations, subject to the approval of competent tax authorities, the income tax of an enterprise that has been determined to be a high and new technology enterprise shall be reduced to a preferential rate of 15%.

Moreover, under the New EIT Law, enterprises organized under the laws of jurisdictions outside China with their "de facto management bodies" located within China may be considered PRC resident enterprises and are therefore subject to PRC enterprise income tax at the rate of 25% on their worldwide income.

Although we do not believe that our company should be treated as a PRC resident enterprise for PRC tax purposes, substantial uncertainty exists as to whether we will be deemed to be such by the relevant authorities. In the event that we are considered a PRC resident enterprise, we would be subject to the PRC enterprise income tax at the rate of 25% on our worldwide income. See "Risk Factors—Risks Relating to Doing Business in China—Under the PRC enterprise income tax law, we may be classified as a PRC "resident enterprise," which could result in unfavorable tax consequences to us and our shareholders and have a material adverse effect on our results of operations and the value of your investment."

In addition, although the New EIT Law provides that dividend income between "qualified resident enterprises" is exempted income, and the Implementation Rules refer to "qualified resident enterprises" as enterprises with "direct equity interest", it is unclear whether dividends we receive from our PRC subsidiaries are eligible for exemption.

PRC Business Tax

Pursuant to applicable PRC tax regulations, any entity or individual conducting business in the service industry is generally required to pay a business tax at the rate of 5% on the revenues generated from providing such services. However, if the services provided are related to technology development and transfer, such business tax may be exempted subject to the approval of relevant tax authorities. In addition, online game operating business is subject to 3.3% business tax and surcharges pursuant to applicable PRC tax regulations.

Cultural Development Fee

According to applicable PRC tax regulations or rules, advertising service providers are generally required to pay a cultural development fee at the rate of 3% on the revenues (a) which are generated from providing advertising services and (b) which are also subject to the business tax.

Dividends Withholding Tax

Under the Old EIT Law that was effective prior to January 1, 2008, dividends paid to foreign investors by foreign-invested enterprises, such as dividends paid to us by Huanju Shidai or Zhuhai Duowan Technology, our PRC subsidiaries, were exempt from PRC withholding tax. We are a Cayman Islands holding company and substantially all of our income may come from dividends we receive from our subsidiaries located in the PRC. Pursuant to the New EIT Law and its implementation rules, dividends generated after January 1, 2008 and distributed to us by our PRC subsidiaries are subject to withholding tax at a rate of 10%.

As uncertainties remain regarding the interpretation and implementation of the New EIT Law and its implementation rules, we cannot assure you that, if we are deemed a PRC resident enterprise, any dividends to be distributed by us to our non-PRC shareholders and ADS holders would not be subject to any PRC withholding tax. See "Risk Factors—Risks Relating to Doing Business in China—Under the PRC enterprise income tax law, we may be classified as a PRC "resident enterprise," which could result in unfavorable tax consequences to us and our shareholders and have a material adverse effect on our results of operations and the value of your investment."

Labor Laws and Social Insurance

The principle laws that govern employment include:

- Labor Law of the People's Republic of China, promulgated by the Standing Committee of the National People's Congress on July 5, 1994, effective since January 1, 1995 and amended on August 27, 2009; and
- Labor Contract Law of the People's Republic of China, promulgated by the Standing Committee of the National People's Congress on June 29, 2007 and effective since January 1, 2008.

According to the Labor Law and Labor Contract Law, employers must execute written labor contracts with full-time employees. All employers must compensate their employees with wages equal to at least the local minimum wage standards. All employers are required to establish a system for labor safety and sanitation, strictly comply with state rules and standards and provide employees with workplace safety training. Violations of the PRC Labor Contract Law and the PRC Labor Law may result in the imposition of fines and other administrative penalties. For serious violations, criminal liability may arise.

In addition, employers in China are required to provide employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, work-related injury insurance, medical insurance and housing funds.

We have caused all of our full-time employees to enter into written labor contracts with us and have provided and currently provide our employees with the proper welfare and employment benefits.

New M&A Regulations and Overseas Listings

On August 8, 2006, six PRC governmental agencies jointly promulgated the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the New M&A Rule, which became effective on September 8, 2006. The New M&A Rule requires offshore special purpose vehicles formed to pursue overseas listing of equity interests in PRC companies and controlled directly or indirectly by PRC companies or individuals to obtain the approval of the Chinese Securities Regulatory Commission, or the CSRC, prior to the listing and trading of such special purpose vehicle's securities on any stock exchange overseas.

The application of the M&A Rules remains unclear. Based on the understanding on the current PRC laws, rules and regulations and the M&A Rules of our PRC Legal Counsel, Zhong Lun Law Firm, prior approval from

the CSRC is not required under the M&A Rules for the listing and trading of our ADSs on the [Nasdaq Global Market/NYSE] because (a) our PRC subsidiaries, Huanju Shidai and Zhuhai Duowan Technology, are foreign-invested enterprises established by foreign enterprises, (b) we did not acquire any equity interest or assets of a PRC domestic company owned by PRC companies or individuals as defined under the M&A Rules, and (c) there is no provision that clearly classifies the contractual arrangements among our PRC subsidiary, Huanju Shidai, our PRC consolidated affiliated entities and their shareholders as a transaction regulated by the M&A Rules. However, as there has been no official interpretation or clarification of the M&A Rules, there is uncertainty as to how this regulation will be interpreted or implemented.

Considering the uncertainties that exist with respect to the issuance of new laws, regulations or interpretation and implementing rules, the opinion of Zhong Lun Law Firm, summarized above, is subject to change. If the CSRC or another PRC regulatory agency subsequently determines that prior CSRC approval was required, we may face regulatory actions or other sanctions from the CSRC or other PRC regulatory agencies. For more information and discussion on this, see “Risk Factors—Risks Relating to Doing Business in China—The approval of the China Securities Regulatory Commission may be required in connection with this offering and, if required, we cannot assure you that we will be able to obtain such approval.”

Table of Contents

MANAGEMENT

Directors and Executive Officers

The following table sets forth information regarding our executive officers and directors as of the date of this prospectus.

Directors and Executive Officers	Age	Position/Title
Jun Lei	41	Chairman of the Board and Director
David Xueling Li	38	Chief Executive Officer and Director
Qin Liu	38	Director
Alexander Barrett Hartigan	35	Director
Jenny Hong Wei Lee	39	Director
Tony Bin Zhao	40	Director and Chief Technology Officer
Nazar Yasin	34	Director
Eric He	51	Chief Financial Officer
Jin Cao	38	General Manager of Website Department
Rongjie Dong	34	General Manager of Games Department

Mr. Jun Lei is our co-founder and has been our chairman since our inception. From October 1998 to December 2007, Mr. Lei served as the chief executive officer of Kingsoft Corporation, a China-based software and online games company listed on the Stock Exchange of Hong Kong, and has recently been appointed as Chairman of its board of directors. From January 1992 to October 1998, Mr. Lei served in various capacities at Kingsoft including as general manager and software developer. From April 2000 to March 2005, Mr. Lei co-founded and served as chairman of Joyo.com which, during his tenure, was sold to Amazon, becoming Amazon China. Since November 2003, Mr. Lei has served on the board of directors of Wuhan University. In addition, Mr. Lei is active in private investments and currently serves as a director or advisor in several privately held companies that he founded or invested in. Mr. Lei received his bachelor’s degree in computer science from Wuhan University in 1991.

Mr. David Xueling Li is our co-founder and has been our chief executive officer since our inception. Mr. Li is primarily responsible for our overall management, major decision-making and strategic planning, including research and development. Before founding our company, Mr. Li worked at Netease.com, Inc from July 2003 to April 2005 and served as its chief editor. In 2000, Mr. Li founded CFP.cn, a website that provided a copyright trading platform for journalists and amateur photographers. Mr. Li received a bachelor’s degree in philosophy from Renmin University of China in 1997.

Mr. Qin Liu has been a director of our company since June 2008. Mr. Liu has been a director of Morningside China TMT Fund I, L.P. since its formation in 2008, where he is primarily responsible for managing early-stage investments in the internet, wireless, media, entertainment and consumer services sectors in China. He also serves as a director in several non-public portfolio companies of the fund. From 2000 through 2008, Mr. Liu worked at Morningside IT Management Services (Shanghai) Co., Ltd. and established its print media business and served as publisher of The Bund, an upscale lifestyle weekly publication. Mr. Liu received a master’s degree in business administration, or MBA, from China Europe International Business School in 1999 and a bachelor’s degree in electrical engineering from Beijing Science & Technology University in 1993.

Mr. Alexander Hartigan has been our director since August 2008. Since 2006, Mr. Hartigan has been the managing director of Steamboat Ventures Asia, L.P., where he manages investments in the technology, media and consumer sectors in China. He currently serves as a director in several non-public portfolio companies of Steamboat Ventures Asia, L.P. Mr. Hartigan has over 10 years of experience in the venture capital industry. Prior to joining Steamboat Ventures Asia, L.P., Mr. Hartigan served as a principal at Panasonic Ventures from 1999 through 2003. Mr. Hartigan received an MBA degree from Harvard Business School in 2005 and a bachelor’s degree in government from Georgetown University in 1998.

Ms. Jenny Hong Wei Lee has served as our director since December 2009. Ms. Lee is a director of Hisoft Technology International Limited, a leading China-based provider of outsourced information technology and research and development services, and 21Vianet Group, Inc., a leading China-based carrier-neutral Internet data center services provider; both companies are listed on the Nasdaq Global Market. Ms. Lee is a managing director of Granite Global Ventures III L.L.C., and is also a general partner of Granite Global Ventures III L.P. and GGV III Entrepreneurs Fund L.P. From 2002 to 2005, Ms. Lee served as a vice president of JAFCO Asia. Ms. Lee received her bachelor's degree in electrical engineering in 1994 and master's degree in engineering in 1995 from Cornell University. Ms. Lee also has an MBA degree from Kellogg School of Management at Northwestern University in 2001.

Mr. Tony Bin Zhao has been the chief technology officer of our company since 2008. He has served as a director since December 2009. Prior to joining us, he founded NeoTasks, LLC in November 2004 and served as its chairman and chief technology officer until 2008. From July to October 2004, he was a senior consultant at Tencent.com. From July 1997 to July 2004, he served as a senior engineer at WebEx Communications Inc. and was responsible for the establishment of audio/video session and backend servers. From 1995 to 1997, he worked as the manager of software department at Beijing Sunstep Technologies Limited. He also founded Beijing Dacheng Infrastructure Projects Consulting Limited in 1994. Mr. Zhao received a bachelor's degree in radio and electronics from Peking University in 1992.

Mr. Nazar Yasin has been our director since July 2011. Mr. Yasin has been at Tiger Global Management since 2010. Previously he worked with a number of companies in the technology, media and telecom space. From May 2009 to June 2010, he served as chief executive officer at Forticom, an internet company. From August 2006 to April 2009, he was an investment banker at Goldman Sachs. Mr. Yasin received a bachelor's degree in industrial engineering from the Georgia Institute of Technology in 2000, a Doctor of Jurisprudence degree from Northwestern University in 2006 and an MBA from Kellogg School of Management at Northwestern University.

Mr. Eric He has been our chief financial officer since August 2011. He currently also serves as an independent director of Yangxun Computer Technology (Shanghai) Co. Ltd. and Acorn International, Inc., an NYSE-listed company. Prior to joining us, Mr. He served as the chief financial officer of Giant Interactive Group, Inc., an NYSE-listed company, from March 2007 to August 2011. He served as the chief strategy officer of Ninetowns Internet Technology Group from 2004 to 2007. From 2002 to 2004, he served as a private equity investment director for AIG Global Investment Corp (Asia) Ltd. Mr. He received a bachelor's degree in accounting from National Taipei University and an MBA degree from the Wharton School of Business at the University of Pennsylvania. Mr. He is a Certified Public Accountant and Chartered Financial Analyst in the United States.

Mr. Jin Cao has been the vice president of Guangzhou Duowan since 2008 and is currently the general manager of our website department. From June 2005 to October 2008, he served as the president of NeoTasks Inc. From January 2000 to February 2006, he served as the chief representative of FATWIRE Corp. From August 1995 to August 1997, he was a senior programmer for the China Aviation and Space Authority (CASA). He founded niba.com, an online video streaming company, in 2006. Mr. Cao received a bachelor's degree in industrial engineering from Tianjin University in 1995 and a master's degree in industrial engineering from University of Cincinnati in 1999.

Mr. Rongjie Dong has been the president of the technology department of Guangzhou Huaduo since October 2006 and is currently the general manager of our games department. Prior to joining us, he served as product manager and head of the technology department of 163.com from 2000 to 2006. Mr. Dong received his bachelor's degree in computer hardware from Beijing Information Engineering Institute (now known as Beijing Information Science and Technology University) in 1999.

Employment Agreements

We have entered into employment agreements with our senior executive officers. We may terminate a senior executive officer's employment for cause at any time without remuneration for certain acts of the officer, such as being convicted of any criminal conduct, any act of gross or willful misconduct or any serious, willful, grossly negligent or persistent breach of any employment agreement provision, or engaging in any conduct which may make the continued employment of such officer detrimental to our company. We may also terminate a senior executive officer's employment by giving three months' prior written notice. A senior executive officer may terminate his or her employment at any time by giving three months' written notice, provided that such notice may only be given by the officer any time after the third anniversary of his or her employment.

Each senior executive officer has agreed to hold all information, know-how and records in any way connected with the business of our company, including, without limitation, all formulae, designs, specifications, drawings, data, operations and testing procedures, manuals and instructions and all customer and supplier lists, sales information, business plans and forecasts and all technical or other expertise and all computer software of our company, in strict confidence during and after his or her employment. Each officer also agrees that we shall own all the intellectual property developed by such officer during his or her employment.

Board of Directors

Our board of directors currently consists of seven directors. additional independent directors will join the board upon the effectiveness of our registration statement on Form F-1, of which this prospectus is a part. A director is not required to hold any shares in our company to qualify to serve as a director. A director may vote with respect to any contract, proposed contract, or arrangement in which he or she is materially interested. A director may exercise all the powers of the company to borrow money, mortgage its business, property and uncalled capital, and issue debentures or other securities whenever money is borrowed or as security for any obligation of the company or of any third party.

Under the investors' rights agreement and our memorandum and articles of association currently in effect, for as long as Morningside China TMT Fund I, L.P. and Favour Star Limited, Steamboat Ventures Asia, L.P., Granite Global Ventures III L.P. and GGV III Entrepreneurs Fund L.P. and Tiger Global Six YY Holdings each holds a number of shares of our company, each of them has the right to appoint one director to our board of directors. Such shareholders' right to appoint directors will automatically terminate upon the completion of this offering. Among our existing directors, Mr. Liu was jointly appointed by Favour Star Limited and Morningside China TMT Fund I, L.P., Mr. Hartigan was appointed by Steamboat Ventures Asia, L.P., Ms. Lee was jointly appointed by Granite Global Ventures III L.P. and GGV III Entrepreneurs Fund L.P., and Mr. Yasin was appointed by Tiger Global Six YY Holdings.

Committees of the Board of Directors

Prior to the completion of this offering, we intend to establish an audit committee, a compensation committee and a corporate governance and nominating committee under the board of directors. We intend to adopt a charter for each of the three committees prior to the completion of this offering. Each committee's members and functions are described below.

Audit Committee. Our audit committee will consist of Messrs. , , and , and will be chaired by Mr. . Mr. and Mr. satisfy the "independence" requirements of [Section 303A of the Corporate Governance Rules of the New York Stock Exchange/Rule 5605(c)(2) of the Listing Rules of the Nasdaq Global Market] and meet the independence standards under Rule 10A-3 under the Securities Exchange Act of 1934, as amended. We have determined that Mr. qualifies as an "audit committee financial expert." The audit committee will oversee our accounting and financial

reporting processes and the audits of the financial statements of our company. The audit committee will be responsible for, among other things:

- selecting the independent registered public accounting firm and pre-approving all auditing and non-auditing services permitted to be performed by the independent registered public accounting firm;
- reviewing with the independent registered public accounting firm any audit problems or difficulties and management's response;
- reviewing and approving all proposed related party transactions, as defined in Item 404 of Regulation S-K under the Securities Act;
- discussing the annual audited financial statements with management and the independent registered public accounting firm;
- reviewing major issues as to the adequacy of our internal controls and any special audit steps adopted in light of any material control deficiencies;
- annually reviewing and reassessing the adequacy of our audit committee charter;
- meeting separately and periodically with management and the independent registered public accounting firm; and
- reporting regularly to the board.

Compensation Committee. Our compensation committee will consist of Messrs. , and , and will be chaired by Mr. Mr. and Mr. satisfy the "independence" requirements of [Section 303A of the Corporate Governance Rules of the New York Stock Exchange/Rule 5605(c)(2) of the Listing Rules of the Nasdaq Global Market]. The compensation committee will assist the board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. Our directors may not be present at any committee meeting during which their compensation is deliberated upon. The compensation committee will be responsible for, among other things:

- reviewing the total compensation package for our executive officers and making recommendations to the board with respect to it;
- approving and overseeing the total compensation package for our executives other than the three most senior executives;
- reviewing the compensation of our directors and making recommendations to the board with respect to it; and
- periodically reviewing and approving any long-term incentive compensation or equity plans, programs or similar arrangements, annual bonuses, and employee pension and welfare benefit plans.

Corporate Governance and Nominating Committee. Our nominating committee will consist of Messrs. , , and , and will be chaired by Mr. Mr. and Mr. satisfy the "independence" requirements of [Section 303A of the Corporate Governance Rules of the New York Stock Exchange/Rule5605(c)(2) of the Listing Rules of the Nasdaq Global Market]. The nominating committee will assist the board in selecting individuals qualified to become our directors and in determining the composition of the board and its committees. The nominating committee will be responsible for, among other things:

- recommending nominees to the board for election or re-election to the board, or for appointment to fill any vacancy on the board;
- reviewing annually with the board the current composition of the board with regards to characteristics such as independence, age, skills, experience and availability of service to us;

- selecting and recommending to the board the names of directors to serve as members of the audit committee and the compensation committee, as well as of the nominating committee itself; and
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.

Duties of Directors

Under Cayman Islands law, our directors have a common law duty of loyalty to act honestly in good faith with a view to our best interests. Our directors also have a duty to exercise the skill they actually possess and such care and diligence that a reasonably prudent person would exercise in comparable circumstances. In fulfilling their duty of care to us, our directors must ensure compliance with our second amended and restated memorandum and articles of association. You should refer to "Description of Share Capital—Differences in Corporate Law" for additional information on our standard of corporate governance under Cayman Islands law.

Terms of Directors and Officers

Our officers are elected by and serve at the discretion of the board. Our directors are not subject to a term of office and hold office until such time as they are removed from office by special resolution or the unanimous written resolution of all shareholders. A director will be removed from office automatically if, among other things, the director (1) becomes bankrupt or makes any arrangement or composition with his creditors; or (2) dies or is found by our company to be of unsound mind.

Compensation of Directors and Executive Officers

For the fiscal year ended December 31, 2011, we paid an aggregate of approximately RMB2.8 million (US$0.4 million) in cash to our executive officers, and we did not pay any cash compensation to our non-executive directors. For details on the share incentive grants to our officers and directors, see "—Share Incentive Plans."

Share Incentive Plans

We have adopted two share incentive plans, namely, the 2009 Scheme and the 2011 Plan. The purpose of these two share incentive plans is to attract and retain the best available personnel by linking the personal interests of the members of the board, officers, employees and consultants to the success of our business and by providing such individuals with an incentive for outstanding performance to generate superior returns for our shareholders. As of the date of this prospectus, options to purchase 17,870,425 common shares, 56,273,434 restricted shares and 16,922,421 restricted share units were outstanding under the 2009 Scheme and 2011 Plan. We granted 533,000 restricted share units to employees on July 15, 2012 under the 2011 Plan. As of the date of this prospectus, an additional 14,839,242 restricted shares, granted to management outside of the 2009 Scheme and the 2011 Plan, were outstanding.

2009 Employee Equity Incentive Scheme

We adopted the 2009 Scheme in December 2009. In September 2011, YY Inc. (a) assumed all the rights and obligations of Duowan Entertainment Corp. under all share-based compensation previously issued by Duowan Entertainment Corp., including under the relevant award agreement and under the 2009 Scheme, if applicable, and (b) undertook to issue its own common shares upon the exercise of any share-based compensation awards previously issued by Duowan Entertainment Corp., subject to compliance with the terms and conditions of the relevant award agreements and the 2009 Scheme, if applicable.

Under the 2009 Scheme, the maximum number of shares in respect of which options or restricted shares may be granted is currently 118,166,946.

The following paragraphs summarize the terms of the 2009 Scheme.

Types of Awards. The following briefly describe the principal features of the various awards that may be granted under the 2009 Scheme.

- *Options.* Options provide for the right to purchase a specified number of our common shares at a specified price and usually will become exercisable at the discretion of our plan administrator in one or more installments after the grant date. The option exercise price may be paid, subject to the discretion of the plan administrator, in cash or check, in our common shares which have been held by the option holder for such period of time as may be required to avoid adverse accounting consequences, in other property with value equal to the exercise price, through a broker-assisted cashless exercise, or by any combination of the foregoing.
- *Restricted Shares.* A restricted share award is the grant of our common shares which are subject to certain restrictions and may be subject to risk of forfeiture. Unless otherwise determined by our plan administrator, a restricted share is nontransferable and may be forfeited or repurchased by us upon termination of employment or service during a restricted period. Our plan administrator may also impose other restrictions on the restricted shares, such as limitations on the right to vote or the right to receive dividends.

Plan Administration. Our board or a committee of one or more members of our board duly authorized for the purpose of the 2009 Scheme can act as the plan administrator.

Award Agreement. Options or restricted shares granted under the 2009 Scheme are evidenced by an award agreement that sets forth the terms, conditions and limitations for each grant.

Option Exercise Price. The exercise price in respect of any option shall be fixed by reference to the date upon which the option (or the relevant part thereof) is granted, and shall be, at the election of the plan administrator, (a) the latest valuation price per share certified by a third party valuer prior to the date of grant of the relevant option (or relevant part thereof) or (b) the latest price per share at which we have issued any shares prior to the date of grant of the relevant option (or relevant part thereof).

Eligibility. We may grant awards to our employees, officers and directors or consultants to our members.

Term of the Awards. The 2009 Scheme shall be valid and effective for a period of ten years from the date of effectiveness. The term of each option or restricted share grant shall be ten years from the date of the grant.

Vesting Schedule. In general, the plan administrator determines the vesting schedule, which is set forth in the award agreement.

Transfer Restrictions. Awards for options or restricted shares may not be transferred in any manner by the award holders and may be exercised only by such holders, subject to limited exceptions. Restricted shares may not be transferred during the period of restriction.

Termination. The plan administrator may at any time terminate the operation of the 2009 Scheme.

Prior to the adoption of the 2009 Scheme, we granted certain share options to our employees pursuant to certain share option agreements which carried substantially the same terms and conditions with those stipulated in the 2009 Scheme.

2011 Share Incentive Plan

We adopted the 2011 Plan in September 2011.

Under the 2011 Plan, the maximum number of shares in respect of which options or restricted shares may be granted is currently 43,000,000.

The following paragraphs summarize the terms of the 2011 Plan.

Types of Awards. The following briefly describe the principal features of the various awards that may be granted under the 2011 Plan.

- *Options.* Options provide for the right to purchase a specified number of our common shares at a specified price and usually will become exercisable at the discretion of our plan administrator in one or more installments after the grant date. The option exercise price may be paid, subject to the discretion of the plan administrator, in cash or check, in our common shares which have been held by the option holder for such period of time as may be required to avoid adverse accounting consequences, in other property with value equal to the exercise price, through a broker-assisted cashless exercise, or by any combination of the foregoing.
- *Restricted Shares.* A restricted share award is the grant of our common shares which are subject to certain restrictions and may be subject to risk of forfeiture. Unless otherwise determined by our plan administrator, a restricted share is nontransferable and may be forfeited or repurchased by us upon termination of employment or service during a restricted period. Our plan administrator may also impose other restrictions on the restricted shares, such as limitations on the right to vote or the right to receive dividends.
- *Restricted Share Units.* A restricted share unit award is the grant of the right to receive a common share at a future date and may be subject to forfeiture. Our plan administrator has the discretion to set performance objectives or other vesting criteria that will determine the number or value of restricted share units to be granted. Unless otherwise determined by our plan administrator, a restricted share unit is nontransferable and may be forfeited or repurchased by us upon termination of employment or service during a restricted period. Our plan administrator, at the time of grant, specifies the dates on which the restricted share units become fully vested.

Plan Administration. Our board or a committee of one or more members of our board duly authorized for the purpose of the 2011 Plan can act as the plan administrator.

Award Agreement. Options or restricted shares granted under the 2011 Plan are evidenced by an award agreement that sets forth the terms, conditions and limitations for each grant.

Option Exercise Price. The exercise price in respect of any option shall be determined by the plan administrator and set forth in the award agreement which may be a fixed or variable price related to the fair market value of the shares. The exercise price per share subject to an option may be amended or adjusted in the absolute discretion of the plan administrator, the determination of which shall be final, binding and conclusive.

Eligibility. We may grant awards to our employees, consultants or directors.

Term of the Awards. The 2011 Plan shall be valid and effective for a period of ten years from the date of effectiveness. The term of each option or restricted share grant shall be ten years from the date of the grant.

Vesting Schedule. In general, the plan administrator determines the vesting schedule, which is set forth in the award agreement.

Transfer Restrictions. Awards for options or restricted shares may not be transferred in any manner by the award holders and may be exercised only by such holders, subject to limited exceptions. Restricted shares may not be transferred during the period of restriction.

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Termination. The plan administrator may at any time terminate the operation of the 2011 Plan.

The following table summarizes, as of the date of this prospectus, the outstanding options granted to our executive officers, directors and other individuals as a group.

	Common Shares Underlying Options Awarded	Exercise Price (US$/Share)	Date of Grant	Date of Expiration
Rongjie Dong	1,465,060	0.004898	January 1, 2008	December 31, 2016
	5,443,900	0.005510	January 1, 2008	December 31, 2017
	1,219,610	0.006735	January 1, 2009	December 31, 2018
Other Individuals as a Group	1,137,290	—	January 1, 2008	December 31, 2015
	3,189,231	0.005510	January 1, 2008	December 31, 2017
	5,415,334	0.006735	January 1, 2009	December 31, 2018
Total	17,870,425			

The following table summarizes, as of the date of this prospectus, the outstanding restricted shares granted to our executive officers, directors and other individuals as a group.

Name	Restricted Shares Granted	Date of Grant
Tony Bin Zhao	2,554,401	February 1, 2010
	3,000,000	January 1, 2011
Jin Cao	1,702,934	February 1, 2010
Rongjie Dong	3,750,000	January 1, 2010
Other Individuals as a Group	18,383,197	January 1, 2010
	14,839,242	February 23, 2010
	19,210,000	July 1, 2010
	500,000	October 1, 2010
	7,121,200	January 1, 2011
Total	71,060,974	

The following table summarizes, as of the date of this prospectus, the outstanding restricted share units granted to our executive officers, directors and other individuals as a group.

Name	Common Shares Underlying Restricted Share Units Granted	Date of Grant	Vesting Schedule
Tony Bin Zhao	3,000,000	March 31, 2012	4 years(1)
Eric He	4,000,000	September 16, 2011	5 years(2)
Other Individuals as a Group	4,822,300	September 16, 2011	16-18 quarters(3)
	1,618,000	January 1, 2012	4 years(4)
	3,480,121	March 31, 2012	2-4 years(5)
	533,000	July 15, 2012	4 years(6)
Total	17,453,421		

(1) These RSUs were granted on March 31, 2012 and were scheduled to vest starting January 1, 2012.
(2) These RSUs were granted on September 16, 2011 and were scheduled to vest starting August 15, 2011.
(3) These RSUs were granted on September 16, 2011 and were scheduled to vest starting July 1, 2011.
(4) These RSUs were granted on January 1, 2012 and were scheduled to vest starting January 1, 2012.
(5) These RSUs were granted on March 31, 2012, among which 1,975,921 common shares underlying RSUs were scheduled to vest starting January 1, 2012 and 1,504,200 common shares underlying RSUs were scheduled to vest starting February 1, 2012.
(6) These RSUs were granted on July 15, 2012 and were scheduled to vest starting July 1, 2012.

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PRINCIPAL [AND SELLING] SHAREHOLDERS

The following table sets forth information concerning the beneficial ownership of our common shares as of the date of this prospectus, assuming the planned conversion of all of our series A, B, C-1 and C-2 preferred shares into 359,424,310 common shares, by:

- each of our directors and executive officers;
- each person known to us to beneficially own more than 5% of our common shares; and
- [each selling shareholder.]

The calculations in the table below assume that there are 902,765,224 common shares outstanding as of the date of this prospectus, including 359,424,310 common shares convertible from our outstanding preferred shares and common shares outstanding immediately after the completion of this offering, and that the underwriters do not exercise their over-allotment option.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days, including through the exercise of any option, warrant or other right, vesting of restricted share units or the conversion of any other security. These shares, however, are not included in the computation of the percentage ownership of any other person.

	Common Shares Beneficially Owned Prior to This Offering(1)		Common Shares Being Sold in This Offering		Common Shares Beneficially Owned After This Offering	
	Number	%	Number	%	Number	%
Directors and Executive Officers:*						
Jun Lei(2)	215,241,483	23.5				
David Xueling Li(3)	215,241,483	23.5				
Qin Liu(4)	178,513,370	19.5				
Alexander Barrett Hartigan(5)	110,527,830	12.1				
Jenny Hong Wei Lee(6)	80,833,340	8.8				
Tony Bin Zhao(7)	19,684,180	2.1				
Nazar Yasin(8)	76,710,648	8.4				
Eric He	—	—				
Jin Cao(9)	9,205,890	1.0				
Rongjie Dong	9,851,118	1.1				
All directors and executive officers as a group	915,809,342	100.0				
Principal [and Selling] Shareholders:						
Top Brand Holdings Limited(10)	215,241,483	23.8				
YYME Limited(11)	215,241,483	23.8				
Morningside China TMT Fund I, L.P.(12)	113,575,140	12.6				
Steamboat Ventures Asia, L.P.(13)	110,527,830	12.2				
Granite Global Ventures III L.P.(14)	79,539,740	8.8				
Tiger Global Six YY Holdings(15)	76,710,648	8.5				
Favour Star Limited(16)	64,938,230	7.2				

Notes:

* Except for Mr. Jun Lei, Mr. Qin Liu, Mr. Alexander Barrett Hartigan, Ms. Jenny Hong Wei Lee, Mr. Tony Bin Zhao, Mr. Nazar Yasin and Mr. Rongjie Dong, the business address of our directors and executive officers is c/o Building 3-08, Yangcheng Chuangyi Chanye Park, No. 309 Huangpu Dadao Central, Tianhe District, Guangzhou, 510655, PRC. Mr. Rongjie Dong's business address is 4th floor, Youhua Business Centre, Yingbin North Road, Xiangzhou District, Zhuhai 519080, PRC.

(1) The number of common shares outstanding in calculating the percentages for each listed person or group includes the common shares underlying the options held by such person or group exercisable, or restricted shares that will become vested, within 60 days of the date

of this prospectus. Percentage of beneficial ownership of each listed person or group prior to this offering is based on (i) 902,765,224 common shares outstanding as of the date of this prospectus, including 359,424,310 common shares convertible from our outstanding preferred shares, and (ii) the number of common shares underlying options exercisable by such person or group, or restricted shares that will become vested, within 60 days of the date of this prospectus.

(2) Representing 215,241,483 common shares held by Top Brand Holdings Limited, a BVI company wholly owned and controlled by Mr. Lei. The business address of Mr. Lei is Juanshitiandi Tower A, 12th Floor, Chaoyang District, Beijing 100102, PRC.

(3) Representing 215,241,483 common shares held by YYME Limited, a BVI company wholly owned and controlled by Mr. Li.

(4) Representing 10,450,230 common shares and 54,488,000 series A preferred shares held by Favour Star Limited and 81,612,930 series A preferred shares, 20,414,870 series B preferred shares, 1,547,420 series C-1 preferred shares and 9,999,920 series C-2 preferred shares held by Morningside China TMT Fund I, L.P. Mr. Liu is a director of our company jointly appointed by Morningside China TMT Fund I, L.P. and Favour Star Limited. The business address of Mr. Liu is No. 5, Lane 249, Anfu Road, Shanghai 200031, PRC.

(5) Representing 81,658,990 series B preferred shares, 3,869,040 series C-1 preferred shares and 24,999,800 series C-2 preferred shares held by Steamboat Ventures Asia, L.P. Mr. Hartigan is a director of our company appointed by Steamboat Ventures Asia, L.P. The business address of Mr. Hartigan is c/o Unit 1002-1004, One Corporate Ave, 222 Hu Bin Road, Shanghai 200021, PRC.

(6) Representing 10,659,950 series C-1 preferred shares and 68,879,790 series C-2 preferred shares held by Granite Global Ventures III L.P. and 173,460 series C-1 preferred shares and 1,120,140 series C-2 preferred shares held by GGV III Entrepreneurs Fund L.P. Ms. Lee is a director of our company appointed by Granite Global Ventures III L.P. and GGV III Entrepreneurs Fund L.P. The business address of Ms. Lee is Unit 3501-3504, Two IFC, 8 Century Avenue, Pudong District, Shanghai 200120, PRC.

(7) Representing 1,915,800 common shares underlying the restricted shares that became fully vested as of the date of this prospectus held by Mr. Tony Bin Zhao and 17,768,380 common shares held by YY TZ Limited, a BVI company. YY TZ Limited is ultimately wholly owned by a trust established for the benefit of Mr. Zhao's family. Mr. Zhao is deemed to hold the investment power over the trust. The business address of Mr. Zhao is 601-3-161, Tianfu Road, Tianhe District, Guangzhou City, Guangdong Province, PRC. The business address of YY TZ Limited is c/o Tony Bin Zhao, Building 3-08, Yangcheng Chuangyi Chanye Park, No. 309 Huangpu Dadao Central, Tianhe District, Guangzhou 510655, PRC.

(8) Representing 76,710,648 common shares held by Tiger Global Six YY Holdings. Mr. Yasin is a director of our company appointed by Tiger Global Six YY Holdings. The business address of Mr. Yasin is 101 Park Avenue, 48th Floor, New York, NY 10178.

(9) Representing 1,277,200 common shares underlying the restricted shares that became fully vested as of the date of this prospectus held by Mr. Jin Cao and 7,928,690 common shares held by CJ Entertainment Limited, a British Virgin Islands company. CJ Entertainment Limited is ultimately wholly owned by a trust established for the benefit of Mr. Cao's family. Mr. Cao is deemed to hold the investment power over the trust. The business address of CJ Entertainment Limited is c/o Jin Cao, Building 3-08, Yangcheng Chuangyi Chanye Park, No. 309 Huangpu Dadao Central, Tianhe District, Guangzhou, 510655, PRC.

(10) Representing 215,241,483 common shares held by Top Brand Holdings Limited, a British Virgin Islands company wholly owned and controlled by Mr. Lei. The business address of Top Brand Holdings Limited is c/o Jun Lei, Juanshitiandi Tower A, 12th Floor, Chaoyang District, Beijing 100102, PRC.

(11) Representing 215,241,483 common shares held by YYME Limited, a British Virgin Islands company wholly owned and controlled by Mr. Li. The business address of YYME Limited is c/o David Xueling Li, Building 3-08, Yangcheng Chuangyi Chanye Park, No. 309 Huangpu Dadao Central, Tianhe District, Guangzhou, 510655, PRC.

(12) Representing 81,612,930 series A preferred shares, 20,414,870 series B preferred shares, 1,547,420 series C-1 preferred shares and 9,999,920 series C-2 preferred shares held by Morningside China TMT Fund I, L.P. Morningside China TMT Fund I, L.P. is controlled by Morningside China TMT GP, L.P., its general partner. Morningside China TMT GP, L.P. is in turn controlled by TMT General Partner Ltd., its general partner. Qin Liu and Jianming Shi, directors of TMT General Partner Ltd., have beneficial interest in TMT General Partner Ltd. and are deemed to share the voting and investment power over such shares held by TMT General Partner Ltd. The business address of Morningside China TMT Fund I, L.P. is 22/F, Hang Lung Center, 2-20 Paterson Street, Causeway Bay, Hong Kong.

(13) Representing 81,658,990 series B preferred shares, 3,869,040 series C-1 preferred shares and 24,999,800 series C-2 preferred shares held by Steamboat Ventures Asia, L.P. Steamboat Ventures Asia, L.P. is controlled by Steamboat Ventures Asia Manager, L.P., its general partner, which is in turn controlled by Steamboat Ventures Asia GP, Ltd., its general partner. Steamboat Ventures Asia GP, Ltd. is controlled by John Ball, who is deemed to hold the voting and investment power over such shares held by Steamboat Ventures Asia GP, Ltd. The business address of Steamboat Ventures Asia, L.P. is c/o Walkers SPV Limited, P.O. Box 908GT, Mary Street George Town, Grand Cayman, Cayman Islands.

(14) Representing 10,659,950 series C-1 preferred shares and 68,879,790 series C-2 preferred shares held by Granite Global Ventures III L.P. Granite Global Ventures III L.P. is controlled by Granite Global Ventures L.L.C., its sole general partner. Scott Bonham, Hany Nada, Glenn Soloman, Thomas Ng, Jixun Foo, Hongwei Jenny Lee, Jessie Jin and Fumin Zhuo are managing directors of Granite Global Ventures L.L.C. and are deemed to share the voting and investment power over such shares held by Granite Global Ventures L.L.C. The business address of Granite Global Ventures III L.P. is 2494 Sand Hill Road, Suite 100, Menlo Park, CA 94025, USA.

(15) Representing 76,710,648 common shares held by Tiger Global Six YY Holdings. Tiger Global Six YY Holdings is ultimately controlled by Charles P. Coleman III. The registered address of Tiger Global Six YY Holdings is TwentySeven, Cybercity, Ebene, Mauritius.

(16) Representing 10,450,230 common shares and 54,488,000 series A preferred shares held by Favour Star Limited. Favour Star Limited is wholly owned by Morningside Technology Investments Limited, which is in turn wholly owned by Morningside CyberVentures Holdings Limited. The ultimate beneficial owner of Morningside CyberVentures Holdings Limited is a family trust established by and for the benefit of Mdm. Chan Tan Ching Fen, who is deemed to hold the voting and investment power over such shares held by Morningside CyberVentures Holdings Limited. The business address of Favour Star Limited is 2nd Floor, Le Prince de Galles, 3-5 Avenue des Citronniers, MC 98000 Monaco.

As of the date of this prospectus, none of our outstanding common shares on an as converted basis is held by record holders in the United States. None of our shareholders has informed us that it is affiliated with a registered broker-dealer or is in the business of underwriting securities. None of our existing shareholders will have different voting rights from other shareholders after the completion of this offering. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company. See “Description of Share Capital—History of Securities Issuances” for a description of issuances of our common shares and preferred shares that have resulted in significant changes in ownership held by our major shareholders.

RELATED PARTY TRANSACTIONS

Contractual Arrangements

Please see "Corporate History and Structure" for a description of the contractual arrangements among Huanju Shidai, Beijing Tuda and the shareholders of Beijing Tuda and the contractual arrangements among Huanju Shidai, Guangzhou Huaduo and the shareholders of Guangzhou Huaduo.

Transactions with Affiliates

In July 2010, Guangzhou Huaduo entered into a loan agreement with Zhuhai Daren and the shareholders of Zhuhai Daren, pursuant to which Guangzhou Huaduo agreed to provide interest-free loans of up to RMB2.0 million in the aggregate to Zhuhai Daren. The amount and timing of drawdown on the loan is at Zhuhai Daren's option. Guangzhou Huaduo holds 30% equity interest in Zhuhai Daren. Zhuhai Daren borrowed RMB1.5 million in 2010 from Guangzhou Huaduo and RMB0.5 million (US$0.1 million) in 2011. As of June 30, 2012, Zhuhai Daren had repaid part of the loan but still owed us RMB1.4 million (US$0.2 million); this outstanding amount is scheduled to be repaid during the year 2012, and we expect it to be fully repaid by December 31, 2012.

Guangzhou Huaduo and Zhuhai Daren have entered into an oral arrangement under which they cooperate with respect to the operation of Daren Farm, an online game developed by Zhuhai Daren, and share revenues generated by the game. In addition, in January 2009, Guangzhou Huaduo and Zhuhai Daren entered into a cooperation agreement, under which Guangzhou Huaduo and Zhuhai Daren agreed to cooperate with respect to the operation of Daren Qipai, another online game developed by Zhuhai Daren. Under the agreement, Guangzhou Huaduo agreed to promote, and provide the users with access to, Daren Qipai on its website. Zhuhai Daren agreed to provide services relating to research, development, upgrade and maintenance of Daren Qipai. In the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, the aggregate online game revenues sharing from Zhuhai Daren was RMB0.8 million, RMB1.7 million, RMB4.5 million (US$0.7 million) and RMB2.9 million (US$0.5 million), respectively.

In 2010 and 2011, Guangzhou Huaduo and Guangzhou Shanghang Information Technical Co., Ltd., or Guangzhou Shanghang, entered into certain server co-location agreements, under which Guangzhou Shanghang provides Guangzhou Huaduo with bandwidth and server colocation services in different cities in China. In addition, Guangzhou Huaduo and Guangzhou Shanghang entered into two content delivery network acceleration service agreements, under which Guangzhou Shanghang provides content delivery network acceleration services to Guangzhou Huaduo. Guangzhou Shanghang is 28% owned by Mr. Jun Lei, our co-founder and chairman, including approximately 7% beneficially owned by Mr. David Xueling Li, our chief executive officer and director. In the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, the bandwidth costs Guangzhou Huaduo paid to Guangzhou Shanghang were nil, RMB1.8 million, RMB22.0 million (US$3.5 million) and RMB6.0 million (US$0.9 million), respectively.

Kingsoft, through third party advertising agencies, has in the past placed advertisements on Duowan.com and we expect that Kingsoft may continue to do so in the future. We indirectly derived revenues through such third party advertising agencies from Kingsoft in each of the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, none of which were in material amounts. Mr. Jun Lei, our co-founder and chairman, is currently chairman, non-executive director and minority shareholder of Kingsoft.

In January 2011, Guangzhou Huaduo entered into an agreement to invest RMB1.0 million in Zhuhai Qi Ao Yacht Club Co., Ltd., or Zhuhai Qi Ao, which was 100% owned by Mr. Lei. Zhuhai Qi Ao provides professional services and facilities for yacht owners in China. As of December 31, 2011, we and Mr. Lei owned 10.0% and 90.0% of Zhuhai Qi Ao, respectively. As of June 30, 2012, we have disposed of our 10.0% equity interest in Zhuhai Qi Ao in exchange for a payment of RMB1.0 million (US$0.2 million) from Mr. Lei.

In February 2011, Guangzhou Huaduo entered into an agreement to invest RMB2.5 million in Zhuhai JinShan Kuaikuai Technology Co., Ltd., or JinShan Kuaikuai, which was 100% indirectly owned by Kingsoft. Upon such investment, we own and Kingsoft indirectly owns 20.8% and 62.5% of JinShan KuaiKuai, respectively, with the remaining 16.7% equity interest owned by a third party. JinShan Kuai Kuai provides online game technological research services in China.

In November 2011, Guangzhou Huaduo entered into a loan agreement with Zhuhai Lequ Technology Co., Ltd., pursuant to which Guangzhou Huaduo was to provide an interest-free loan to Zhuhai Lequ Technology Co., Ltd. In March 2012, Beijing Tuda invested RMB1 million in, and held a 76.9% equity interest in, Zhuhai Lequ Technology Co., Ltd. As of June 30, 2012, Zhuhai Lequ Technology Co., Ltd.'s outstanding loan under this loan agreement was RMB0.5 million (US$0.1 million). We expect the loan to be fully repaid by December 31, 2012. We have also agreed to reduce our equity holding in Zhuhai Lequ Technology Co., Ltd. to 6.7% by transferring 70.2% of its equity interest we currently hold to its founders as soon as practicable.

In July 2012, we sold our equity interest in Shenzhen Yingpeng Information Technology Company Limited to Xiaomi Corporation for a cash consideration of RMB2.0 million (US$0.3 million). Mr. Lei Jun, our co-founder and chairman, is currently chairman of Xiaomi Corporation.

Investors' Rights Agreement and Right of First Refusal and Co-Sale Agreement

See "Description of Share Capital—Investors' Rights Agreement and Right of First Refusal and Co-Sale Agreement."

Employment Agreements

See "Management—Employment Agreements."

Share Incentives

See "Management—Share Incentive Plans."

DESCRIPTION OF SHARE CAPITAL

We were incorporated as an exempted company with limited liability under the Companies Law of the Cayman Islands on July 22, 2011. Our affairs are currently governed by our amended and restated memorandum and articles of association and the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, which we refer to as the Companies Law below.

As of the date hereof, our authorized share capital consists of 4,640,575,690 common shares with a par value of US$0.00001 each and 359,424,310 preferred shares with a par value of US$0.00001 each, of which 136,100,930 preferred shares are designated as series A preferred shares, 102,073,860 preferred shares are designated as series B preferred shares, 16,249,870 preferred shares are designated as series C-1 preferred shares and 104,999,650 preferred shares are designated as series C-2 preferred shares. As of the date of this prospectus, there are 543,340,914 common shares, 136,100,930 series A preferred shares, 102,073,860 series B preferred shares, 16,249,870 series C-1 preferred shares and 104,999,650 series C-2 preferred shares issued and outstanding.

We plan to adopt our second amended and restated memorandum and articles of association, which will become effective upon the completion of this offering. Our second amended and restated memorandum and articles of association will provide that, upon the closing of this offering, [we will have two classes of shares, the Class A common shares and Class B common shares]. The following are summaries of material provisions of our second amended and restated memorandum and articles of association and the Companies Law insofar as they relate to the material terms of our common shares. You should read the form of our second amended and restated memorandum and articles of association, which have been filed as exhibits to the registration statement of which this prospectus is a part.

Common shares

The following discussion primarily concerns our common shares and the rights of holders of common shares. The holders of ADSs will not be treated as our shareholders and will be required to surrender their ADSs for cancellation and withdrawal from the depositary facility in which the common shares are held in accordance with the provisions of the deposit agreement in order to exercise shareholders' rights in respect of the common shares. The depositary will agree, so far as it is practical, to vote or cause to be voted the amount of common shares represented by ADSs in accordance with the non-discretionary written instructions of the holders of such ADSs. See "Description of American Depositary Shares—Voting Rights."

All of our outstanding common shares are fully paid and non-amenable. Certificates representing our common shares are issued in the registered form. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their common shares.

General meetings may be called only by the chairman of our board of directors or a majority of our board of directors and may not be called by any other person.

Meetings

Shareholders' meetings may be convened by a majority of our board of directors or chairman. Advance notice of at least ten clear days is required for the convening of our annual general meeting and any other general meeting of our shareholders. A quorum required for a meeting of shareholders consists of at least two shareholders present or by proxy, representing not less than one-third in nominal value of the total issued voting shares in our company.

Notwithstanding that a meeting is called by shorter notice than that mentioned above, but, subject to the Companies Law, it will be deemed to have been duly called, if it is so agreed (a) in the case of a meeting called

as an annual general meeting by all of our shareholders entitled to attend and vote at the meeting; and (b) in the case of any other meeting, by a majority in number of the shareholders holding not less than 95% in nominal value of the issued shares giving that right.

No business other than the appointment of a chairman may be transacted at any general meeting unless a quorum is present at the commencement of business. However, the absence of a quorum will not preclude the appointment of a chairman. If present, the chairman of our board of directors shall be the chairman presiding at any shareholders' meetings.

A corporation being a shareholder shall be deemed for the purpose of our second amended and restated articles of association to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting or at any relevant general meeting of any class of our shareholders. Such duly authorized representative shall be entitled to exercise the same powers on behalf of the corporation that he represents as that corporation could exercise if it were our individual shareholder.

The quorum for a separate general meeting of the holders of a separate class of shares is described in "—Modification of Rights" below.

Our second amended and restated articles of association do not allow our shareholders to approve matters to be determined at shareholders' meetings by way of written resolutions without a meeting.

Voting Rights

At any general meeting in a show of hands every shareholder who is present in person or by proxy (or, in the case of a shareholder being a corporation, by its duly authorized representative) shall have one vote, and on a poll every shareholder holding shares present in person or by proxy (or, in the case of a shareholder being a corporation, by its duly authorized representative) shall have one vote for each fully paid share of which such shareholder is the holder.

No shareholder shall be entitled to vote or be reckoned in a quorum, in respect of any share, unless such shareholder is duly registered as our shareholder and all calls or installments due by such shareholder to us have been paid.

If a clearing house (or its nominee(s)) or a central depositary entity, being a corporation, is our shareholder, it may authorize such person or persons as it thinks fit to act as its representative(s) at any meeting or at any meeting of any class of shareholders provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision is entitled to exercise the same powers on behalf of the clearing house or central depositary entity (or its nominee(s)) as if such person was the registered holder of our shares held by that clearing house or central depositary entity (or its nominee(s)) including the right to vote individually in a show of hands.

While there is nothing under the laws of the Cayman Islands which specifically prohibits or restricts the creation of cumulative voting rights for the election of directors of our company, it is not a concept that is accepted as a common practice in the Cayman Islands, and our company has made no provisions in our second amended and restated articles of association to allow cumulative voting for such elections.

Calls on Shares and Forfeiture of Shares

Subject to our second amended and restated memorandum and articles of association which will become effective upon the completion of this offering and to the terms of allotment, our directors may from time to time

make such calls upon the members in respect of any amounts unpaid on the shares held by them. The shares that have been called upon and remain unpaid on the specified time are subject to forfeiture.

Protection of Minority Shareholders

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and regarding which the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having its share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and to report thereon in such manner as the Grand Court of the Cayman Islands shall direct.

Any of our shareholders may petition the Grand Court of the Cayman Islands which may make a winding up order if the Grand Court of the Cayman Islands is of the opinion that it is just and equitable that we should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of our affairs in the future, (b) an order requiring us to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained we have omitted to do, (c) an order authorizing civil proceedings to be brought in our name and on our behalf by the shareholder petitioner on such terms as the Grand Court of the Cayman Islands may direct, or (d) an order providing for the purchase of the shares of any of our shareholders by other shareholders or us and, in the case of a purchase by us, a reduction of our capital accordingly.

Generally, claims against us must be based on the general laws of contract or tort applicable in the Cayman Islands or individual rights as shareholders as established by our second amended and restated articles of association.

Pre-Emption Rights

There are no pre-emption rights applicable to the issue of new shares under either Cayman Islands law or our second amended and restated memorandum and articles of association.

Liquidation Rights

Subject to any future shares which are issued with specific rights, (a) if we are wound up and the assets available for distribution among our shareholders are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed pari passu among those shareholders in proportion to the amount paid up at the commencement of the winding up on the shares held by them, respectively, and (b) if we are wound up and the assets available for distribution among the shareholders as such are insufficient to repay the whole of the paid-up capital, those assets shall be distributed so that, as nearly as may be, the losses shall be borne by the shareholders in proportion to the capital paid up at the commencement of the winding up on the shares held by them, respectively.

If we are wound up (whether the liquidation is voluntary or by the court), the liquidator may with the sanction of our special resolution and any other sanction required by the Companies Law, divide among our shareholders in specie or kind the whole or any part of our assets (whether or not they shall consist of property of the same kind) and may, for such purpose, set such value as the liquidator deems fair upon any property to be divided and may determine how such division shall be carried out as between the shareholders or different classes of shareholders. The liquidator may also vest the whole or any part of these assets in trustees upon such

trusts for the benefit of the shareholders as the liquidator shall think fit, but so that no shareholder will be compelled to accept any assets, shares or other securities upon which there is a liability.

Modification of Rights

Alterations to our second amended and restated memorandum and articles of association may only be made by special resolution, meaning a majority of not less than two-thirds of votes cast at a shareholders' meeting.

If at any time, our share capital is divided into different classes of shares, all or any of the special rights attached to any class of shares may, subject to the provisions of the Companies Law, be varied with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class. Consequently, the rights of any class of shares cannot be detrimentally altered without a majority of two-thirds of the vote of all of the shares in that class. The provisions of our second amended and restated articles of association relating to general meetings shall apply similarly to every such separate general meeting, but so that the quorum for the purposes of any such separate general meeting or at the adjourned meeting shall be a person or persons together holding (or represented by proxy) on the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class, that every holder of shares of the class shall be entitled on a poll to one vote for every such share held by such holder and that any holder of shares of that class present in person or by proxy may demand a poll.

The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* with such existing class of shares.

Alteration of Capital

We may from time to time by ordinary resolution in accordance with the Companies Law alter the conditions of our second amended and restated memorandum of association to:

- increase our capital by such sum, to be divided into shares of such amounts, as the resolution shall prescribe;
- consolidate and divide all or any of our share capital into shares of larger amounts than our existing shares;
- cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law;
- sub-divide our shares or any of them into shares of smaller amount than is fixed by our second amended and restated memorandum of association, subject nevertheless to the Companies Law, so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such subdivision, one or more of the shares may have any such preferred or other special rights over, or may have such deferred rights or be subject to any such restrictions as compared with the others, as we have power to attach to unissued or new shares; and
- divide shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares, attach to the shares respectively any preferential, deferred, qualified or special rights, privileges, conditions or such restrictions that in the absence of any such determination in a general meeting may be determined by our directors.

We may, by special resolution, subject to any confirmation or consent required by the Companies Law, reduce our share capital or any capital redemption reserve in any manner authorized by law.

Transfer of Shares

Subject to any applicable restrictions set forth in our second amended and restated articles of association, including, for example, the board of directors' discretion to refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve, or any share issued under share incentive plans for employees upon which a restriction on transfer imposed thereby still subsists, or a transfer of any share to more than four joint holders, any of our shareholders may transfer all or any of his or her shares by an instrument of transfer in the usual or common form or in a form prescribed by the [Nasdaq Global Market/NYSE] or in another form that our directors may approve.

Our directors may decline to register any transfer of any share which is not paid up or on which we have a lien. Our directors may also decline to register any transfer of any share unless:

- the instrument of transfer is lodged with us and is accompanied by the certificate for the shares to which it relates and such other evidence as our directors may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is in respect of only one class of share;
- the instrument of transfer is properly stamped (in circumstances where stamping is required); and
- fee of such maximum sum as the [Nasdaq Global Market/NYSE] may determine to be payable or such lesser sum as our directors may from time to time require is paid to us in respect thereof.

If our directors refuse to register a transfer, they shall, within three months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, after compliance with any notice requirement of the [Nasdaq Global Market/NYSE], be suspended and the register closed at such times and for such periods as our directors may from time to time determine; provided, however, that the registration of transfers shall not be suspended nor the register closed for more than 30 days in any year as our directors may determine.

Register of Members

In accordance with Section 48 of the Companies Law, the register of members is prima facie evidence of the registered holder or member of shares of a company. Therefore, a person becomes a registered holder or member of shares of the company only upon entry being made in the register of members. Our directors will maintain one register of members, at the office of Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands, which provides us with corporate administrative services. We will perform the procedures necessary to register the shares in the register of members as required in "PART III—Distribution of Capital and Liability of Members of Companies and Associations" of the Companies Law, and will ensure that the entries on the register of members are made without any delay.

The depositary will be included in our register of members as the only holder of the common shares underlying the ADSs in this offering. The shares underlying the ADSs are not shares in bearer form, but are in registered form and are "non-negotiable" or "registered" shares in which case the shares underlying the ADSs can only be transferred on the books of the company in accordance with Section 166 of the Companies Law.

In the event that we fail to update our register of members, the recourse of investors is directly to the depositary under the terms of the deposit agreement, which is governed by New York law. The depositary will have recourse against us under the terms of the deposit agreement, and also will hold a share certificate evidencing the depositary as the registered holder of shares underlying the ADSs. Further, Section 46 of the Companies Law provides for recourse to be available to our investors in case we fail to update our register of

members. In the event we fail to update our register of member, the depositary, as the aggrieved party, may apply for an order with the courts of the Cayman Islands for the rectification of the register.

Share Repurchase

We are empowered by the Companies Law and our second amended and restated articles of association to purchase our own shares, subject to certain restrictions. Our directors may only exercise this power on our behalf, subject to the Companies Law, our second amended and restated memorandum and articles of association and to any applicable requirements imposed from time to time by the [Nasdaq Global Market/NYSE], the Securities and Exchange Commission, or the SEC, or by any other recognized stock exchange on which our securities are listed.

Dividends

Subject to the Companies Law, our company in a general meeting or our directors may declare dividends in any currency to be paid to our shareholders. Dividends may be declared and paid out of our profits, realized or unrealized, or from any reserve set aside from profits which our directors determine is no longer needed. Our board of directors may also declare and pay dividends out of the share premium account or any other fund or account that can be authorized for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provides, (a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated for this purpose as paid up on that share and (b) all dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

Our directors may also pay interim dividends, whenever our financial position, in the opinion of our directors, justifies such payment.

Our directors may deduct from any dividend or bonus payable to any shareholder all sums of money (if any) presently payable by such shareholder to us on account of calls or otherwise.

No dividend or other money payable by us on or in respect of any share shall bear interest against us.

In respect of any dividend proposed to be paid or declared on our share capital, our directors may resolve and direct that (a) such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that our shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof if our directors so determine) in cash in lieu of such allotment or (b) the shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as our directors may think fit. Our shareholders may, upon the recommendation of our directors, by ordinary resolution resolve in respect of any particular dividend that, notwithstanding the foregoing, a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend interest or other sum payable in cash to the holder of shares may be paid by check or warrant sent by mail addressed to the holder at his registered address, or addressed to such person and at such addresses as the holder may direct. Every check or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the check or warrant by the bank on which it is drawn shall constitute a good discharge to us.

All dividends unclaimed for one year after having been declared may be invested or otherwise made use of by our board of directors for the benefit of our company until claimed. Any dividend unclaimed after a period of six years from the date of declaration of such dividend shall be forfeited and reverted to us.

Whenever our directors have resolved that a dividend be paid or declared, our directors may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe for our securities or securities of any other company. Where any difficulty arises with regard to such distribution, our directors may settle it as they think expedient. In particular, our directors may issue fractional certificates, ignore fractions altogether or round the same up or down, fix the value for distribution purposes of any such specific assets, determine that cash payments shall be made to any of our shareholders upon the footing of the value so fixed in order to adjust the rights of the parties, vest any such specific assets in trustees as may seem expedient to our directors, and appoint any person to sign any requisite instruments of transfer and other documents on behalf of the persons entitled to the dividend, which appointment shall be effective and binding on our shareholders.

Untraceable Shareholders

We are entitled to sell any shares of a shareholder who is untraceable, provided that:

- all checks or warrants in respect of dividends of such shares, not being less than three in number, for any sums payable in cash to the holder of such shares have remained un-cashed for a period of 12 years prior to the publication of the advertisement and during the three months referred to in the third bullet point below;
- we have not during that time received any indication of the whereabouts or existence of the shareholder or person entitled to such shares by death, bankruptcy or operation of law; and
- we, if so required by the rules of the [Nasdaq Global Market/NYSE], have caused an advertisement to be published in newspapers in accordance with such applicable rules giving notice of our intention to sell these shares, and a period of three months (or such shorter period as permitted under the applicable rules) has elapsed since such advertisement.

The net proceeds of any such sale shall belong to us, and when we receive these net proceeds we shall become indebted to the former shareholder for an amount equal to such net proceeds.

Inspection of Books and Records

Holders of our common shares will have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records. However, we will provide our shareholders with annual audited financial statements. See “Where You Can Find Additional Information.”

History of Securities Issuances

On July 22, 2011, YY Inc. was established. On September 6, 2011, YY Inc. entered into a share exchange agreement with then shareholders of Duowan BVI, under the terms of which YY Inc. issued one preferred or common share in exchange for each of the preferred or common share that these shareholders held in Duowan BVI. As a result of the share exchange, YY Inc. became our group’s ultimate holding company.

The following is a summary of our securities issuance of Duowan BVI during the past three years, which were outstanding prior to the share exchange between Duowan BVI and YY Inc.

Common Shares, Preferred Shares and Warrant Grants

In December 2009, Duowan BVI issued to Granite Global Ventures III L.P., GGV III Entrepreneurs Fund L.P., Steamboat Ventures Asia, L.P. and Morningside China TMT Fund I, L.P. 21,755, 354, 7,896 and

3,158 series C-1 preferred shares to for considerations of US$0.9 million , US$13.9 thousands, US$0.3 million and US$0.1 million, respectively, and 140,571, 2,286, 51,020 and 20,408 series C-2 preferred shares for considerations of US$6,9 million, US$0.1 million, US$2.5 million and US$1.0 million, respectively.

In July 2010, Duowan BVI effected a 1:490 share split. After the share split, it issued 13,369,813 and 29,678,483 common shares to Messrs. David Xueling Li and Jun Lei, respectively, in exchange for their agreeing to enter into certain employment agreements and restricted share agreements with Duowan BVI.

In August 2010, Duowan BVI issued 17,768,380 and 7,928,690 common shares to Messrs. Tony Bin Zhao and Jin Cao pursuant to their exercises of the warrants.

In January 2011, Duowan BVI issued to Tiger Global Six YY Holdings 25,570,216 common shares for consideration of US$25.0 million and a warrant to purchase 25,570,216 common shares for consideration of US$25.0 million. In February 2011, Duowan BVI issued to Tiger Global Six YY Holdings additional 25,570,216 common shares for consideration of US$25.0 million. In July 2011, Duowan BVI issued to Tiger Global Six YY Holdings 25,570,216 common shares pursuant to its exercise of the warrant.

In August 2011, Morningside Technology Investments Limited transferred 10,450,230 common shares to Favour Star Limited and ceased to be a shareholder of Duowan BVI.

Option and Restricted Share Grants

Duowan BVI has granted options to purchase its common shares and restricted shares to certain of our directors, executive officers and employees and consultants, some under our 2009 Scheme, for their past and future services. As of June 30, 2012, there were, in the aggregate, 17,870,425 of our common shares underlying our outstanding options, 56,273,434 restricted shares and 16,922,421 restricted share units outstanding under the 2009 Scheme and the 2011 Plan. We granted 533,000 restricted share units to employees on July 15, 2012 under the 2011 Plan. See “Management—Share Incentive Plans.”

As part of our preparations in anticipation of this offering, YY Inc. was established in July 2011 and one subscriber share with a par value of US$0.01 was allotted and issued to Mr. David Xueling Li. In August 2011, YY Inc. divided its share capital of US$50,000 into 4,640,575,690 common shares of a par value of US$0.00001 each, and 359,424,310 preferred shares of a par value of US$0.00001 each, of which 136,100,930 shares were designated series A preferred shares, 102,073,860 shares were designated series B preferred shares, 16,249,870 shares were designated series C-1 preferred shares, and 104,999,650 shares were designated series C-2 preferred shares, and at the same time, issued a total of 4,640,575,690 common shares in exchange for the existing common shares of Duowan BVI, as well as 136,100,930 series A preferred shares, 102,073,860 series B preferred shares, 16,249,870 series C-1 preferred shares and 104,999,650 series C-2 preferred shares in exchange for all the common and preferred shares previously held in Duowan BVI.

Investors’ Rights Agreement and Right of First Refusal and Co-Sale Agreement

In connection with our issuance of series A, B, C-1 and C-2 preferred shares, we and all our shareholders entered into an investors’ rights agreement and a right of first refusal and co-sale agreement in August 2011. The investors’ rights agreement was entered into by and among YY Inc., its subsidiaries and affiliated Chinese entities, certain directors and executive officers, Favor Start Limited, Morningside China TMT Fund I, L.P., Steamboat Ventures Asia, L.P., Granite Global Ventures III L.P., GGV III Entrepreneurs Fund L.P. and Tiger Global Six YY Holdings.

Under the investors’ rights agreement and our amended and restated memorandum and articles of association, our series A, B, C-1 and C-2 preferred shareholders are entitled to registration rights and certain preferential rights, including non-cumulative dividend rights, liquidation preference, veto rights on certain

corporate matters, right of first refusal and co-sale right in the event that any of our founders proposes to sell, pledge or otherwise transfer any shares of us and our company does not fully exercise its right of first refusal. Except for the registration rights, all preferred shareholders' rights will automatically terminate upon the completion of this offering.

Registration Rights

Pursuant to our investors' rights agreement, we have granted certain registration rights to our shareholders. As of the date of this prospectus, there were 446,585,188 shares entitled to registration rights pursuant to the investors' rights agreement. Set forth below is a description of the registration rights granted under the agreement.

Demand Registration Rights. At any time following the date that is earlier of (i) three years following August 19, 2008 and (ii) six months following the effective date of the registration statement of which this prospectus is a part, upon a written request from the holders of at least 25% of the registrable securities held by our preferred shareholders, we shall file a registration statement on a form other than Form F-3 covering the offer and sale of the registrable securities held by the requesting shareholders and other holders of registrable securities who choose to participate in the offering, if the offering covers at least 20% of the then outstanding registrable securities or if the reasonable anticipated offering price to the public, net of selling expenses, would exceed US$10.0 million. Registrable securities include, among others, our common shares not previously sold to the public and common shares issued or issued upon conversion of the preferred shares.

However, we are not obligated to proceed with a demand registration if we have, within any six-month period, already effected a registration under the Securities Act pursuant to the exercise of the holders' demand registration rights. We have the right to defer filing of a registration statement for up to 90 days if our board of directors determines in good faith that the filing of a registration statement would be materially detrimental to us, but we cannot exercise the deferral right more than once in any 12-month period.

Form F-3 Registration Rights. When we are eligible for registration on Form F-3, upon a written request from any holders of the registrable securities held by our preferred shareholders, we shall file a registration statement on Form F-3 covering the offer and sale of the registrable securities.

We are not obligated to effect a Form F-3 registration, among other things, if we have, within any six-month period, already effected a registration under the Securities Act pursuant to the exercise of the holders' Form F-3 registration rights, or the dollar amount of securities to be sold is of an aggregate price to the public of less than US$1.0 million. We have the right to defer filing of a registration statement for up to 90 days if our board of directors, including a majority of the directors appointed by the preferred shareholders and Tiger Global Six YY Holdings, determines in good faith that the filing of a registration statement would be materially detrimental to us, but we cannot exercise the deferral right more than once in any 12-month period.

Piggyback Registration Rights. If we propose to file a registration statement for a public offering of our common shares on a form that would be suitable only for registrable securities, we must offer holders of registrable securities an opportunity to include in that registration all or any part of their registrable securities. The underwriters of any underwritten offering have the right to limit the number of shares with registration rights to be included in the registration statement, subject to certain limitations.

Expenses of Registration. We will pay all expenses relating to any demand, Form F-3, or piggyback registration.

Termination of Obligations. We shall have no obligation to effect any demand, Form F-3, or piggyback registration (a) five years after the completion of this offering, (b) if, in the opinion of counsel to us satisfactory to the holder, all such registrable securities proposed to be sold by a holder may then be sold under Rule 144 or

another similar exemption under the Securities Act in one transaction without exceeding the volume limitations thereunder or (c) upon a liquidation event.

Differences in Corporate Law

The Companies Law of the Cayman Islands is modeled after that of the United Kingdom but does not follow recent United Kingdom statutory enactments. In addition, the Companies Law differs from laws applicable to United States corporations and their shareholders. Set forth below is a summary of the significant differences between the provisions of the Companies Law applicable to us and the laws applicable to companies incorporated in the United States and their shareholders.

Mergers and Similar Arrangements. The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company; and (b) a "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies in the consolidated company. A merger of two or more constituent companies under Cayman Islands law requires a plan of merger or consolidation to be approved by the directors of each constituent company and (a) authorization by a special resolution of the members of each constituent company and (b) such other authorization, if any, as may be specified in such constituent company's articles of association.

A merger between a Cayman parent company and its Cayman subsidiary or subsidiaries does not require authorization by a resolution of shareholders. For this purpose a subsidiary is a company of which at least 90% of the votes cast at its general meeting are held by the parent company.

The consent of each holder of a fixed or floating security interest over a constituent company is required unless this requirement is waived by a court in the Cayman Islands.

Save in certain circumstances, a dissentient shareholder of a Cayman constituent company is entitled to payment of the fair value of his shares upon dissenting to a merger or consolidation. The exercise of appraisal rights will preclude the exercise of any other rights save for the right to seek relief on the grounds that the merger or consolidation is void or unlawful. In addition, there are statutory provisions that facilitate the reconstruction and amalgamation of companies, provided that the arrangement is approved by a majority in number of each class of shareholders and creditors (representing 75% by value) with whom the arrangement is to be made, and who must, in addition, represent three-fourths in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in person or by proxy at a meeting, or meetings, convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved, the court can be expected to approve the arrangement if it determines that:

- the statutory provisions as to the required majority vote have been met;
- the shareholders have been fairly represented at the meeting in question and the statutory majority are acting bona fide without coercion of the minority to promote interests adverse to those of the class;
- the arrangement is such that it may be reasonably approved by an intelligent and honest man of that class acting in respect of his interest; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Law.

When a takeover offer is made and accepted by holders of 90% of the shares within four months, the offeror may, within a two-month period commencing on the expiration of such four-month period, require the holders of

the remaining shares to transfer such shares on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed in the case of an offer which has been so approved unless there is evidence of fraud, bad faith or collusion.

If an arrangement and reconstruction is thus approved, the dissenting shareholder would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of Delaware corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

Shareholder Proposals. Cayman Islands laws do not provide shareholders with an express right to put any proposal before the annual meeting of shareholders. By contrast, in keeping with common law, Delaware corporations generally afford shareholders an opportunity to make proposals and nominations provided that they comply with the notice provisions in the certificate of incorporation or bylaws. A special meeting may be called by the board of directors or any other person authorized to do so in the certificate of incorporation or bylaws, but shareholders may be precluded from calling special meetings. With respect to shareholder proposals, Cayman Islands law is essentially the same as Delaware law. The Cayman Islands Companies Law does not provide shareholders with an express right to put forth any proposal before the annual meeting of the shareholders. However, depending on what is stipulated in a company's articles of association, shareholders in an exempted Cayman Islands company may make proposals in accordance with the relevant notice provisions. For shares that are represented by ADSs, the depositary in many cases may be the only shareholder. In such cases, only the depositary has the direct right to requisition a shareholders' meeting. However, unless otherwise provided in the deposit agreement, the holders of the ADSs generally do not have the right to petition the depositary to requisition a shareholders' meeting or to put forth shareholder proposals through the depositary.

Shareholders' Suits. In principle, we will normally be the proper plaintiff and a derivative action may not be brought by a minority shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, exceptions to the foregoing principle apply in circumstances in which:

- a company is acting or proposing to act illegally or beyond the scope of its authority;
- the act complained of, although not beyond the scope of the company's authority, could be effected duly if authorized by more than a simple majority vote which has not been obtained; or
- those who control the company are perpetrating a "fraud on the minority."

Corporate Governance. Cayman Islands laws do not restrict transactions with directors but a director of a Cayman Islands company is in the position of a fiduciary with respect to the company and a director is required to exercise a duty of care, a duty to act *bona fide* in the best interests of the company, a duty not to make a profit based on his or her position as director (unless the company permits him to do so) and a duty not to put himself in a position where the interests of the company conflict with his or her personal interest or his or her duty to a third party. A director of a Cayman Islands company also owes to the company a duty to act with skill and care. Under our second amended and restated memorandum and articles of association, subject to any separate requirement for audit committee approval under the applicable rules of the [Nasdaq Global Market/NYSE] or unless disqualified by the chairman of the relevant board meeting, so long as a director discloses the nature of his interest in any contract or arrangement which he is interested in, such a director may vote in respect of any contract or proposed contract or arrangement in which such director is interested and may be counted in the quorum at such a meeting.

Indemnification. Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime.

Under our second amended and restated memorandum and articles of association, we may indemnify our directors, officers or any trustee acting in relation to the affairs of our company against all actions, proceedings, costs, charges, losses, damages and expenses which they may incur or sustain by reason of their acting as our directors, officers or trustee, except for any matters in respect of any fraud or dishonesty which may attach to any of the said persons.

We intend to enter into indemnification agreements with our directors and executive officers to indemnify them to the fullest extent permitted by applicable law and our second amended and restated articles of association, from and against all costs, charges, expenses, liabilities and losses incurred in connection with any litigation, suit or proceeding to which such director is or is threatened to be made a party, witness or other participant.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling us under the foregoing provisions, we have been advised that in the opinion of the Securities and Exchange Commission, or the SEC, such indemnification is against public policy as expressed in the Securities Act and therefore is unenforceable.

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DESCRIPTION OF AMERICAN DEPOSITARY SHARES

American Depositary Shares

, as depositary will issue the ADSs which you will be entitled to receive in the offering. Each ADS will represent an ownership interest in shares which we will deposit with the custodian, as agent of the depositary, under the deposit agreement among ourselves, the depositary and you as an ADS holder. In the future, each ADS will also represent any securities, cash or other property deposited with the depositary but which they have not distributed directly to you. Unless specifically requested by you, all ADSs will be issued on the books of our depositary in book-entry form and periodic statements will be mailed to you which reflect your ownership interest in such ADSs. In our description, references to American depositary receipts or ADRs shall include the statements you will receive which reflect your ownership of ADSs.

The depositary's office is located at .

You may hold ADSs either directly or indirectly through your broker or other financial institution. If you hold ADSs directly, by having an ADS registered in your name on the books of the depositary, you are an ADS holder. This description assumes you hold your ADSs directly. If you hold the ADSs through your broker or financial institution nominee, you must rely on the procedures of such broker or financial institution to assert the rights of an ADS holder described in this section. You should consult with your broker or financial institution to find out what those procedures are.

As an ADS holder, we will not treat you as a shareholder of ours and you will not have any shareholder rights. Cayman Island law governs shareholder rights. Because the depositary or its nominee will be the shareholder of record for the shares represented by all outstanding ADSs, shareholder rights rest with such record holder. Your rights are those of an ADS holder. Such rights derive from the terms of the deposit agreement to be entered into among us, the depositary and all registered holders from time to time of ADSs issued under the deposit agreement. The obligations of the depositary and its agents are also set out in the deposit agreement. Because the depositary or its nominee will actually be the registered owner of the shares, you must rely on it to exercise the rights of a shareholder on your behalf. The deposit agreement and the ADSs are governed by New York law.

The following is a summary of the material terms of the deposit agreement. Because it is a summary, it does not contain all the information that may be important to you. For more complete information, you should read the entire deposit agreement and the form of ADR which contains the terms of your ADSs. You can read a copy of the deposit agreement which is filed as an exhibit to the registration statement of which this prospectus forms a part. You may also obtain a copy of the deposit agreement at the SEC's Public Reference Room which is located at 100 F Street, NE, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-732-0330. You may also find the registration statement and the attached deposit agreement on the SEC's website at http://www.sec.gov.

Share Dividends and Other Distributions

How will I receive dividends and other distributions on the shares underlying my ADSs?

We may make various types of distributions with respect to our securities. The depositary has agreed that, to the extent practicable, it will pay to you the cash dividends or other distributions it or the custodian receives on shares or other deposited securities, after converting any cash received into U.S. dollars and, in all cases, making any necessary deductions provided for in the deposit agreement. You will receive these distributions in proportion to the number of underlying securities that your ADSs represent.

Except as stated below, the depositary will deliver such distributions to ADS holders in proportion to their interests in the following manner:

- ***Cash.*** The depositary will distribute any U.S. dollars available to it resulting from a cash dividend or other cash distribution or the net proceeds of sales of any other distribution or portion thereof (to the extent applicable), on an averaged or other practicable basis, subject to (i) appropriate adjustments for taxes withheld, (ii) such distribution being impermissible or impracticable with respect to certain registered ADS holders, and (iii) deduction of the depositary's expenses in (1) converting any foreign currency to U.S. dollars to the extent that it determines that such conversion may be made on a reasonable basis, (2) transferring foreign currency or U.S. dollars to the United States by such means as the depositary may determine to the extent that it determines that such transfer may be made on a reasonable basis, (3) obtaining any approval or license of any governmental authority required for such conversion or transfer, which is obtainable at a reasonable cost and within a reasonable time and (4) making any sale by public or private means in any commercially reasonable manner. If exchange rates fluctuate during a time when the depositary cannot convert a foreign currency, you may lose some or all of the value of the distribution.
- ***Shares.*** In the case of a distribution in shares, the depositary will issue additional ADRs to evidence the number of ADSs representing such shares. Only whole ADSs will be issued. Any shares which would result in fractional ADSs will be sold and the net proceeds will be distributed in the same manner as cash to the ADS holders entitled thereto.
- ***Rights to receive additional shares.*** In the case of a distribution of rights to subscribe for additional shares or other rights, if we provide evidence satisfactory to the depositary that it may lawfully distribute such rights, the depositary will distribute warrants or other instruments in the discretion of the depositary representing such rights. However, if we do not furnish such evidence, the depositary may:
  - sell such rights if practicable and distribute the net proceeds in the same manner as cash to the ADS holders entitled thereto; or
  - if it is not practicable to sell such rights, do nothing and allow such rights to lapse, in which case ADS holders will receive nothing.

We have no obligation to file a registration statement under the Securities Act in order to make any rights available to ADS holders.

- ***Other Distributions.*** In the case of a distribution of securities or property other than those described above, the depositary may either (a) distribute such securities or property in any manner it deems equitable and practicable or (b) to the extent the depositary deems distribution of such securities or property not to be equitable and practicable, sell such securities or property and distribute any net proceeds in the same way it distributes cash.

If the depositary determines that any distribution described above is not practicable with respect to any specific registered ADS holder, the depositary may choose any method of distribution that it deems practicable for such ADS holder, including the distribution of foreign currency, securities or property, or it may retain such items, without paying interest on or investing them, on behalf of the ADS holder as deposited securities, in which case the ADSs will also represent the retained items.

Any U.S. dollars will be distributed by checks drawn on a bank in the United States for whole dollars and cents. Fractional cents will be withheld without liability and dealt with by the depositary in accordance with its then current practices.

The depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any ADS holders.

There can be no assurance that the depositary will be able to convert any currency at a specified exchange rate or sell any property, rights, shares or other securities at a specified price, nor that any of such transactions can be completed within a specified time period.

Deposit, Withdrawal and Cancellation

How does the depositary issue ADSs?

The depositary will issue ADSs if you or your broker deposit shares or evidence of rights to receive shares with the custodian and pay the fees and expenses owing to the depositary in connection with such issuance. In the case of the ADSs to be issued under this prospectus, we will arrange with the underwriters named herein to deposit such shares.

Shares deposited in the future with the custodian must be accompanied by certain delivery documentation, including instruments showing that such shares have been properly transferred or endorsed to the person on whose behalf the deposit is being made.

The custodian will hold all deposited shares (including those being deposited by or on our behalf in connection with the offering to which this prospectus relates) for the account of the depositary. ADS holders thus have no direct ownership interest in the shares and only have such rights as are contained in the deposit agreement. The custodian will also hold any additional securities, property and cash received on or in substitution for the deposited shares. The deposited shares and any such additional items are referred to as “deposited securities.”

Upon each deposit of shares, receipt of related delivery documentation and compliance with the other provisions of the deposit agreement, including the payment of the fees and charges of the depositary and any taxes or other fees or charges owing, the depositary will issue an ADR or ADRs in the name or upon the order of the person entitled thereto evidencing the number of ADSs to which such person is entitled. All of the ADSs issued will, unless specifically requested to the contrary, be part of the depositary’s direct registration system, and a registered holder will receive periodic statements from the depositary which will show the number of ADSs registered in such holder’s name. An ADS holder can request that the ADSs not be held through the depositary’s direct registration system and that a certificated ADR be issued.

How do ADS holders cancel an ADS and obtain deposited securities?

When you turn in your ADR certificate at the depositary’s office, or when you provide proper instructions and documentation in the case of direct registration ADSs, the depositary will, upon payment of certain applicable fees, charges and taxes, deliver the underlying shares to you or upon your written order. At your risk, expense and request, the depositary may deliver deposited securities at such other place as you may request.

The depositary may only restrict the withdrawal of deposited securities in connection with:

- temporary delays caused by closing our transfer books or those of the depositary, the deposit of shares in connection with voting at a shareholders’ meeting, or the payment of dividends;
- the payment of fees, taxes and similar charges; or
- compliance with any U.S. or foreign laws or governmental regulations relating to the ADRs or to the withdrawal of deposited securities.

This right of withdrawal may not be limited by any other provision of the deposit agreement.

Record Dates

The depositary may, after consultation with us if practicable, fix record dates for the determination of the registered ADS holders who will be entitled (or obligated, as the case may be):

- to receive any distribution on or in respect of shares;
- to give instructions for the exercise of voting rights at a meeting of holders of shares;
- to pay the fee assessed by the depositary for administration of the ADR program and for any expenses as provided for in the ADR; or
- to receive any notice or to act in respect of other matters

all subject to the provisions of the deposit agreement.

Voting Rights

How do I vote?

If you are an ADS holder and the depositary asks you to provide it with voting instructions, you may instruct the depositary how to exercise the voting rights for the shares which underlie your ADSs. As soon as practicable after receiving notice of any meeting or solicitation of consents or proxies from us, the depositary will distribute to the registered ADS holders a notice stating such information as is contained in the voting materials received by the depositary and describing how you may instruct the depositary to exercise the voting rights for the shares which underlie your ADSs[, including instructions for giving a discretionary proxy to a person designated by us]. For instructions to be valid, the depositary must receive them in the manner and on or before the date specified. The depositary will try, as far as is practical, subject to the provisions of and governing the underlying shares or other deposited securities, to vote or to have its agents vote the shares or other deposited securities as you instruct. The depositary will only vote or attempt to vote as you instruct. The depositary will not itself exercise any voting discretion. Furthermore, neither the depositary nor its agents are responsible for any failure to carry out any voting instructions, for the manner in which any vote is cast or for the effect of any vote.

There is no guarantee that you will receive voting materials in time to instruct the depositary to vote and it is possible that you, or persons who hold their ADSs through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote.

Reports and Other Communications

Will ADS holders be able to view our reports?

The depositary will make available for inspection by ADS holders at the offices of the depositary and the custodian the deposit agreement, the provisions of or governing deposited securities, and any written communications from us which are both received by the custodian or its nominee as a holder of deposited securities and made generally available to the holders of deposited securities.

Additionally, if we make any written communications generally available to holders of our shares, and we furnish copies thereof (or English translations or summaries) to the depositary, it will distribute the same to registered ADS holders.

Fees and Expenses

What fees and expenses will I be responsible for paying?

The depositary may charge each person to whom ADSs are issued, including, without limitation, issuances against deposits of shares, issuances in respect of share distributions, rights and other distributions, issuances

pursuant to a stock dividend or stock split declared by us or issuances pursuant to a merger, exchange of securities or any other transaction or event affecting the ADSs or deposited securities, and each person surrendering ADSs for withdrawal of deposited securities or whose ADRs are cancelled or reduced for any other reason, US$ for each 100 ADSs (or any portion thereof) issued, delivered, reduced, cancelled or surrendered, as the case may be. The depositary may sell (by public or private sale) sufficient securities and property received in respect of a share distribution, rights and/or other distribution prior to such deposit to pay such charge.

The following additional charges shall be incurred by the ADS holders, by any party depositing or withdrawing shares or by any party surrendering ADSs or to whom ADSs are issued (including, without limitation, issuances pursuant to a stock dividend or stock split declared by us or an exchange of stock regarding the ADSs or the deposited securities or a distribution of ADRs), whichever is applicable:

- a fee of US$ per ADR or ADRs for transfers of certificated or direct registration ADRs;
- a fee of up to US$ per ADS for any cash distribution made pursuant to the deposit agreement;
- a fee of US$ per ADS per calendar year (or portion there of) for services performed by the depositary in administering the ADRs (which fee may be charged on a periodic basis during each calendar year and shall be assessed against holders of ADRs as of the record date or record dates set by the depositary during each calendar year and shall be payable in the manner described in the next succeeding provision);
- reimbursement of such fees, charges and expenses as are incurred by the depositary and/or any of the depositary's agents (including, without limitation, the custodian and expenses incurred on behalf of holders in connection with compliance with foreign exchange control regulations or any law or regulation relating to foreign investment) in connection with the servicing of the shares or other deposited securities, the delivery of deposited securities or otherwise in connection with the depositary's or its custodian's compliance with applicable law, rule or regulation (which charge shall be assessed on a proportionate basis against holders as of the record date or dates set by the depositary and shall be payable at the sole discretion of the depositary by billing such holders or by deducting such charge from one or more cash dividends or other cash distributions);
- a fee for the distribution of securities (or the sale of securities in connection with a distribution), such fee being in an amount equal to the fee for the execution and delivery of ADSs which would have been charged as a result of the deposit of such securities (treating all such securities as if they were shares) but which securities or the net cash proceeds from the sale thereof are instead distributed by the depositary to those holders entitled thereto;
- stock transfer or other taxes and other governmental charges;
- cable, telex and facsimile transmission and delivery charges incurred at your request in connection with the deposit or delivery of shares;
- transfer or registration fees for the registration of transfer of deposited securities on any applicable register in connection with the deposit or withdrawal of deposited securities; and
- expenses of the depositary in connection with the conversion of foreign currency into U.S. dollars.

We will pay all other charges and expenses of the depositary and any agent of the depositary (except the custodian) pursuant to agreements from time to time between us and the depositary. The charges described above may be amended from time to time by agreement between us and the depositary.

Our depositary has agreed to reimburse us for certain expenses we incur that are related to establishment and maintenance of the ADR program, including investor relations expenses and exchange application and listing fees. Neither the depositary nor we can determine the exact amount to be made available to us because (a) the number of ADSs that will be issued and outstanding, (b) the level of fees to be charged to holders of ADSs and

(c) our reimbursable expenses related to the ADR program are not known at this time. The depositary collects its fees for issuance and cancellation of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions, or by directly billing investors, or by charging the book-entry system accounts of participants acting for them. The depositary may generally refuse to provide services to any holder until the fees and expenses owing by such holder for those services or otherwise are paid.

Payment of Taxes

ADS holders must pay any tax or other governmental charge payable by the custodian or the depositary on any ADS or ADR, deposited security or distribution (by public or private sale). If an ADS holder owes any tax or other governmental charge, the depositary may (a) deduct the amount thereof from any cash distributions, or (b) sell deposited securities and deduct the amount owing from the net proceeds of such sale. In either case the ADS holder remains liable for any shortfall. Additionally, if any tax or governmental charge is unpaid, the depositary may also refuse to effect any registration, registration of transfer, split-up or combination of deposited securities or withdrawal of deposited securities until such payment is made. If any tax or governmental charge is required to be withheld on any cash distribution, the depositary may deduct the amount required to be withheld from any cash distribution or, in the case of a non-cash distribution, sell the distributed property or securities (by public or private sale) to pay such taxes and distribute any remaining net proceeds to the ADS holders entitled thereto.

By holding an ADR or an interest therein, you will be agreeing to indemnify us, the depositary, its custodian and any of our or their respective directors, employees, agents and affiliates against, and hold each of them harmless from, any claims by any governmental authority with respect to taxes, additions to tax, penalties or interest arising out of any refund of taxes, reduced rate of withholding at source or other tax benefit obtained.

Reclassifications, Recapitalizations and Mergers

If we take certain actions that affect the deposited securities, including (a) any change in par value, split-up, consolidation, cancellation or other reclassification of deposited securities or (b) any distribution not made to holders of ADRs or (iii) any recapitalization, reorganization, merger, consolidation, liquidation, receivership, bankruptcy or sale of all or substantially all of our assets, then the depositary may choose to:

(1) amend the form of ADR;

(2) distribute additional or amended ADRs;

(3) distribute cash, securities or other property it has received in connection with such actions;

(4) sell any securities or property received and distribute the proceeds as cash; or

(5) none of the above.

If the depositary does not choose any of the above options, any of the cash, securities or other property it receives will constitute part of the deposited securities and each ADS will then represent a proportionate interest in such property.

Amendment and Termination

How may the deposit agreement be amended?

We may agree with the depositary to amend the deposit agreement and the ADSs without your consent for any reason. ADS holders must be given at least 30 days notice of any amendment that imposes or increases any

fees or charges (other than stock transfer or other taxes and other governmental charges, transfer or registration fees, cable, telex or facsimile transmission costs, delivery costs or other such expenses) or otherwise prejudices any substantial existing right of ADS holders. Such notice need not describe in detail the specific amendments effectuated thereby, but must give ADS holders a means to access the text of such amendment. If an ADS holder continues to hold an ADR or ADRs after being so notified, such ADS holder is deemed to agree to such amendment and to be bound by the deposit agreement as so amended. Notwithstanding the foregoing, if any governmental body or regulatory body should adopt new laws, rules or regulations which would require amendment or supplement of the deposit agreement or the form of ADR to ensure compliance therewith, we and the depositary may amend or supplement the deposit agreement and the ADR at any time in accordance with such changed laws, rules or regulations, which amendment or supplement may take effect before a notice is given or within any other period of time as required for compliance. No amendment, however, will impair your right to surrender your ADSs and receive the underlying securities, except in order to comply with mandatory provisions of applicable law.

How may the deposit agreement be terminated?

The depositary may, and shall at our written direction, terminate the deposit agreement and the ADRs by mailing notice of such termination to the registered holders of ADRs at least 30 days prior to the date fixed in such notice for such termination; provided, however, if the depositary shall have (i) resigned as depositary under the deposit agreement, notice of such termination by the depositary shall not be provided to registered holders unless a successor depositary shall not be operating under the deposit agreement within 45 days of the date of such resignation, and (ii) been removed as depositary under the deposit agreement, notice of such termination by the depositary shall not be provided to registered holders of ADRs unless a successor depositary shall not be operating under the deposit agreement on the 90th day after our notice of removal was first provided to the depositary. After termination, the depositary's only responsibility will be (a) to deliver deposited securities to ADS holders who surrender their ADRs, and (b) to hold or sell distributions received on deposited securities. As soon as practicable after the expiration of six months from the termination date, the depositary will sell the deposited securities which remain and hold the net proceeds of such sales, without liability for interest, in trust for the ADS holders who have not yet surrendered their ADRs (as long as it may lawfully do so). After making such sale, the depositary shall have no obligations except to account for such proceeds and other cash.

Limitations on Obligations and Liability to ADS holders

Limits on our obligations and the obligations of the depositary; limits on liability to ADS holders and holders of ADSs

Prior to the issue, registration, registration of transfer, split-up, combination or cancellation of any ADRs, or the delivery of any distribution in respect thereof, and from time to time, we or the depositary or its custodian may require:

- payment with respect thereto of (a) any stock transfer or other tax or other governmental charge, (b) any stock transfer or registration fees in effect for the registration of transfers of shares or other deposited securities upon any applicable register and (c) any applicable fees and expenses described in the deposit agreement;
- the production of proof satisfactory to it of (a) the identity of any signatory and genuineness of any signature and (b) such other information, including without limitation, information as to citizenship, residence, exchange control approval, beneficial ownership of any securities, compliance with applicable laws, regulations, provisions of or governing deposited securities and terms of the deposit agreement and the ADR, as it may deem necessary or proper; and
- compliance with such regulations as the depositary may establish consistent with the deposit agreement.

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The issuance of ADRs, the acceptance of deposits of shares, the registration, registration of transfer, split-up or combination of ADRs or the withdrawal of shares may be suspended, generally or in particular instances, when the ADR register or any register for deposited securities is closed or when any such action is deemed advisable by the depositary; provided that the ability to withdraw shares may only be limited under the following circumstances: (a) temporary delays caused by closing transfer books of the depositary or our transfer books, the deposit of shares in connection with voting at a shareholders' meeting, or the payment of dividends, (b) the payment of fees, taxes, and similar charges, and (c) compliance with any laws or governmental regulations relating to ADRs or to the withdrawal of deposited securities.

The deposit agreement expressly limits the obligations and liability of the depositary, us and our respective agents. Neither we nor the depositary nor any such agent will be liable if:

- any present or future law, rule, regulation, fiat, order or decree of the United States, the Cayman Islands, the People's Republic of China or any other country, or of any governmental or regulatory authority or securities exchange or market or automated quotation system, the provisions of or governing any deposited securities, any present or future provision of our charter, any act of God, war, terrorism or other circumstance beyond our, the depositary's or our respective agents' control shall prevent or delay, or shall cause any of them to be subject to any civil or criminal penalty in connection with any act which the deposit agreement or the ADRs provide shall be done or performed by us, the depositary or our respective agents (including, without limitation, voting);
- it exercises or fails to exercise discretion under the deposit agreement or the ADR;
- it performs its obligations under the deposit agreement and ADRs without gross negligence or bad faith;
- it takes any action or refrains from taking any action in reliance upon the advice of or information from legal counsel, accountants, any person presenting shares for deposit, any registered holder of ADRs, or any other person believed by it to be competent to give such advice or information; or
- it relies upon any written notice, request, direction or other document believed by it to be genuine and to have been signed or presented by the proper party or parties.

Neither the depositary nor its agents have any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any deposited securities or the ADRs. We and our agents shall only be obligated to appear in, prosecute or defend any action, suit or other proceeding in respect of any deposited securities or the ADRs, which in our opinion may involve us in expense or liability, if indemnity satisfactory to us against all expense (including fees and disbursements of counsel) and liability is furnished as often as may be required. The depositary and its agents may fully respond to any and all demands or requests for information maintained by or on its behalf in connection with the deposit agreement, any registered holder or holders of ADRs, any ADRs or otherwise related to the deposit agreement or ADRs to the extent such information is requested or required by or pursuant to any lawful authority, including without limitation laws, rules, regulations, administrative or judicial process, banking, securities or other regulators.

The depositary shall not be liable for the acts or omissions made by any securities depository, clearing agency or settlement system in connection with or arising out of book-entry settlement of deposited securities or otherwise. Furthermore, the depositary shall not be responsible for, and shall incur no liability in connection with or arising from, the insolvency of any custodian that is not a branch or affiliate of .

Additionally, none of us, the depositary or the custodian shall be liable for the failure by any registered holder of ADRs or beneficial owner therein to obtain the benefits of credits on the basis of non-U.S. tax paid against such holder's or beneficial owner's income tax liability. Neither we nor the depositary shall incur any liability for any tax consequences that may be incurred by holders or beneficial owners on account of their ownership of ADRs or ADSs.

Neither the depositary nor its agents will be responsible for any failure to carry out any instructions to vote any of the deposited securities, for the manner in which any such vote is cast or for the effect of any such vote. Neither the depositary nor any of its agents shall be liable to registered holders of ADRs or beneficial owners of interests in ADSs for any indirect, special, punitive or consequential damages (including, without limitation, lost profits) of any form incurred by any person or entity, whether or not foreseeable and regardless of the type of action in which such a claim may be brought.

The depositary may own and deal in any class of our securities and in ADSs.

Disclosure of Interest in ADSs

To the extent that the provisions of or governing any deposited securities may require disclosure of or impose limits on beneficial or other ownership of deposited securities, other shares and other securities and may provide for blocking transfer, voting or other rights to enforce such disclosure or limits, you agree to comply with all such disclosure requirements and ownership limitations and to comply with any reasonable instructions we may provide in respect thereof. We reserve the right to instruct you to deliver your ADSs for cancellation and withdrawal of the deposited securities so as to permit us to deal with you directly as a holder of shares and, by holding an ADS or an interest therein, you will be agreeing to comply with such instructions.

Books of Depositary

The depositary or its agent will maintain a register for the registration, registration of transfer, combination and split-up of ADRs, which register shall include the depositary’s direct registration system. Registered holders of ADRs may inspect such records at the depositary’s office at all reasonable times, but solely for the purpose of communicating with other holders in the interest of the business of our company or a matter relating to the deposit agreement. Such register may be closed from time to time, when deemed expedient by the depositary.

The depositary will maintain facilities for the delivery and receipt of ADRs.

Pre-release of ADSs

In its capacity as depositary, the depositary shall not lend shares or ADSs; provided, however, that the depositary may (a) issue ADSs prior to the receipt of shares and (b) deliver shares prior to the receipt of ADSs for withdrawal of deposited securities, including ADSs which were issued under (a) above but for which shares may not have been received (each such transaction a “pre-release”). The depositary may receive ADSs in lieu of shares under (a) above (which ADSs will promptly be canceled by the depositary upon receipt by the depositary) and receive shares in lieu of ADSs under (b) above. Each such pre-release will be subject to a written agreement whereby the person or entity (the “applicant”) to whom ADSs or shares are to be delivered (a) represents that at the time of the pre-release the applicant or its customer owns the shares or ADSs that are to be delivered by the applicant under such pre-release, (b) agrees to indicate the depositary as owner of such shares or ADSs in its records and to hold such shares or ADSs in trust for the depositary until such shares or ADSs are delivered to the depositary or the custodian, (c) unconditionally guarantees to deliver to the depositary or the custodian, as applicable, such shares or ADSs, and (d) agrees to any additional restrictions or requirements that the depositary deems appropriate. Each such pre-release will be at all times fully collateralized with cash, U.S. government securities or such other collateral as the depositary deems appropriate, terminable by the depositary on not more than five (5) business days’ notice and subject to such further indemnities and credit regulations as the depositary deems appropriate. The depositary will normally limit the number of ADSs and shares involved in such pre-release at any one time to thirty percent (30%) of the ADSs outstanding (without giving effect to ADSs outstanding under (a) above), provided, however, that the depositary reserves the right to change or disregard such limit from time to time as it deems appropriate. The depositary may also set limits with respect to the number of ADSs and shares involved in pre-release with any one person on a case-by-case basis as it deems appropriate. The depositary may retain for its own account any compensation received by it in conjunction with

the foregoing. Collateral provided pursuant to (b) above, but not the earnings thereon, shall be held for the benefit of the registered holders of ADRs (other than the applicant).

Appointment

In the deposit agreement, each registered holder of ADRs and each person holding an interest in ADSs, upon acceptance of any ADSs (or any interest therein) issued in accordance with the terms and conditions of the deposit agreement will be deemed for all purposes to:

- be a party to and bound by the terms of the deposit agreement and the applicable ADR or ADRs, and
- appoint the depositary its attorney-in-fact, with full power to delegate, to act on its behalf and to take any and all actions contemplated in the deposit agreement and the applicable ADR or ADRs, to adopt any and all procedures necessary to comply with applicable laws and to take such action as the depositary in its sole discretion may deem necessary or appropriate to carry out the purposes of the deposit agreement and the applicable ADR and ADRs, the taking of such actions being the conclusive determinant of the necessity and appropriateness thereof.

Governing Law

The deposit agreement and the ADRs shall be governed by and construed in accordance with the laws of the State of New York. In the deposit agreement, we have submitted to the jurisdiction of the courts of the State of New York and appointed an agent for service of process on our behalf.

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SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of this offering, we will have ADSs outstanding, representing approximately % of our outstanding common shares. All of the ADSs sold in this offering will be freely transferable by persons other than our “affiliates” without restriction or further registration under the Securities Act. Sales of substantial amounts of our ADSs in the public market could adversely affect prevailing market prices of our ADSs. Prior to this offering, there has been no public market for our common shares or the ADSs, and while application has been made for the ADSs to be listed on the [Nasdaq Global Market/NYSE], we cannot assure you that a regular trading market will develop in the ADSs. We do not expect that a trading market will develop for our common shares not represented by the ADSs.

Lock-Up Agreements

[The selling shareholders,] our [directors, executive officers, our other existing shareholders and certain of our option and restricted shares holders] have agreed, subject to some exceptions, not to transfer or dispose of, directly or indirectly, any of our common shares, in the form of ADSs or otherwise, or any securities convertible into or exchangeable or exercisable for our common shares, in the form of ADSs or otherwise, for a period of 180 days after the date of this prospectus. After the expiration of the 180-day period, the common shares or ADSs held by the selling shareholders, our directors, executive officers and our existing shareholders may be sold subject to the restrictions under Rule 144 under the Securities Act or by means of registered public offerings.

The 180-day restricted period is subject to adjustment under certain circumstances. If (1) during the last 17 days of the 180-day restricted period, we issue an earnings release or material news or a material event relating to us occurs; or (2) prior to the expiration of the 180-day restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 180-day period, the restrictions will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event.

Rule 144

All of or common shares outstanding prior to this offering are “restricted shares” as that term is defined in Rule 144 under the Securities Act and may be sold publicly in the United States only if they are subject to an effective registration statement under the Securities Act or pursuant to an exemption from the registration requirements. Under Rule 144 as currently in effect, a person who has beneficially owned our restricted shares for at least six months is generally entitled to sell the restricted securities without registration under the Securities Act beginning 90 days after the date of this prospectus, subject to certain additional restrictions.

Our affiliates may sell within any three-month period a number of restricted shares that does not exceed the greater of the following:

- 1% of the then outstanding common shares, in the form of ADSs or otherwise, which will equal approximately common shares immediately after this offering; or
- the average weekly trading volume of our common shares in the form of ADSs or otherwise, on the [Nasdaq Global Market/NYSE], during the four calendar weeks preceding the date on which notice of the sale is filed with the SEC.

Affiliates who sell restricted securities under Rule 144 may not solicit orders or arrange for the solicitation of orders, and they are also subject to notice requirements and the availability of current public information about us.

Persons who are not our affiliates are only subject to one of these additional restrictions, the requirement of the availability of current public information about us, and this additional restriction does not apply if they have beneficially owned our restricted shares for more than one year.

Rule 701

In general, under Rule 701 of the Securities Act as currently in effect, each of our employees, consultants or advisors who purchases our common shares from us in connection with a compensatory stock or option plan or other written agreement relating to compensation is eligible to resell such common shares 90 days after we become a reporting company under the Exchange Act in reliance on Rule 144, but without compliance with some of the restrictions, including the holding period, contained in Rule 144.

Registration Rights

Upon completion of this offering, certain holders of our common shares or their transferees will be entitled to request that we register their shares under the Securities Act, following the expiration of the lock-up agreements described above. See “Description of Share Capital—Registration Rights.”

TAXATION

The following summary of material Cayman Islands, PRC and United States federal income tax consequences of an investment in our ADSs or common shares is based upon laws and relevant interpretations thereof in effect as of the date of this prospectus, all of which are subject to change. This summary does not deal with all possible tax consequences relating to an investment in our ADSs or common shares, such as all possible tax consequences under state, local and other tax laws, although discussions of local tax laws in China are included. To the extent that the discussion relates to matters of Cayman Islands tax law, it represents the opinion of Conyers Dill & Pearman, our Cayman Islands counsel. To the extent that the discussion relates to matters of PRC tax law, it represents the opinion of Zhong Lun Law Firm, our PRC legal counsel.

Cayman Islands Taxation

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or after execution brought within the jurisdiction of, the Cayman Islands. There are no exchange control regulations or currency restrictions in the Cayman Islands.

Pursuant to Section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, we have obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to us or our operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on our shares, debentures or other obligations.

The undertaking for us is for a period of twenty years from August 2, 2011.

People's Republic of China Taxation

Under the existing tax laws in the PRC, we are qualified as a non-resident enterprise. We are a holding company incorporated in the Cayman Islands; our holding company indirectly holds 100% of the equity interests in our PRC subsidiaries through Duowan BVI, NeoTask and NeoTask Limited. Our business operations are principally conducted through our PRC subsidiaries and our PRC consolidated affiliated entities. The PRC Enterprise Income Tax Law and its implementation rules, both of which became effective on January 1, 2008, provide that China-sourced income of foreign enterprises, such as dividends paid by a PRC subsidiary to its overseas parent that is not a PRC resident enterprise and has no establishment in the PRC, will normally be subject to PRC withholding tax at a rate of 10%.

If the PRC tax authorities determine that YY Inc., our Cayman Islands holding company, is a PRC resident enterprise for enterprise income tax purposes, our world-wide income could be subject to PRC tax at a rate of 25%, which could materially reduce our net income. In addition, we will also be subject to PRC enterprise income tax reporting obligations. Furthermore, although dividends paid by one PRC tax resident to another PRC tax resident should qualify as "tax-exempt income" under the PRC Enterprise Income Tax Law, we cannot assure you that dividends by our PRC subsidiaries to our Cayman holding company will not be subject to a 10% withholding tax, as the PRC foreign exchange control authorities, which enforce the withholding tax on dividends, and the PRC tax authorities have not yet issued guidance with respect to the processing of outbound remittances to entities that are treated as resident enterprises for PRC enterprise income tax purposes. In addition, ADS holders may be subject to PRC withholding tax on dividends payable by us and gains realized on the sale or other disposition of ADSs or common shares, if the PRC tax authorities determine that our Cayman Islands

holding company is a PRC resident enterprise for enterprise income tax purposes. See “Risk Factors—Risks Relating to Doing Business in China—Under the PRC enterprise income tax law, we may be classified as a PRC “resident enterprise,” which could result in unfavorable tax consequences to us and our shareholders and have a material adverse effect on our results of operations and the value of your investment.”

Material United States Federal Income Tax Considerations

The following is a summary of the material United States federal income tax considerations relating to the acquisition, ownership, and disposition of our ADSs or common shares by a U.S. holder (as defined below) that acquires our ADSs or common shares in this offering and holds our ADSs or common shares as “capital assets” (generally, property held for investment) under the United States Internal Revenue Code of 1986, as amended (the “Code”). This summary is based upon existing United States federal income tax law, which is subject to differing interpretations or change, possibly with retroactive effect. This summary does not discuss all aspects of United States federal income taxation that may be important to particular investors in light of their individual investment circumstances, including investors subject to special tax rules (for example, financial institutions, insurance companies, broker-dealers, traders in securities that have elected the mark-to-market method of accounting for their securities, partnerships and their partners, and tax-exempt organizations (including private foundations)), holders who are not U.S. holders, holders who own (directly, indirectly, or constructively) 10% or more of our voting stock, investors that will hold their ADSs or common shares as part of a straddle, hedge, conversion, constructive sale, or other integrated transaction for United States federal income tax purposes, or investors that have a functional currency other than the United States dollar, all of whom may be subject to tax rules that differ significantly from those summarized below. In addition, except to the extent described below, this summary does not discuss any non-United States, state, or local tax considerations. Each U.S. holder is urged to consult its tax advisors regarding the United States federal, state, local, and non-United States income and other tax considerations of an investment in our ADSs or common shares.

General

For purposes of this summary, a “U.S. holder” is a beneficial owner of our ADSs or common shares that is, for United States federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation (or other entity treated as a corporation for United States federal income tax purposes) created in, or organized under the law of, the United States or any state thereof or the District of Columbia, (iii) an estate the income of which is includible in gross income for United States federal income tax purposes regardless of its source, or (iv) a trust (A) the administration of which is subject to the primary supervision of a United States court and which has one or more United States persons who have the authority to control all substantial decisions of the trust or (B) that has otherwise elected to be treated as a United States person.

If a partnership (or other entity treated as a partnership for United States federal income tax purposes) is a beneficial owner of our ADSs or common shares, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. Partnerships holding our ADSs or common shares and partners in such partnerships are urged to consult their tax advisors regarding an investment in our ADSs or common shares.

For United States federal income tax purposes, U.S. holders of ADSs will be treated as the beneficial owners of the underlying shares represented by the ADSs. Based in part on the representations we have received from the depositary bank, for United States federal income tax purposes, a U.S. holder of ADSs will be treated as the beneficial owner of the underlying shares represented by the ADSs. Accordingly, deposits or withdrawals of common share for ADSs will not be subject to United States federal income tax. The U.S. Treasury has expressed concerns that parties to whom ADSs are released before shares are delivered to the depositary, or intermediaries in the chain of ownership between holders of ADSs and the issuer of the security underlying the ADSs, may be taking actions that are inconsistent with the claiming of foreign tax credits by holders of ADSs. These actions would also be inconsistent with the claiming of the reduced rate of tax, described below, applicable to dividends

received by certain non-corporate holders. Accordingly, the creditability of any PRC taxes, and the availability of the reduced tax rate for dividends received by certain non-corporate U.S. holders, each described below, could be affected by actions taken by such parties or intermediaries.

Passive Foreign Investment Company Considerations

A non-United States corporation, such as our company, will be classified as a "passive foreign investment company," or "PFIC", for United States federal income tax purposes, if, in the case of any particular taxable year, either (i) 75% or more of its gross income for such year consists of certain types of "passive" income or (ii) 50% or more of its average quarterly assets (as determined on the basis of fair market value) during such year produce or are held for the production of passive income. For this purpose, cash is categorized as a passive asset and the company's unbooked intangibles associated with active business activities may generally be classified as active assets. We will be treated as owning our proportionate share of the assets and earning our proportionate share of the income of any other corporation in which we own, directly or indirectly, more than 25% (by value) of the stock.

Although the law in this regard is unclear, we treat Guangzhou Huaduo and Beijing Tuda as being owned by us for United States federal income tax purposes, not only because we exercise effective control over the operation of such entities but also because we are entitled to substantially all of their economic benefits, and, as a result, we consolidate their operating results in our consolidated financial statements. Assuming that we are the owner of Guangzhou Huaduo and Beijing Tuda for United States federal income tax purposes, based upon our current income and assets (taking into account the proceeds from this offering) and projections as to the value of our ADSs and common shares following the offering, we do not presently expect to be classified as a PFIC for the current taxable year or the foreseeable future.

While we do not expect to become a PFIC in the current or future taxable years, the determination of whether we will be or become a PFIC will depend in part upon the value of our goodwill and other unbooked intangibles (which will depend upon the market value of our ADSs or common shares). In estimating the value of our goodwill and other unbooked intangibles, we have taken into account our anticipated market capitalization following the close of this offering. Among other matters, if market capitalization is less than anticipated or subsequently declines, we may be classified as a PFIC for the current or future taxable years. It is also possible that the Internal Revenue Service (the "IRS") may challenge our classification or valuation of our goodwill and other unbooked intangibles, which may result in our company being, or becoming classified as, a PFIC for the current or one or more future taxable years.

The determination of whether we will be or become a PFIC will also depend, in part, on the composition of our income and assets, which will be affected by how, and how quickly, we use our liquid assets and the cash raised in this offering. Under circumstances where we determine not to deploy significant amounts of cash for active purposes or not to treat Beijing Tuda or Guangzhou Huaduo as owned by us for United States federal income tax purposes, our risk of being classified as a PFIC may substantially increase. Because there are uncertainties in the application of the relevant rules and PFIC status is a factual determination made annually after the close of each taxable year, there can be no assurance that we will not be a PFIC for the current taxable year or any future taxable year. Our special United States counsel expresses no opinion with respect to our PFIC status and also expresses no opinion with respect to our expectations regarding our PFIC status. If we were classified as a PFIC for any year during which a U.S. holder held our ADSs or common shares, we generally would continue to be treated as a PFIC for all succeeding years during which such U.S. holder held our ADSs or common shares.

The discussion below under "Dividends" and "Sale or Other Disposition of ADSs or Common Shares" is written on the basis that we will not be classified as a PFIC for United States federal income tax purposes. The United States federal income tax rules that apply if we are classified as a PFIC for the current taxable year or any subsequent taxable year are generally discussed below under "Passive Foreign Investment Company Rules."

Dividends

Subject to the PFIC rules discussed below, any cash distributions (including the amount of any tax withheld to reflect PRC withholding taxes) paid on our ADSs or common shares out of our current or accumulated earnings and profits, as determined under United States federal income tax principles, will generally be includible in the gross income of a U.S. holder as dividend income on the day actually or constructively received by the U.S. holder, in the case of common shares, or by the Depositary, in the case of ADSs. Because we do not intend to determine our earnings and profits on the basis of United States federal income tax principles, any distribution paid will generally be reported as a "dividend" for United States federal income tax purposes. For taxable years beginning before January 1, 2013, a non-corporate recipient of dividend income will generally be subject to tax on dividend income from a "qualified foreign corporation" at a reduced United States federal tax rate rather than the marginal tax rates generally applicable to ordinary income provided that certain holding period requirements are met.

A non-United States corporation (other than a corporation that is classified as a PFIC for the taxable year in which the dividend is paid or the preceding taxable year) will generally be considered to be a qualified foreign corporation (a) if it is eligible for the benefits of a comprehensive tax treaty with the United States which the Secretary of Treasury of the United States determines is satisfactory for purposes of this provision and which includes an exchange of information program, or (b) with respect to any dividend it pays on stock (or ADSs in respect of such stock) which is readily tradable on an established securities market in the United States. Although no assurances may be given, our ADSs are expected to be readily tradable on the [Nasdaq Global Market/NYSE], which is an established securities market in the United States. Thus, we believe that dividends we pay on our ADSs will meet the conditions required for the reduced tax rate. Since we do not expect that our common shares will be listed on established securities markets, we do not believe that dividends that we pay on our common share that are not backed by ADSs currently meet the conditions required for these reduced tax rates. There can be no assurance that our ADSs will be considered readily tradable on an established securities market in later years.

In the event that we are deemed to be a PRC "resident enterprise" and are liable to pay tax under PRC Enterprise Income Tax Law, we should be eligible for the benefits of the United States-PRC income tax treaty, which the Secretary of Treasury of the United States has determined is satisfactory for purposes of clause (a) above and which includes an exchange of information provision. If we are eligible for such benefits, dividends we pay on our common shares, regardless of whether such shares are represented by the ADSs, would generally be eligible for the reduced rate of taxation applicable to qualified dividend income whether or not such shares are readily tradable on an established securities market in the United States. Dividends received on the ADSs or common shares will not be eligible for the dividends received deduction allowed to corporations. Each U.S. holder is advised to consult its tax advisors regarding the availability of the lower capital gains rate applicable to qualified dividend income for any dividends we pay with respect to the common shares.

Dividends will generally be treated as passive income from foreign sources for United States foreign tax credit purposes and will generally constitute passive category income. In the event that we are deemed to be a PRC "resident enterprise" under PRC Enterprise Income Tax Law, a U.S. holder may be subject to PRC withholding taxes on dividends paid on our ADSs or common share. A U.S. holder may be eligible, subject to a number of complex limitations, to claim a foreign tax credit in respect of any foreign withholding taxes imposed on dividends received on ADSs or common shares. A U.S. holder who does not elect to claim a foreign tax credit for foreign tax withheld, may instead claim a deduction, for United States federal income tax purposes, in respect of such withholdings, but only for a year in which such U.S. holder elects to do so for all creditable foreign income taxes. The rules governing the foreign tax credit are complex. Each U.S. holder is advised to consult its tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Sale or Other Disposition of ADSs or Common Shares

Subject to the PFIC rules discussed below, a U.S. holder will generally recognize capital gain or loss upon the sale or other disposition of ADSs or common shares in an amount equal to the difference between the amount realized upon the disposition and the U.S. holder's adjusted tax basis in such ADSs or common shares. Any capital gain or loss will be long-term if the ADSs or common shares have been held for more than one year and will generally be United States source gain or loss for United States foreign tax credit purposes. The deductibility of a capital loss may be subject to limitations. In the event that we are treated as a PRC "resident enterprise" under PRC Enterprise Income Tax Law and gain from the disposition of the ADSs or common shares is subject to tax in the PRC, a U.S. holder that is eligible for the benefits of the income tax treaty between the United States and the PRC may elect to treat the gain as PRC source income. Each U.S. holder is advised to consult their tax advisors regarding the tax consequences if a foreign tax is imposed on a disposition of our ADSs or common shares, including the availability of the foreign tax credit under their particular circumstances.

Passive Foreign Investment Company Rules

If we are classified as a PFIC for any taxable year during which a U.S. holder holds our ADSs or common shares, and unless the U.S. holder makes a mark-to-market election (as described below), the U.S. holder will generally be subject to special tax rules that have a penalizing effect, regardless of whether we remain a PFIC, on (i) any excess distribution that we make to the U.S. holder (which generally means any distribution paid during a taxable year to a U.S. holder that is greater than 125% of the average annual distributions paid in the three preceding taxable years or, if shorter, the U.S. holder's holding period for the ADSs or common shares), and (ii) any gain realized on the sale or other disposition, including, under certain circumstances, a pledge, of ADSs or common shares. Under the PFIC rules:

- such excess distribution and/or gain will be allocated ratably over the U.S. holder's holding period for the ADSs or common shares;
- such amount allocated to the current taxable year and any taxable years in the U.S. holder's holding period prior to the first taxable year in which we are classified as a PFIC, or pre-PFIC year, will be taxable as ordinary income;
- such amount allocated to each prior taxable year, other than a pre-PFIC year, will be subject to tax at the highest tax rate in effect applicable to the U.S. holder for that year; and
- an interest charge generally applicable to underpayments of tax will be imposed on the tax attributable to each prior taxable year, other than a pre-PFIC year.

If we are a PFIC for any taxable year during which a U.S. holder holds our ADSs or common shares and any of our non-United States subsidiaries is also a PFIC, such U.S. holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules. Each U.S. holder is advised to consult its tax advisors regarding the application of the PFIC rules to any of our subsidiaries.

As an alternative to the foregoing rules, a U.S. holder of "marketable stock" in a PFIC may make a mark-to-market election with respect to our ADSs, provided that the ADSs are regularly traded on the [Nasdaq Global Market/NYSE]. Although no assurances may be given, we anticipate that our ADSs should qualify as being regularly traded. If a mark-to-market election is made, the U.S. holder will generally (i) include as ordinary income for each taxable year that we are a PFIC the excess, if any, of the fair market value of ADSs held at the end of the taxable year over the adjusted tax basis of such ADSs and (ii) deduct as an ordinary loss the excess, if any, of the adjusted tax basis of the ADSs over the fair market value of such ADSs held at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. The U.S. holder's adjusted tax basis in the ADSs would be adjusted to reflect any income or loss resulting from the mark-to-market election.

If a U.S. holder makes a mark-to-market election in respect of a corporation classified as a PFIC and such corporation ceases to be classified as a PFIC, the U.S. holder will not be required to take into account the

mark-to-market gain or loss described above during any period that such corporation is not classified as a PFIC. Because a mark-to-market election cannot be made for any lower-tier PFICs that we may own, a U.S. holder may continue to be subject to the PFIC rules with respect to such U.S. holder's indirect interest in any investments held by us that are treated as an equity interest in a PFIC for United States federal income tax purposes.

We do not intend to provide information necessary for U.S. holders to make qualified electing fund elections, which, if available, would result in tax treatment different from (and generally less adverse than) the general tax treatment for PFICs described above.

If a U.S. holder owns our ADSs or common shares during any taxable year that we are a PFIC, such holder is required to file an annual report containing such information as the United States Treasury Department may require and may be required to file an annual IRS Form 8621. Each U.S. holder is advised to consult its tax advisors regarding the potential tax consequences to such holder if we are or become classified as a PFIC, including the possibility of making a mark-to-market election.

Information Reporting and Backup Withholding

The United States tax compliance rules generally impose reporting requirements on individual U.S. holders and other specified entities with respect to their beneficial ownership of our ADSs or common shares, if such ADSs or common shares are not held on their behalf by a United States financial institution and other criteria are met. These rules also impose penalties if a U.S. holder is required to submit such information to the IRS and fails to do so. In addition, U.S. holders may be subject to information reporting to the IRS with respect to an investment in the ADSs or common shares, including, among others, IRS Form 926 (Return by a U.S. Transferor of Property to a Foreign Corporation). Specific types of holders (as identified in the United States tax compliance rules) will be subject to information reporting to the IRS with respect to dividends on and proceeds from the sale or other disposition of our ADSs or common shares. Dividend payments with respect to our ADSs or common shares and proceeds from the sale or other disposition of our ADSs or common shares are not generally subject to United States backup withholding (provided that certification requirements are satisfied). Each U.S. holder is advised to consult its tax advisors regarding the application of the United States information reporting and backup withholding rules to their particular circumstances.

Pursuant to recently enacted legislation, effective for tax years beginning after March 18, 2010, individuals who are U.S. holders, and who hold "specified foreign financial assets," including stock of a non-U.S. corporation that is not held in an account maintained by a U.S. "financial institution," whose aggregate value exceeds US$50,000 during the tax year, may be required to attach to their tax returns for the year certain specified information. An individual who fails to timely furnish the required information may be subject to a penalty. U.S. holders who are individuals should consult their own tax advisors regarding their reporting obligations under this legislation.

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UNDERWRITING

Subject to the terms and conditions of the underwriting agreement, we [and the selling shareholders] have agreed to sell, and the underwriters named below, through [—], as representatives of the underwriters, have severally and not jointly agreed to purchase from us [and the selling shareholders], the following respective number of ADSs at a public offering price less the underwriting discounts and commissions set forth on the cover page of this prospectus:

Underwriters	Number of ADSs
Deutsche Bank Securities Inc.	
Morgan Stanley & Co. International plc	
Total	

The underwriting agreement provides that the obligations of the several underwriters to purchase the ADSs offered hereby are subject to certain conditions precedent and that the underwriters will purchase all of the ADSs offered by this prospectus, other than those covered by the over-allotment option described below, if any of these ADSs are purchased. If an underwriter defaults, the underwriting agreement provides that the underwriting commitments of the non-defaulting underwriters may be increased or the underwriting agreement may be terminated, depending on the circumstances.

We have been advised by the representatives of the underwriters that the underwriters propose to offer the ADSs to the public at the public offering price set forth on the cover of this prospectus and to dealers at a price that represents a concession not in excess of its underwriting commitment of US$ per ADS under the public offering price. The underwriters may allow, and these dealers may re-allow, a concession of not more than US$ per ADS to other dealers. After the initial public offering, the offering price, concession or any other terms of the offering may be changed. The offering of the ADSs by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part.

We [and the selling shareholders] have granted to the underwriters an option, exercisable not later than 30 days after the date of this prospectus, to purchase up to additional ADSs at the public offering price less the underwriting discounts and commissions set forth on the cover page of this prospectus. The underwriters may exercise this option only to cover over-allotments, if any, made in connection with the sale of ADSs offered by this prospectus. To the extent that the underwriters exercise this option, each of the underwriters will severally become obligated, subject to the conditions set forth in the underwriting agreement, to purchase approximately the same percentage of these additional ADSs as the number of ADSs to be purchased by it in the above table bears to the total number of ADSs in such table. If any additional ADSs are purchased, the underwriters will offer the additional ADSs on the same terms as those on which the ADSs are being offered.

The underwriting discounts and commissions per ADS are equal to the public offering price per ADS less the amount paid by the underwriters to us [and the selling shareholders] per ADS. The underwriting discounts and commissions are % of the initial public offering price. We [and the selling shareholders] have agreed to pay the underwriters the following discounts and commissions, assuming either no exercise or full exercise by the underwriters of the underwriters' over-allotment option:

		Total fees	
	Fee per ADS	Without exercise of over-allotment option	With full exercise of over-allotment option
Discounts and commissions paid by us	US$	US$	US$
[Discounts and commissions paid by the selling shareholders].	US$	US$	US$

We [and the selling shareholders] will pay the fees and expenses we incur in connection with this offering, excluding underwriting discounts and commissions, which we estimate to be approximately $. See “Expenses Related to This Offering.”

We [and the selling shareholders] have agreed to indemnify the underwriters against some specified types of liabilities, including liabilities under the Securities Act, and to contribute to payments the underwriters may be required to make in respect of any of these liabilities if indemnification is not available.

We, each of our officers and directors, all of our existing shareholders and option holders, have agreed not to, directly or indirectly, offer, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant for the sale of, lend or otherwise dispose of, or enter into any swap or other transaction that is designed to, or could be expected to, result in the disposition of any of our ADSs or common shares or other securities convertible into or exchangeable or exercisable for our ADSs or common shares or derivatives of our ADSs or common shares (whether any such swap or transaction is to be settled by delivery of securities, in cash, or otherwise), owned by these persons prior to this offering or ADSs or common shares issuable upon exercise of options or warrants held by these persons for a period of 180 days after the date of this prospectus without the prior written consent of the representatives. This consent may be given at any time without public notice. Transfers or dispositions can be made during the lock-up period in the case of gifts or for estate planning purposes where the donee signs a lock-up agreement. We have entered into a similar agreement with the representatives of the underwriters except that without such consent we may grant options and sell shares pursuant to the 2009 Scheme.

The 180-day lock-up periods as described above are subject to adjustment only under the following circumstances. If (1) during the last 17 days of the 180-day lock-up period, (a) we release earnings results or (b) material news or a material event relating to us occurs, or (2) prior to the expiration of the 180-day lock-up period, we announce that we will release earnings results during the 16-day period following the last day of the 180-day lock-up period, then, in each case, the 180-day lock-up period will be extended until the expiration of the 18-day period beginning on the date of our release of the earnings results or the occurrence of material news or a material event relating to us, unless the representatives, on behalf of the underwriters, waive this extension in writing.

In addition, through a letter agreement, we have agreed to instruct , as depositary, not to accept any deposit of any common shares or issue any ADSs for 180 days after the date of this prospectus unless we consent to such deposit or issuance, and not to provide consent without the prior written consent of the representatives of the underwriters. The foregoing does not affect the right of ADS holders to cancel their ADSs and withdraw the underlying common shares.

We [will apply/have applied] to list our ADSs on the [Nasdaq Global Market/NYSE] under the symbol “YY.”

The underwriters do not expect sales to discretionary accounts to exceed 5% of the total number of ADSs offered.

In connection with the offering, the underwriters may purchase and sell our ADSs in the open market. These transactions may include short sales, purchases to cover positions created by short sales and stabilizing transactions.

Short sales involve the sale by the underwriters of a greater number of ADSs than they are required to purchase in the offering. Covered short sales are sales made in an amount not greater than the underwriters’ over-allotment option. The underwriters may close out any covered short position by either exercising their over-allotment option or purchasing ADSs in the open market. In determining the source of ADSs to close out the covered short position, the underwriters will consider, among other things, the price of ADSs available for purchase in the open market as compared to the price at which they may purchase ADSs through the over-allotment option.

Naked short sales are any sales in excess of the over-allotment option. The underwriters must close out any naked short position by purchasing ADSs in the open market. A naked short position is more likely to be created if underwriters are concerned that there may be downward pressure on the price of the ADSs in the open market prior to the completion of the offering.

Stabilizing transactions consist of various bids for or purchases of our ADSs made by the underwriters in the open market prior to the completion of the offering.

The underwriters may impose a penalty bid. This occurs when a particular underwriter repays to the other underwriters a portion of the underwriting discount received by it because the representatives of the underwriters have repurchased ADSs sold by or for the account of that underwriter in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions may have the effect of preventing or slowing a decline in the market price of our ADSs. In addition, these purchases, along with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of our ADSs. As a result, the price of our ADSs may be higher than the price that might otherwise exist in the open market. Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our ADSs. These transactions may be effected on the [Nasdaq Global Market/NYSE], in the over-the-counter market or otherwise. Neither we nor any underwriters make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

A prospectus in electronic format is being made available on Internet websites maintained by one or more of the lead underwriters of this offering and may be made available on websites maintained by other underwriters. Other than the prospectus in electronic format, the information on any underwriter's website and any information contained in any other website maintained by an underwriter is not part of this prospectus or the registration statement of which this prospectus forms a part.

Prior to this offering, there has been no public market for our ADSs. Consequently, the initial public offering price of our ADSs will be determined by negotiation among us and the representatives of the underwriters. Among the primary factors that will be considered in determining the public offering price are:

(a) prevailing market conditions;

(b) our financial condition and results of operations in recent periods;

(c) the present stage of our development;

(d) the market capitalizations and stages of development of other companies that we and the representatives of the underwriters believe to be comparable to our business; and

(e) the history of, and the prospects for, our Company and the industry in which we compete.

The underwriters and their respective affiliates are full-service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the us [and the selling shareholders], for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their

customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of us [and the selling shareholders].

The address of Deutsche Bank Securities Inc. is 60 Wall Street, New York, New York 10005, United States. The address of Morgan Stanley & Co. International plc is 25 Cabot Square, Canary Wharf, London E14 4QA, United Kingdom.

No action may be taken in any jurisdiction other than the United States that would permit a public offering of the ADSs or the possession, circulation or distribution of this prospectus in any jurisdiction where action for that purpose is required. Accordingly, the ADSs may not be offered or sold, directly or indirectly, and neither the prospectus nor any other offering material or advertisements in connection with the ADSs may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

Cayman Islands

This prospectus does not constitute an invitation or offer to the public in the Cayman Islands of the ADSs, whether by way of sale or subscription. The underwriters have not offered or sold, and will not offer or sell, directly or indirectly, any ADSs in the Cayman Islands.

Hong Kong

The ADSs may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), or (ii) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a “prospectus” within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the ADSs may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to ADSs which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder.

People’s Republic of China

This prospectus has not been and will not be circulated or distributed in the PRC, and ADSs may not be offered or sold, and will not be offered or sold to any person for re-offering or resale, directly or indirectly, to any resident of the PRC except pursuant to applicable laws and regulations of the PRC.

Japan

The ADSs have not been and will not be registered under the Financial Instruments and Exchange Law of Japan, and ADSs will not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to any exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or

invitation for subscription or purchase, of our ADSs may not be circulated or distributed, nor may our ADSs be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore, or SFA, (ii) to a relevant person or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to compliance with conditions set forth in the SFA.

Where our ADSs are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor as defined in Section 4A of the SFA) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor; shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the ADSs under Section 275 of the SFA, except: (1) to an institutional investor (for corporations under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is or will be given for the transfer; or (3) where the transfer is by operation of law.

Australia

This document has not been lodged with the Australian Securities & Investments Commission and is only directed to certain categories of exempt persons. Accordingly, if you receive this document in Australia:

(a) you confirm and warrant that you are either:

a. a "sophisticated investor" under section 708(8)(a) or (b) of the Corporations Act 2001 (Cth) of Australia, or the Corporations Act;

b. a "sophisticated investor" under section 708(8)(c) or (d) of the Corporations Act and that you have provided an accountant's certificate to the company which complies with the requirements of section 708(8)(c)(i) or (ii) of the Corporations Act and related regulations before the offer has been made;

c. a person associated with the company under section 708(12) of the Corporations Act; or

d. "professional investor" within the meaning of section 708(11)(a) or (b) of the Corporations Act, and to the extent that you are unable to confirm or warrant that you are an exempt sophisticated investor, associated person or professional investor under the Corporations Act any offer made to you under this document is void and incapable of acceptance.

(b) you warrant and agree that you will not offer any of the ADSs issued to you pursuant to this document for resale in Australia within 12 months of those ADSs being issued unless any such resale offer is exempt from the requirement to issue a disclosure document under section 708 of the Corporations Act.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State") an offer to the public of any shares which are the subject of the

offering contemplated by this prospectus may not be made in that Relevant Member State, once the prospectus has been approved by the competent authority in such Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that an offer to the public in that Relevant Member State of any shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(c) by the underwriters to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than "qualified investors" as defined in the Prospectus Directive) subject to obtaining the prior consent of the representatives for any such offer; or

(d) in any other circumstances falling within Article 3(2) of the Prospectus Directive; provided that no such offer of shares shall result in a requirement for the publication by us or any representative of a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

Any person making or intending to make any offer of shares within the EEA should only do so in circumstances in which no obligation arises for us or any of the underwriters to produce a prospectus for such offer. Neither we nor the underwriters have authorized, nor do they authorize, the making of any offer of shares through any financial intermediary, other than offers made by the underwriters which constitute the final offering of shares contemplated in this prospectus.

For the purposes of this provision, and your representation below, the expression an "offer to the public" in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares to be offered so as to enable an investor to decide to purchase any shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

Each person in a Relevant Member State who receives any communication in respect of, or who acquires any shares under, the offer of shares contemplated by this prospectus will be deemed to have represented, warranted and agreed to and with us and each underwriter that:

(a) it is a "qualified investor" within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and

(b) in the case of any shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) the shares acquired by it in the offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than "qualified investors" (as defined in the Prospectus Directive), or in circumstances in which the prior consent of the representatives has been given to the offer or resale; or (ii) where shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those shares to it is not treated under the Prospectus Directive as having been made to such persons.

In addition, in the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are "qualified investors" (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, or the Order, and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is only available to, and will be engaged in with, relevant persons.

Notice to Investors in Switzerland

This document, as well as any other offering or marketing material relating to the ADSs which are the subject of the offering contemplated by this prospectus, neither constitutes a prospectus pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations nor a simplified prospectus as such term is understood pursuant to article 5 of the Swiss Federal Act on Collective Investment Schemes. Neither the ADSs nor the shares underlying the ADSs will be listed on the SIX Swiss Exchange and, therefore, the documents relating to the ADSs, including, but not limited to, this document, do not claim to comply with the disclosure standards of the listing rules of SIX Swiss Exchange and corresponding prospectus schemes annexed to the listing rules of the SIX Swiss Exchange.

The ADSs are being offered in Switzerland by way of a private placement, i.e., to a small number of selected investors only, without any public offer and only to investors who do not purchase the ADSs with the intention to distribute them to the public. The investors will be individually approached from time to time. This document, as well as any other offering or marketing material relating to the ADSs, is confidential and it is exclusively for the use of the individually addressed investors in connection with the offer of the ADSs in Switzerland and it does not constitute an offer to any other person. This document may only be used by those investors to whom it has been handed out in connection with the offering described herein and may neither directly nor indirectly be distributed or made available to other persons without our express consent. It may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in or from Switzerland.

Notice to Investors in the Dubai International Financial Centre

This document relates to an Exempt Offer, as defined in the Offered Securities Rules module of the DFSA Rulebook, or the OSR, in accordance with the Offered Securities Rules of the Dubai Financial Services Authority. This document is intended for distribution only to Persons, as defined in the OSR, of a type specified in those rules. It must not be delivered to, or relied on by, any other Person. The Dubai Financial Services Authority has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The Dubai Financial Services Authority has not approved this document nor taken steps to verify the information set out in it, and has no responsibility for it. The ADSs to which this document relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the ADSs offered should conduct their own due diligence on the ADSs. If you do not understand the contents of this document you should consult an authorized financial adviser.

Kingdom of Saudi Arabia

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering or private placement of the ADSs in the Kingdom of Saudi Arabia, or possession or distribution of any offering materials in relation thereto. Our ADSs may only be offered and sold in the Kingdom of Saudi Arabia through persons authorized to do so in accordance of Part 5 (Exempt Offers) of the Offers of Securities Regulations dated 20/8/1425 AH corresponding to 4/10/2004 (as amended), or the Regulations, and in accordance with Part 5 (Exempt Offers) Article 16(a)(3) of the Regulations, the ADSs will be offered to no more than 60 offerees in the

Kingdom of Saudi Arabia with each such offeree paying an amount not less than Saudi Riyals one million or an equivalent amount in another currency. Investors are informed that Article 19 of the Regulations places restrictions on secondary market activity with respect to our ADSs. Any resale or other transfer, or attempted resale or other transfer, made other than in compliance with the above-stated restrictions shall not be recognized by us. Prospective purchasers of our ADSs should conduct their own due diligence on the accuracy of the information relation to the ADSs. Investors should consult an authorized financial adviser if they do not understand the contents of this prospectus.

State of Kuwait

Our ADSs have not been authorized or licensed for offering, marketing or sale in the State of Kuwait, or Kuwait. The distribution of this prospectus and the offering, marketing and sale of the ADSs in Kuwait is restricted by law unless a license is obtained from the Kuwaiti Ministry of Commerce and Industry in accordance with Law No. 31 of 1990, and the various Ministerial Regulations issued pursuant thereto. Persons into whose possession this prospectus comes are required by us and the underwriters to inform themselves about and to observe such restrictions. Investors in Kuwait who approach us or any of the underwriters to obtain copies of this prospectus are required by us and the underwriters to keep such prospectus confidential and not to make copies thereof nor distribute the same to any other person in Kuwait and are also required to observe the restrictions provided for in all jurisdictions with respect to offering, marketing and the sale of the ADSs.

United Arab Emirates

This prospectus is not intended to constitute an offer, sale or delivery of shares or other securities under the laws of the United Arab Emirates, or the UAE. The ADSs have not been and will not be registered under Federal Law No. 4 of 2000 Concerning the Emirates Securities and Commodities Authority and the Emirates Security and Commodity Exchange, or with the UAE Central Bank, the Dubai Financial Market, the Abu Dhabi Securities Market or with any other UAE exchange.

The offering, the ADSs and interests therein have not been approved or licensed by the UAE Central Bank or any other relevant licensing authorities in the UAE, and do not constitute a public offer of securities in the UAE in accordance with the Commercial Companies Law, Federal Law No. 8 of 1984 (as amended) or otherwise.

In relation to its use in the UAE, this prospectus is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The interests in the ADSs may not be offered or sold directly or indirectly to the public in the UAE.

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EXPENSES RELATING TO THIS OFFERING

Set forth below is an itemization of the total expenses, excluding underwriting discounts and commissions, that we and the selling shareholders expect to incur in connection with this offering. With the exception of the SEC registration fee, the Financial Industry Regulatory Authority, or FINRA, filing fee and the [Nasdaq Global Market/NYSE] listing fee, all amounts are estimates.

SEC registration fee	US$
[Nasdaq Global Market/NYSE] listing fee	
FINRA filing fee	
Printing and engraving expenses	
Legal fees and expenses	
Accounting fees and expenses	
Miscellaneous	
Total	US$

Expenses, [except for underwriting discounts and commissions], will be borne in proportion to the numbers of ADSs sold in the offering by us [and the selling shareholders, respectively].

LEGAL MATTERS

The validity of the ADSs and certain other legal matters with respect to U.S. federal and New York State law in connection with this offering will be passed upon for us by Skadden, Arps, Slate, Meagher & Flom LLP. Certain legal matters with respect to U.S. federal and New York State law in connection with this offering will be passed upon for the underwriters by Simpson Thacher & Bartlett LLP. The validity of the common shares represented by the ADSs offered in this offering and other certain legal matters as to Cayman Islands law will be passed upon for us by Conyers Dill & Pearman. Legal matters as to PRC law will be passed upon for us by Zhong Lun Law Firm and for the underwriters by Fangda Partners. Skadden, Arps, Slate, Meagher & Flom LLP may rely upon Conyers Dill & Pearman with respect to matters governed by Cayman Islands law and Zhong Lun Law Firm with respect to matters governed by PRC law. Simpson Thacher & Bartlett LLP may rely upon Fangda Partners with respect to matters governed by PRC law.

EXPERTS

The consolidated financial statements of YY Inc. as of December 31, 2010 and 2011 and for each of the three years ended December 31, 2011 included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers Zhong Tian CPAs Limited Company, an independent registered public accounting firm, given on the authority of such firm as experts in accounting and auditing.

The office of PricewaterhouseCoopers Zhong Tian CPAs Limited Company is located at 11/F, PricewaterhouseCoopers Center, 2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai 200021, PRC.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form F-1, including relevant exhibits and securities under the Securities Act with respect to underlying common shares represented by the ADSs, to be sold in this offering. We have also filed with the SEC a related registration statement on F-6 to register the ADSs. This prospectus, which constitutes a part of the registration statement, does not contain all of the information contained in the registration statement. You should read our registration statements and their exhibits and schedules for further information with respect to us and our ADSs.

The agreements included as exhibits to the registration statement on Form F-1 contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties were made solely for the benefit of the other parties to the applicable agreement and (a) were not intended to be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate; (b) may have been qualified in such agreement by disclosures that were made to the other party in connection with the negotiation of the applicable agreement; (c) may apply contract standards of “materiality” that are different from “materiality” under the applicable securities laws; and (d) were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement.

Immediately up effectiveness of the registration statement to which this prospectus is a part we will become subject to periodic reporting and other informational requirements of the Exchange Act as applicable to foreign private issuers. Accordingly, we will be required to file reports, including annual reports on Form 20-F, and other information with the SEC. As a foreign private issuer, we are exempt from the rules of the Exchange Act prescribing the furnishing and content of proxy statements to shareholders, and Section 16 short swing profit reporting for our officers and directors and for holders of more than 10% of our common shares. All information filed with the SEC can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. You can request copies of these documents, upon payment of a duplicating fee, by writing to the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference rooms. You may also obtain additional information over the internet at the SEC’s website at www.sec.gov.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of YY Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, changes in shareholders' deficits and comprehensive losses and cash flows, present fairly, in all material respects, the financial position of YY Inc. (the "Company") and its subsidiaries at December 31, 2011 and 2010, and the results of their operation and their cash flows for each of the three years in the period ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers Zhong Tian CPAs Limited Company
Shanghai, the People's Republic of China
July 13, 2012

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CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2010 AND 2011
(All amounts in thousands, except share and per share data)

	Notes	As of December 31,				
		2010	2011	2011	2011	2011
		RMB	RMB	US$ (Note 2(e))	RMB Pro forma (Note 26) (Unaudited)	US$ Pro forma (Note 26) (Note 2 (e)) (Unaudited)
Assets						
Current assets						
Cash and cash equivalents	4	83,683	128,891	20,491	128,891	20,491
Short-term deposits	5	—	472,655	75,144	472,655	75,144
Accounts receivable, net	6	25,747	47,022	7,476	47,022	7,476
Amount due from a related party	20	1,500	2,000	318	2,000	318
Prepayments and other current assets		4,727	9,742	1,549	9,742	1,549
Deferred tax assets	15	1,643	12,487	1,985	12,487	1,985
Total current assets		117,300	672,797	106,963	672,797	106,963
Non-current assets						
Deferred tax assets	15	—	329	52	329	52
Investments	7	3,000	5,244	834	5,244	834
Property and equipment, net	8	25,525	53,582	8,519	53,582	8,519
Intangible assets, net	9	12,236	10,814	1,719	10,814	1,719
Goodwill	10	706	706	112	706	112
Other non-current assets		—	1,954	311	1,954	311
Total non-current assets		41,467	72,629	11,547	72,629	11,547
Total assets		158,767	745,426	118,510	745,426	118,510
Liabilities and shareholders' equity						
Current liabilities						
Accounts payable		10,553	16,114	2,562	16,114	2,562
Deferred revenue	11	17,436	40,357	6,416	40,357	6,416
Advances from users	2(t)	741	2,453	390	2,453	390
Income taxes payable		4,356	16,872	2,682	16,872	2,682
Accrued liabilities and other current liabilities	12	15,577	49,071	7,802	49,071	7,802
Share-based compensation liabilities	18	203,124	—	—	—	—
Amounts due to related parties	20	1,214	870	138	870	138
Total current liabilities		253,001	125,737	19,990	125,737	19,990
Non-current liabilities						
Deferred revenue	11	—	448	71	448	71
Total liabilities		253,001	126,185	20,061	126,185	20,061
Commitments and contingencies	22					

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CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2010 AND 2011 (CONTINUED)
(All amounts in thousands, except share and per share data)

	Notes	As of December 31,				
		2010 RMB	2011 RMB	2011 US$ (Note 2(e))	2011 RMB Pro forma (Note 26) (Unaudited)	2011 US$ Pro forma (Note 26) (Note 2 (e)) (Unaudited)
Mezzanine equity						
Series A convertible redeemable preferred shares (US$0.00001 par value, 136,100,930 shares authorized, issued and outstanding as of December 31, 2010 and 2011, and none outstanding on a pro forma basis as of December 31, 2011 (unaudited))	17	846,752	935,013	148,651	—	—
Series B convertible redeemable preferred shares (US$0.00001 par value, 102,073,860 shares authorized, issued and outstanding as of December 31, 2010 and 2011, and none outstanding on a pro forma basis as of December 31, 2011 (unaudited))	17	639,799	703,901	111,908	—	—
Series C-1 convertible redeemable preferred shares (US$0.00001 par value, 16,249,870 shares authorized, issued and outstanding as of December 31, 2010 and 2011, and none outstanding on a pro forma basis as of December 31, 2011 (unaudited))	17	102,754	112,556	17,894	—	—
Series C-2 convertible redeemable preferred shares (US$0.00001 par value, 104,999,650 shares authorized, issued and outstanding as of December 31, 2010 and 2011, and none outstanding on a pro forma basis as of December 31, 2011 (unaudited))	17	667,966	729,464	115,972	—	—

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CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2010 AND 2011 (CONTINUED)
(All amounts in thousands, except share and per share data)

	Notes	As of December 31,				
		2010 RMB	2011 RMB	2011 US$ (Note 2(e))	2011 RMB Pro forma (Note 26) (Unaudited)	2011 US$ Pro forma (Note 26) (Note 2 (e)) (Unaudited)
Shareholders' (deficits) equity						
Common shares (US$0.00001 par value; 946,074,577 and 1,022,785,225 shares authorized, 466,630,266 and 543,340,914 shares issued and outstanding as of December 31, 2010 and 2011, respectively, and 902,765,224 outstanding on a pro forma basis as of December 31, 2011 (unaudited))	16	32	37	6	61	9
Additional paid-in capital		—	584,093	92,861	3,065,003	487,283
Accumulated deficits		(2,350,448)	(2,433,604)	(386,900)	(2,433,604)	(386,900)
Accumulated other comprehensive losses		(1,089)	(12,219)	(1,943)	(12,219)	(1,943)
Total shareholders' (deficits) equity		(2,351,505)	(1,861,693)	(295,976)	619,241	98,449
Total liabilities, mezzanine equity and shareholders' (deficits) equity		158,767	745,426	118,510	745,426	118,510

The accompanying notes are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011
(All amounts in thousands, except share and per share data)

	Note	For the year ended December 31,			
		2009 RMB	2010 RMB	2011 RMB	2011 US$ (Note 2(e))
Net revenues					
Internet value-added service					
—Online game		12,976	86,316	165,933	26,380
—YY music		—	—	52,854	8,403
—Others		853	1,282	13,589	2,161
Online advertising		18,881	40,740	87,279	13,876
Total net revenue		32,710	128,338	319,655	50,820
Cost of revenues[1]	13	(28,849)	(110,062)	(182,699)	(29,046)
Gross profit		3,861	18,276	136,956	21,774
Operating expenses[1]					
Research and development expenses		(12,597)	(49,219)	(106,804)	(16,980)
Sales and marketing expenses		(4,951)	(12,363)	(13,381)	(2,127)
General and administrative expenses		(32,878)	(192,222)	(118,241)	(18,798)
Total operating expenses		(50,426)	(253,804)	(238,426)	(37,905)
Government grants	14	—	—	1,982	315
Operating loss		(46,565)	(235,528)	(99,488)	(15,816)
Foreign currency exchange (losses) gains, net		(15)	(551)	14,143	2,248
Interest income		46	56	4,890	777
Loss before income tax expenses		(46,534)	(236,023)	(80,455)	(12,791)
Income tax expenses	15	(391)	(2,322)	(1,343)	(214)
Loss before loss in equity method investments, net of income taxes		(46,925)	(238,345)	(81,798)	(13,005)
Losses in equity method investments, net of income taxes		(191)	(512)	(1,358)	(216)
Net loss attributable to YY Inc.		(47,116)	(238,857)	(83,156)	(13,221)
Amortization of beneficial conversion feature		(237)	—	—	—
Accretion to convertible redeemable preferred shares redemption value		(283,179)	(1,808,853)	(223,663)	(35,559)
Deemed dividend to Series A preferred shareholders		(19)	—	—	—
Deemed dividend to Series B preferred shareholders		(176)	—	—	—
Net loss attributable to common shareholders		(330,727)	(2,047,710)	(306,819)	(48,780)
Net loss per share					
—basic	19	(0.81)	(5.04)	(0.63)	(0.10)
—diluted	19	(0.81)	(5.04)	(0.63)	(0.10)
Weighted average number of common shares used in calculating—basic loss per share	19	407,613,328	406,304,672	485,883,845	485,883,845
Weighted average number of common shares used in calculating—diluted loss per share	19	407,613,328	406,304,672	485,883,845	485,883,845

CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011 (CONTINUED)
(All amounts in thousands, except share and per share data)

(1) Share-based compensation was allocated in cost of revenues and operating expenses as follows:

	For the year ended December 31,			
	2009	2010	2011	2011
	RMB	RMB	RMB	US$ (Note 2(e))
Cost of revenues	5,269	31,709	15,449	2,456
Research and development expenses	2,475	21,627	31,672	5,035
Sales and marketing expenses	194	1,499	1,336	212
General and administrative expenses	28,544	182,101	86,544	13,759

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS’ DEFICITS AND COMPREHENSIVE LOSS FOR THE YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011
(All amounts in thousands, except share and per share data)

	Note	Co-founder common shares		Common shares		Additional paid-in capital	Accumulated deficits	Accumulated other comprehensive losses	Total shareholders’ deficits	Comprehensive loss
		Number of shares	Amount	Number of shares	Amount					
		Note 16	RMB		RMB	RMB	RMB	RMB	RMB	RMB
Balance as of January 1, 2009		185,563,000	13	222,528,600	15	—	(32,604)	(156)	(32,732)	
Share-based compensation—restricted shares to NeoTasks founders	18	—	—	—	—	3,407	—	—	3,407	
Share-based compensation—share options	18	—	—	—	—	71	—	—	71	
Reclassification of equity-classified share-based awards into liability-classified awards	18	—	—	—	—	(3,478)	(1,376)	—	(4,854)	
Deemed dividend on series A convertible redeemable preferred shares—modification of terms	17	—	—	—	—	—	(19)	—	(19)	
Deemed dividend on series B convertible redeemable preferred shares—modification of terms	17	—	—	—	—	—	(176)	—	(176)	
Repurchase of common shares	16	—	—	(10,206,700)	(1)	—	(5,575)	—	(5,576)	
Beneficial conversion feature of Series C convertible redeemable preferred shares	17	—	—	—	—	—	237	—	237	
Amortization of beneficial conversion feature of the Series C convertible redeemable preferred shares	17	—	—	—	—	—	(237)	—	(237)	
Accretion of Series A convertible redeemable preferred shares to redemption value	17	—	—	—	—	—	(114,401)	—	(114,401)	
Accretion of Series B convertible redeemable preferred shares to redemption value	17	—	—	—	—	—	(79,211)	—	(79,211)	
Accretion of Series C convertible redeemable preferred shares to redemption value	17	—	—	—	—	—	(89,567)	—	(89,567)	
Components of comprehensive loss										
Net loss		—	—	—	—	—	(47,116)	—	(47,116)	(47,116)
Foreign currency translation adjustment, net of nil tax		—	—	—	—	—	—	2	2	2
Balance as of December 31, 2009		**185,563,000**	**13**	**212,321,900**	**14**	**—**	**(370,045)**	**(154)**	**(370,172)**	**(47,114)**

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICITS AND COMPREHENSIVE LOSS FOR THE YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011 (CONTINUED)
(All amounts in thousands, except share and per share data)

	Notes	Co-founder common shares		Common shares		Additional paid-in capital	Accumulated deficits	Accumulated other comprehensive losses	Total shareholders' deficits	Comprehensive loss
		Number of shares	Amount	Number of shares	Amount					
		Note 16	RMB		RMB	RMB	RMB	RMB	RMB	RMB
Balance as of December 31, 2009		**185,563,000**	**13**	**212,321,900**	**14**	**—**	**(370,045)**	**(154)**	**(370,172)**	
Transfer of Co-founder common shares into common shares	16	(185,563,000)	(13)	185,563,000	13	—	—	—	—	
Share based compensation—restricted shares	18	—	—	—	—	24,525	—	—	24,525	
Issuance of restricted shares to the CEO and Chairman	18	—	—	43,048,296	3	28,756	—	—	28,759	
Issuance of restricted shares to NeoTasks founders	18	—	—	25,697,070	2	—	—	—	2	
Transferred from matured liability award for NeoTasks founders	18	—	—	—	—	14,026	—	—	14,026	
Accretion of Series A convertible redeemable preferred shares to redemption value	17	—	—	—	—	(67,307)	(625,052)	—	(692,359)	
Accretion of Series B convertible redeemable preferred shares to redemption value	17	—	—	—	—	—	(515,626)	—	(515,626)	
Accretion of Series C convertible redeemable preferred shares to redemption value	17	—	—	—	—	—	(600,868)	—	(600,868)	
Components of comprehensive loss										
Net loss		—	—	—	—	—	(238,857)	—	(238,857)	(238,857)
Foreign currency translation adjustment, net of nil tax		—	—	—	—	—	—	(935)	(935)	(935)
Balance as of December 31, 2010		**—**	**—**	**466,630,266**	**32**	**—**	**(2,350,448)**	**(1,089)**	**(2,351,505)**	**(239,792)**

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICITS AND COMPREHENSIVE LOSS FOR THE YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011 (CONTINUED)
(All amounts in thousands, except share and per share data)

	Note	Co-founder common shares		Common shares		Additional paid-in capital	Accumulated deficits	Accumulated other comprehensive losses	Total shareholders' deficits	Comprehensive loss
		Number of shares	Amount	Number of shares	Amount					
		Note 16	RMB		RMB	RMB	RMB	RMB	RMB	RMB
Balance as of December 31, 2010		**—**	**—**	**466,630,266**	**32**	**—**	**(2,350,448)**	**(1,089)**	**(2,351,505)**	
Issuance of common shares	16	—	—	51,140,432	3	328,129	—	—	328,132	
Exercise of warrant by an independent institutional investor	16	—	—	25,570,216	2	160,835	—	—	160,837	
Share-based compensation—share options	18	—	—	—	—	2,219	—	—	2,219	
Share based compensation—restricted shares	18	—	—	—	—	57,805	—	—	57,805	
Share-based compensation—restricted share units	18	—	—	—	—	9,644	—	—	9,644	
Share-based compensation—warrants to NeoTasks founders	18	—	—	—	—	3,359	—	—	3,359	
Share-based compensation restricted shares to the CEO and Chairman	18	—	—	—	—	14,143	—	—	14,143	
Transferred from matured liability award for NeoTasks founders	18	—	—	—	—	57,692	—	—	57,692	
Reclassification of liability-classified share-based awards into equity-classified awards for warrants to NeoTasks founders	18	—	—	—	—	57,602	—	—	57,602	
Reclassification of liability-classified share-based awards into equity-classified awards for share options	18	—	—	—	—	116,328	—	—	116,328	
Accretion of Series A convertible redeemable preferred shares to redemption value	17	—	—	—	—	(88,261)	—	—	(88,261)	
Accretion of Series B convertible redeemable preferred shares to redemption value	17	—	—	—	—	(64,102)	—	—	(64,102)	
Accretion of Series C convertible redeemable preferred shares to redemption value	17	—	—	—	—	(71,300)	—	—	(71,300)	
Components of comprehensive loss										
Net loss		—	—	—	—	—	(83,156)		(83,156)	(83,156)
Foreign currency translation adjustment, net of nil tax		—	—	—	—	—	—	(11,130)	(11,130)	(11,130)
Balance as of December 31, 2011		**—**	**—**	**543,340,914**	**37**	**584,093**	**(2,433,604)**	**(12,219)**	**(1,861,693)**	**(94,286)**

The accompanying notes are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011
(All amounts in thousands)

	Notes	For the year ended December 31, 2009 RMB	2010 RMB	2011 RMB	2011 US$ (Note 2(e))
Cash flows from operating activities					
Net loss		(47,116)	(238,857)	(83,156)	(13,221)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities					
Depreciation of property and equipment	8	1,150	4,284	12,888	2,049
Amortization of acquired intangible assets	9	1,512	1,030	1,211	193
Allowance for doubtful accounts	6	88	287	—	—
Loss (gain) on disposal of property and equipment		4	—	(25)	(4)
Impairment of equity investments		—	297	—	—
Impairment of cost investment		—	—	1,898	301
Share-based compensation	18	36,482	236,936	135,001	21,462
Share of loss of equity investments	7	191	512	1,358	216
Deferred income taxes, net	15	—	(1,643)	(11,173)	(1,776)
Foreign exchange losses (gains), net		15	551	(14,143)	(2,248)
Changes in operating assets and liabilities, net					
Accounts receivable	6	(7,818)	(12,932)	(21,275)	(3,382)
Prepayments and other current assets		(452)	(2,409)	(5,123)	(814)
Other non-current assets		—	—	413	65
Amounts due to related parties	20	360	854	(344)	(55)
Accounts payable		903	2,081	11,196	1,780
Deferred revenue	11	6,606	10,303	23,369	3,715
Advances from users		(600)	483	1,712	272
Income tax payable		391	3,965	12,516	1,990
Accrued liabilities and other current liabilities		3,808	10,486	33,494	5,325
Net cash (used in) provided by operating activities		(4,476)	16,228	99,817	15,868
Cash flows from investing activities					
Placements of short-term deposits		—	—	(872,372)	(138,692)
Maturities of short-term deposits		1,500	—	399,717	63,548
Purchase of property and equipment		(5,906)	(14,698)	(46,956)	(7,465)
Purchase of intangible assets		(240)	(13,488)	(274)	(44)
Cash paid for investments	7	(1,000)	(3,000)	(5,500)	(874)
Loan to a related party	20	—	(1,500)	(500)	(79)
Loan to a third party		—	—	(300)	(48)
Repayment from a third party		1,000	—	—	—
Loans to employees		—	(967)	(2,770)	(440)
Repayment of loans from employees		—	—	197	31
Proceeds from disposal of property and equipment		137	77	401	64
Net cash used in investing activities		(4,509)	(33,576)	(528,357)	(83,999)
Cash flows from financing activities					
Proceeds from issuance of preferred shares, net of issuance costs	17	80,285	—	—	—
Proceeds from issuance of common shares, net of issuance costs	16	—	—	488,969	77,738
Repurchase of common shares and warrants		(5,656)	(562)	—	—
Repurchase of share options	18	—	(2,576)	(11,087)	(1,763)
Net cash provided by (used in) financing activities		74,629	(3,138)	477,882	75,975
Net increase (decrease) in cash and cash equivalents		65,644	(20,486)	49,342	7,844
Cash and cash equivalents at the beginning of the year		40,797	106,427	83,683	13,304
Effect of exchange rate changes on cash and cash equivalents		(14)	(2,258)	(4,134)	(657)
Cash and cash equivalents at the end of the year		**106,427**	**83,683**	**128,891**	**20,491**

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CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011 (CONTINUED)
(All amounts in thousands)

	For the year ended December 31,			
	2009	2010	2011	2011
	RMB	RMB	RMB	US$ (Note 2(e))
Supplemental disclosure of non-cash investing and financing activities:				
—Acquisition of property and equipment in form of accounts payable	461	6,725	1,090	173
—Employee loans settled by repurchase of vested share options	—	—	614	96

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

1. Organization and principal activities

(a) Principal activities

YY Inc. (the "Company"), through its subsidiaries, and its variable interest entities ("VIEs") (collectively, the "Group") is principally engaged in operating an online social platform in the People's Republic of China (the "PRC" or "China") through its platform, YY Client and through its website *YY.com* and *Duowan.com.*

(b) Reorganization

The Company was incorporated in the Cayman Islands on July 22, 2011.

The Group began its operations in the PRC in April 2005 through its PRC domestic company, Guangzhou Huaduo Network Technology Company Limited ("Guangzhou Huaduo"), which was directly owned by Mr. David Xueling Li (the "Founder" or the "CEO") and Mr. Jun Lei (the "Co-founder" or the "Chairman"). Guangzhou Huaduo holds the necessary licenses and approvals to operate internet-related businesses in the PRC.

For the period between July 2006 and April 2007, the Group undertook a reorganization (the "First Reorganization") and established Duowan Limited ("Duowan Limited"), an investment holding company under the laws of the BVI, Duowan (Hong Kong) Limited ("Duowan (Hong Kong)"), a Hong Kong incorporated company wholly owned by Duowan Limited, and Guangzhou Duowan Information Technology Co., Ltd. ("Guangzhou Duowan"), a wholly-owned foreign enterprise ("WOFE") in the PRC owned by Duowan (Hong Kong) (collectively "Duowan Limited Group Structure"). The First Reorganization was necessary to comply with PRC laws and regulations which prohibit or restrict foreign ownership of companies that provide internet content services in the PRC where licenses are required.

By entering into a series of agreements among the Founder, the Co-founder, Guangzhou Huaduo, and Guangzhou Duowan (collectively, "First VIE agreements"), Guangzhou Huaduo became a VIE of Guangzhou Duowan. Guangzhou Duowan became the primary beneficiary of Guangzhou Huaduo.

In November 2007, Duowan Entertainment Corporation ("Duowan BVI") was incorporated in the British Virgin Islands. In March 2008, Duowan BVI established Duowan Entertainment Information Technology (Beijing) Company Limited ("Duowan Entertainment"), as a WOFE in the PRC and a wholly-owned subsidiary of Duowan BVI. The Group undertook a second reorganization (the "Second Reorganization") whereby the First VIE agreements among the Founder, the Co-founder, Guangzhou Huaduo and Guangzhou Duowan were terminated and a new series of VIE agreements (collectively, "Second VIE agreements") were signed among the Founder, the Co-founder, Guangzhou Huaduo and Duowan Entertainment, through which Duowan Entertainment became the primary beneficiary and exercised effective control over the operations of Guangzhou Huaduo. Duowan BVI became the then holding company of the Group.

In August 2008, Duowan Entertainment purchased all the equity interests in Guangzhou Duowan from Duowan (Hong Kong).

In December 2008, the Group undertook another reorganization (the "Third Reorganization") and acquired all of the equity interests of NeoTasks Inc. ("NeoTasks"), a Cayman Islands company, together with its wholly-owned subsidiary, NeoTasks Limited, its WOFE, NeoTasks International Media Technology (Beijing) Co., Ltd. ("NeoTasks Beijing"), and its VIE, Beijing Tuda Science and Technology Co., Limited ("Beijing Tuda").

In July 2009, Guangzhou Duowan was renamed as Zhuhai Duowan Information Technology Co., Ltd. ("Zhuhai Duowan").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

1. Organization and principal activities (continued)

(b) Reorganization (continued)

In December 2009, another series of VIE agreements (collectively, "Third VIE agreements") were entered into amongst the legal shareholders of Beijing Tuda and Duowan Entertainment and thus completing the Third Reorganization. Through the aforementioned activities, Beijing Tuda became a VIE, whose primary beneficiary is Duowan Entertainment.

In December 2010, Duowan BVI established Zhuhai Duowan Technology Company Limited ("Zhuhai Duowan Technology"), which is directly 100% owned by Duowan BVI.

On September 6, 2011, pursuant to a share swap agreement, all the then existing shareholders of Duowan BVI exchanged their respective shares, including the Series A, Series B, Series C-1 and Series C-2 Preferred Shares, of Duowan BVI for equivalent classes of shares of the Company on a 1 for 1 basis. As a result, Duowan BVI became a wholly-owned subsidiary of the Company and it also became the holding company of the Group (the "Share Swap").

In May 2012, Duowan Entertainment was renamed as Huanju Shidai Technology (Beijing) Company Limited ("Huanju Shidai").

The First Reorganization, the Second Reorganization, the Third Reorganization and the Share Swap were all reorganization of entities under common control and have been accounted for in a manner akin to a pooling of interest as if the Company, through its wholly owned subsidiaries, had been in existence and been the primary beneficiary of the VIEs throughout the periods presented in the consolidated financial statements. As a result of these arrangements, the Company, through its wholly owned subsidiaries, is considered the primary beneficiary of two VIEs, Guangzhou Huaduo and Beijing Tuda, and accordingly, their results of operation and financial conditions are consolidated in the financial statements of the Group.

(c) Subsidiaries and VIEs

The details of the subsidiaries and VIEs as of December 31, 2011 are set out below:

Name	Place of incorporation	Date of incorporation	% of direct or indirect economic ownership	Principal activities
Subsidiaries				
Duowan Entertainment Corporation ("Duowan BVI")	British Virgin Islands	November 6, 2007	100%	Investment holding
NeoTasks Inc. ("NeoTasks")	Cayman Islands	April 26, 2006	100%	Investment holding
NeoTasks Limited	Hong Kong	June 16, 2005	100%	Investment holding
Huanju Shidai Technology (Beijing) Company Limited ("Huanju Shidai" or "Duowan Entertainment")	PRC	March 19, 2008	100%	Investment holding
Zhuhai Duowan Information Technology Company Limited ("Guangzhou Duowan" or "Zhuhai Duowan")	PRC	April 9, 2007	100%	Online advertising and software development
Zhuhai Duowan Technology Company Limited ("Zhuhai Duowan Technology")	PRC	December 2, 2010	100%	Software development
Variable Interest Entities ("VIEs")				
Guangzhou Huaduo Network Technology Company Limited ("Guangzhou Huaduo")	PRC	April 11, 2005	100%	Holder of internet content provider licenses and internet value added services
Beijing Tuda Science and Technology Company Limited ("Beijing Tuda")	PRC	June 2, 2005	100%	Holder of internet content provider licenses

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

1. Organization and principal activities (continued)

(d) Variable Interest Entities

To comply with PRC laws and regulations that prohibit or restrict foreign ownership of companies that provide internet-content, the Group conducts substantially all its operations through Guangzhou Huaduo and Beijing Tuda, which holds the internet value-added service license and approvals to provide such internet services in the PRC. Huanju Shidai entered into a series of contractual agreements among Huanju Shidai, Guangzhou Huaduo and their legal shareholders. Huanju Shidai also entered into a series of contractual agreements among Huanju Shidai, Beijing Tuda, and Beijing Tuda's legal shareholders.

Guangzhou Huaduo

The Company's relationships with Guangzhou Huaduo and its shareholders are governed by the following contractual arrangements:

- Exclusive Technology Support and Technology Services Agreement

Under the exclusive technology support and technology services agreement between Huanju Shidai and Guangzhou Huaduo, Huanju Shidai has the exclusive right to provide to Guangzhou Huaduo technology support and technology services related to all technologies needed for its business. Huanju Shidai owns the exclusive intellectual property rights created as a result of the performance of this agreement. The service fee payable by Guangzhou Huaduo to Huanju Shidai is determined by various factors, including the expenses Huanju Shidai incurs for providing such services and Guangzhou Huaduo's revenues. The term of this agreement will expire in 2028 and may be extended with Huanju Shidai's written confirmation prior to the expiration date. Huanju Shidai is entitled to terminate the agreement at any time by providing 30 days' prior written notice to Guangzhou Huaduo.

- Exclusive Business Cooperation Agreement

Under the exclusive business cooperation agreement between Huanju Shidai and Guangzhou Huaduo, Huanju Shidai has the exclusive right to provide to Guangzhou Huaduo technology support, business support and consulting services related to the services provided by Guangzhou Huaduo, the scope of which is to be determined by Huanju Shidai from time to time. Huanju Shidai owns the exclusive intellectual property rights created as a result of the performance of this agreement. The service fee payable by Guangzhou Huaduo to Huanju Shidai is a certain percentage of its earnings. The term of this agreement will expire in 2039 and may be extended with Huanju Shidai's written confirmation prior to the expiration date. Huanju Shidai is entitled to terminate the agreement at any time by providing 30 days' prior written notice to Guangzhou Huaduo.

- Exclusive Option Agreement

The parties to the exclusive option agreement are Huanju Shidai, Guangzhou Huaduo and each of the shareholders of Guangzhou Huaduo. Under the exclusive option agreement, each of the shareholders of Guangzhou Huaduo irrevocably granted Huanju Shidai or its designated representative(s) an exclusive option to purchase, to the extent permitted under PRC law, all or part of his or its equity interests in Guangzhou Huaduo. Huanju Shidai or its designated representative(s) have sole discretion as to when to exercise such options, either in part or in full. Without Huanju Shidai's prior written consent, Guangzhou Huaduo's shareholders shall not sell, transfer, mortgage or otherwise dispose their equity interests in Guangzhou Huaduo. The term of this agreement is ten years and may be extended at Huanju Shidai's sole discretion.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

1. Organization and principal activities (continued)

(d) Variable Interest Entities (continued)

Guangzhou Huaduo (continued)

- Powers of Attorney

Pursuant to the irrevocable power of attorney executed by each shareholder of Guangzhou Huaduo, each such shareholder appointed Huanju Shidai as its attorney-in-fact to exercise such shareholders' rights in Guangzhou Huaduo, including, without limitation, the power to vote on its behalf on all matters of Guangzhou Huaduo requiring shareholder approval under PRC laws and regulations and the articles of association of Guangzhou Huaduo. Each power of attorney will remain in force until the shareholder ceases to hold any equity interest in Guangzhou Huaduo.

- Share Pledge Agreement

Pursuant to the share pledge agreement between Huanju Shidai and the shareholders of Guangzhou Huaduo, the shareholders of Guangzhou Huaduo have pledged all of their equity interests in Guangzhou Huaduo to Huanju Shidai to guarantee the performance by Guangzhou Huaduo and its shareholders' performance of their respective obligations under the exclusive business cooperation agreement, exclusive option agreement, exclusive technology support and technology services agreement and powers of attorney. If Guangzhou Huaduo and/or its shareholders breach their contractual obligations under those agreements, Huanju Shidai, as pledgee, will be entitled to certain rights, including the right to sell the pledged equity interests.

Beijing Tuda

The Company's relationships with Beijing Tuda and its shareholders are governed by the following contractual arrangements:

- Exclusive Technology Support and Technology Services Agreement

Pursuant to the exclusive technology support and technology services agreement between Huanju Shidai and Beijing Tuda, Huanju Shidai has the exclusive right to provide to Beijing Tuda technology support and technology services related to all technologies needed for its business. Huanju Shidai owns the exclusive intellectual property rights created as a result of the performance of this agreement. The service fee payable by Beijing Tuda to Huanju Shidai is determined by various factors, including the expenses Huanju Shidai incurs for providing such services and Beijing Tuda's revenues. The term of this agreement will expire in 2029 and may be extended with Huanju Shidai's written confirmation prior to the expiration date. Huanju Shidai is entitled to terminate the agreement at any time by providing 30 days' prior written notice to Beijing Tuda.

- Exclusive Business Cooperation Agreement

Pursuant to the exclusive business cooperation agreement between Huanju Shidai and Beijing Tuda, Huanju Shidai has the exclusive right to provide to Beijing Tuda technology support, business support and consulting services related to the services provided by Beijing Tuda, the scope of which is to be determined by Huanju Shidai from time to time. Huanju Shidai owns the exclusive intellectual property rights created as a result of the performance of this agreement. The service fee payable by Beijing Tuda to Huanju Shidai is a certain percentage of its earnings. The term of this agreement will expire in 2039 and may be extended with Huanju Shidai's written confirmation prior to the expiration date. Huanju Shidai is entitled to terminate the agreement at any time by providing 30 days' prior written notice to Beijing Tuda.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

1. Organization and principal activities (continued)

(d) Variable Interest Entities (continued)

Beijing Tuda (continued)

- Exclusive Option Agreement

The parties to the exclusive option agreement are Huanju Shidai, Beijing Tuda and each of the shareholders of Beijing Tuda. Under the exclusive option agreement, each of the shareholders of Beijing Tuda irrevocably granted Huanju Shidai or its designated representative(s) an exclusive option to purchase, to the extent permitted under PRC law, all or part of his or its equity interests in Beijing Tuda. Huanju Shidai or its designated representative(s) have sole discretion as to when to exercise such options, either in part or in full. Without Huanju Shidai's prior written consent, Beijing Tuda's shareholders shall not sell, transfer, mortgage or otherwise dispose their equity interests in Beijing Tuda. The term of this agreement is ten years and may be extended at Huanju Shidai's sole discretion.

- Powers of Attorney

Pursuant to the irrevocable power of attorney executed by each shareholder of Beijing Tuda, each such shareholder appointed Huanju Shidai as its attorney-in-fact to exercise such shareholders' rights in Beijing Tuda, including, without limitation, the power to vote on its behalf on all matters of Beijing Tuda requiring shareholder approval under PRC laws and regulations and the articles of association of Beijing Tuda. Each power of attorney will remain in force until the shareholder ceases to hold any equity interest in Beijing Tuda.

- Share Pledge Agreement

Under the share pledge agreement between Huanju Shidai and the shareholders of Beijing Tuda, the shareholders of Beijing Tuda have pledged all of their equity interests in Beijing Tuda to Huanju Shidai to guarantee the performance by Beijing Tuda and its shareholders' performance of their respective obligations under the exclusive business cooperation agreement, exclusive option agreement, exclusive technology support and technology services agreement and powers of attorney. If Beijing Tuda or its shareholders breach their contractual obligations under those agreements, Huanju Shidai, as pledgee, will be entitled to certain rights, including the right to sell the pledged equity interests.

Through the aforementioned contractual agreements, Guangzhou Huaduo and Beijing Tuda are considered VIEs in accordance with Generally Accepted Accounting Principles in the United States ("US GAAP") because the Company, through Huanju Shidai have the ability to:

- exercise effective control over Guangzhou Huaduo or Beijing Tuda;
- receive substantially all of the economic benefits and residual returns, and absorb substantially all the risks and expected losses from VIEs as if it were their sole shareholder; and
- have an exclusive option to purchase all of the equity interests in the VIEs.

Management evaluated the relationships among the Company, Huanju Shidai, the VIEs and concluded that Huanju Shidai is the primary beneficiary of the VIEs. As a result, the VIEs' results of operations, assets and liabilities have been included in the Company's consolidated financial statements. The adoption of the new consolidation guidance effective January 1, 2010 did not change the Group's conclusions on consolidation.

As of December 31, 2011, the total assets of the consolidated VIEs were RMB181,850, mainly comprising cash and cash equivalents, accounts receivable, prepayments and other current assets, investment, property and equipment, intangible assets and deferred tax assets. As of December 31, 2011, the total liabilities of the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

1. Organization and principal activities (continued)

(d) Variable Interest Entities (continued)

Beijing Tuda (continued)

consolidated VIEs were RMB187,184, mainly comprising accounts payable, deferred revenue, accrued liabilities and other current liabilities, tax payable and advances from users.

In accordance with the aforementioned agreements, the Company has power to direct activities of the VIEs, and can have assets transferred out of the VIEs. Therefore the Company considers that there is no asset in the consolidated VIEs that can be used only to settle obligations of the consolidated VIEs, except for registered capital of the VIEs amounting to RMB31,000 as of December 31, 2011. As the consolidated VIEs were incorporated as limited liability companies under the PRC Company Law, the creditors do not have recourse to the general credit of the Company for all the liabilities of the consolidated VIEs.

Currently there is no contractual arrangement that could require the Company to provide additional financial support to the VIEs. As the Company is conducting its PRC internet value-added services business through the VIEs, the Company will, if needed provide such support on a discretional basis in the future, which could expose the Company to a loss.

There is no VIE where the Company has variable interest but is not the primary beneficiary.

(e) Share Split

On December 23, 2009, the board of directors of Duowan BVI approved a 1 to 490 share split of all of its outstanding common shares and a proportional adjustment to the existing conversion ratios for each series of preferred shares. Accordingly, all share, share option and per share amounts for all periods presented in these consolidated financial statements and notes thereto, have been adjusted retrospectively, where applicable, to reflect this share split and adjustment of the preferred shares conversion ratio.

2. Principal accounting policies

(a) Basis of presentation

The consolidated financial statements have been prepared on a historical cost basis to reflect the financial position and results of operations of the Group in accordance with the US GAAP.

(b) Consolidation

The Group's consolidated financial statements include the financial statements of the Company, its subsidiaries and its VIEs for which the Company or its subsidiary is the primary beneficiary. All transactions and balances among the Company, its subsidiaries and its VIEs have been eliminated upon consolidation.

The First Reorganization, the Second Reorganization and the Third Reorganization, as described in Note 1 have been accounted for at historical costs. The assets and liabilities of Guangzhou Huaduo and Beijing Tuda are consolidated in the Company's financial statements at carryover basis. The accompanying consolidated statements of operations and consolidated statements of cash flows include the results of operations and cash flows of the Group as if the current group structure had been in existence throughout the years ended December 31, 2009, 2010 and 2011, or since their respective dates of incorporation. The accompanying consolidated balance sheets have been prepared to present the financial position of the Group as of December 31, 2010 and 2011 as if the current group structure had been in existence as of these dates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

2. Principal accounting policies (continued)

(b) Consolidation (continued)

A subsidiary is an entity in which the Company, directly or indirectly, controls more than one half of the voting powers; or has the power to appoint or remove the majority of the members of the board of directors; or to cast a majority of votes at the meeting of directors; or has the power to govern the financial and operating policies of the investee under a statute or agreement among the shareholders or equity holders.

A VIE is an entity in which the Company, or its subsidiary, through contractual agreements, bears the risks of, and enjoys the rewards normally associated with ownership of the entity, and therefore the Company or its subsidiary is the primary beneficiary of the entity. In determining whether the Company or its subsidiaries are the primary beneficiary, the Company considered whether it has the power to direct activities that are significant to the VIEs economic performance, and also the Company's obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. Huanju Shidai and ultimately the Company holds all the variable interests of the VIEs and has been determined to be the primary beneficiary of the VIEs.

(c) Use of estimates

The preparation of the Company's consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from such estimates. The Company believes that lives of the game and lives of the user relationship related to online game revenue, the determination of estimated selling prices of multiple element revenue contracts, sales rebate to advertising agencies, income taxes, allowances for doubtful accounts, determination of share-based compensation expenses, impairment assessment of goodwill, long-lived assets and intangible assets, represent critical accounting policies that reflect more significant judgments and estimates used in the preparation of its consolidated financial statements.

Management bases the estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results could differ from these estimates.

(d) Foreign currency translation

The Group uses Renminbi ("RMB") as its reporting currency. The functional currency of the Company and its subsidiaries incorporated in the Cayman Islands, British Virgin Islands, and Hong Kong is United States dollar ("US$"), while the functional currency of the other entities and VIEs in the Group is RMB, which is their respective local currency. In the consolidated financial statements, the financial information of the Company, its subsidiaries and VIEs, which use US$ as their functional currency, have been translated into RMB. Assets and liabilities are translated at the exchange rates on the balance sheet date, equity amounts are translated at historical exchange rates, and revenues, expenses, gains, and losses are translated using the average exchange rate for the period. Translation adjustments arising from these are reported as foreign currency translation adjustments and are shown as a component of other comprehensive income or loss in the statement of changes in shareholders' equity and comprehensive income.

Foreign currency transactions denominated in currencies other than functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are remeasured at the applicable

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

2. Principal accounting policies (continued)

(d) Foreign currency translation (continued)

rates of exchange in effect at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from remeasurement at year-end are recognized in foreign currency exchange gains/ losses, net in the consolidated statement of operations.

(e) Convenience translation

Translations of amounts from RMB into US$ for the convenience of the reader were calculated at the noon buying rate of US$1.00 = RMB6.29 on December 31, 2011 as set forth in the H.10 statistical release of the U.S. Federal Reserve Board. No representation is made that the RMB amounts could have been, or could be, converted into US$ at such rate.

(f) Fair value of financial instruments

The Group's financial instruments consist principally of cash and cash equivalents, short-term deposits, accounts receivable, other receivables, amounts due from/(to) related parties, accounts payable and other payables. The carrying values of these balances approximate their fair values due to the current and short-term nature of these balances.

(g) Cash and cash equivalents

Cash and cash equivalents represent cash on hand, demand deposits and highly liquid investments placed with banks, which are unrestricted as to withdrawal or use, and which have original maturities of three months or less and are readily convertible to known amounts of cash.

(h) Short-term deposits

Short-term deposits represent time deposits placed with banks with original maturities of more than three months but less than one year. Interest earned is recorded as interest income in the consolidated statements of operations during the periods presented.

(i) Accounts receivable, net

Accounts receivable are presented net of allowance for doubtful accounts. The Group uses specific identification in providing for bad debts when facts and circumstances indicate that collection is doubtful and a loss is probable and estimable. If the financial conditions of its customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

(j) Equity investment

The equity investment is comprised of investments in privately-held companies. The Group accounts for its equity investment over which it has significant influence but does not own a majority equity interest or otherwise control using the equity method. The Group assesses its equity investment for other-than-temporary impairment by considering factors including, but not limited to, current economic and market conditions, operating performance of the companies, including current earnings trends and undiscounted cash flows, and other company-specific information. The fair value determination, particularly for investment in privately-held companies, requires judgment to determine appropriate estimates and assumptions. Changes in these estimates and assumptions could affect the calculation of the fair value of the investment and determination of whether any identified impairment is other-than-temporary.

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2. Principal accounting policies (continued)

(k) Cost investment

The cost investment is comprised of investments in privately-held companies. The Group accounts for cost investment which has no readily determinable fair value using the cost method. Under the cost method, the investment is measured initially at cost. The investment carried at cost should recognize income when dividends are received from the distribution of the investee's earnings. The Group periodically evaluates the carrying value of investments accounted for under the cost method of accounting and any impairment is included in the consolidated statements of operations.

(l) Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment loss, if any. Depreciation is calculated using the straight-line method over their estimated useful lives. Residual rate is determined based on the economic value of the equipment at the end of the estimated useful lives as a percentage of the original cost.

	Estimated useful lives	Residual rate
Servers, computers and equipment	3 years	0%-5%
Furniture, fixture and office equipment	5 years	5%
Motor vehicles	4 years	5%
Leasehold improvement	Shorter of lease term or 5 years	—

Expenditures for maintenance and repairs are expensed as incurred. The gain or loss on the disposal of property and equipment is the difference between the net sales proceeds and the carrying amount of the relevant assets and is recognized in the consolidated statements of operations.

All direct and indirect costs that are related to the construction of property and equipment and incurred before the assets are ready for their intended use are capitalized as construction in progress. Construction in progress is transferred to specific property and equipment items and depreciation of these assets commences when they are ready for their intended use.

(m) Business combinations

The Group accounts for acquisitions of entities that include inputs and processes and have the ability to create outputs as business combinations. The Group allocates the purchase price of the acquisition to the tangible assets, liabilities, and identifiable intangible assets acquired based on their estimated fair values. The excess of the purchase price over those fair values is recorded as goodwill. Acquisition-related costs generally are expensed as incurred.

(n) Intangible assets, net

Intangible assets mainly consist of software and domain names purchased from third parties. Identifiable intangible assets are carried at acquisition cost less accumulated amortization and impairment loss, if any. Finite-lived intangible assets are tested for impairment if impairment indicators arise. Amortization of finite-lived intangible assets is computed using the straight-line method over the following estimated useful lives, which are as follows:

	Estimated useful lives
Software	5 years
Domain name	15 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

2. Principal accounting policies (continued)

(o) Impairment of long-lived assets and intangible assets

For other long-lived assets including amortizable intangible assets, the Group evaluates for impairment whenever events or changes (triggering events) indicate that the carrying amount of an asset may no longer be recoverable. The Group assesses the recoverability of the long-lived assets by comparing the carrying value of the long-lived assets to the estimated undiscounted future cash flows expected to receive from use of the assets and their eventual disposition. Such assets are considered to be impaired if the sum of the expected undiscounted cash flows is less than the carrying amount of the assets. The impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

(p) Goodwill

Goodwill represents the excess of the purchase price over the amounts assigned to the fair value of the assets acquired and the liabilities assumed of an acquired business (Note 10).

(q) Annual test for impairment of goodwill

Goodwill assessment for impairment is performed on at least an annual basis on October 1 or whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. The Group performs a two-step goodwill impairment test. The first step compares the fair values of each reporting unit to its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill is not considered impaired and the second step will not be required. If the carrying amount of a reporting unit exceeds its fair value, the second step compares the implied fair value of the affected reporting unit's goodwill to the carrying value of that goodwill. The implied fair value of goodwill is determined in a manner similar to accounting for a business combination with the allocation of the assessed fair value determined in the first step to the assets and liabilities of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied fair value of goodwill. This allocation process is only performed for purposes of evaluating goodwill impairment and does not result in an entry to adjust the value of any assets or liabilities. An impairment loss is recognized for any excess in the carrying value of goodwill over the implied fair value of goodwill. The judgment in estimating the fair value of reporting units includes estimating future cash flows, determining appropriate discount rates and making other assumptions. Changes in these estimates and assumptions could materially affect the determination of the fair value of each reporting unit.

No goodwill impairment losses were recognized for the years ended December 31, 2009, 2010 and 2011.

(r) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating lease are charged to the consolidated statements of operations on a straight-line basis over the period of the lease.

(s) Revenue recognition

The Group generates revenues from internet value-added services ("IVAS") and online advertising. Revenues from IVAS are generated from online games, YY music, membership subscription fees and other IVAS. Online advertising revenues are primarily generated from sales of different forms of advertising on

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

2. Principal accounting policies (continued)

(s) Revenue recognition (continued)

the Group's platform. Revenue is recognized when persuasive evidence of an arrangement exists, service has been rendered, the price is fixed or determinable and collection is reasonably assured. Revenue is deferred until these criteria are met as described above.

In October 2009, the Financial Accounting Standards Board (the "FASB") issued a new guidance to address the accounting for multiple-deliverable arrangements. This new guidance is effective prospectively in fiscal years beginning upon or after June 15, 2010, and early adoption is permitted. The Group has elected early adoption of this new guidance through a retrospective application to all revenue arrangements for all periods presented of the financial statements.

(i) Internet value-added services

The Group operates a virtual currency system, under which, the users can directly purchase virtual currency, virtual items on YY Client's online community channels or pay membership subscription fees via online payment systems provided by third parties including payments using mobile phone, internet debit/credit card payment and other third party payment systems. The virtual currency can be converted into game tokens that can be used to purchase virtual items in online games (both developed by third parties and self-developed), or used directly to purchase virtual items on YY Client's online community channels or used to pay membership subscription fees. Virtual currency sold but not yet consumed by the purchasers is recorded as "Advances from users" and upon conversion or being used, is recognized as revenue according to the respective prescribed revenue recognition policies addressed below:

(1) Online game revenue

The Group generates revenues from offering virtual items in online games developed by third parties or the Group itself to gaming players. Historically, the majority of online game revenues for the three years ended December 31, 2009, 2010 and 2011 were derived from third parties developed games.

Users play games through the Group's platform free of charge and are charged for purchases of virtual items including consumable and perpetual items, which can be utilized in the online games to enhance their game-playing experience. Consumable items represent virtual items that can be consumed by a specific user within a specified period of time. Perpetual items represent virtual items that are accessible to the users' account over the life of the online game. All of the online games can be accessed and played by end users on the Group's platform without downloading separate software.

The Group recognizes revenue when recognition criteria defined under US GAAP are satisfied. For purposes of determining when the service has been provided to the paying player, the Group has determined that an implied obligation exists to the paying player to continue providing access to the games such that the users can utilize the virtual items purchased by game tokens. Game players need to log on and access the games through the Group's platform because their game tokens, virtual items, and game history are specific to the Group's game accounts and non-transferable to other platforms. To purchase in-game virtual items, players can either charge their game accounts by purchasing game tokens or virtual currency from the Group's platform, which are convertible into game tokens based on a predetermined exchange rate agreed among the Group and the relevant game developers.

The proceeds from the purchase of the Group's virtual currency is recorded as "advances from users", representing prepayments received from users in the form of the Group's virtual currency not yet converted

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

2. Principal accounting policies (continued)

(s) Revenue recognition (continued)

(i) Internet value-added services (continued)

(1) Online game revenue (continued)

into game specific tokens. Upon the conversion into a game token from the Group's virtual currency or upon the direct purchase of a game token, whichever is applicable, the proceeds will be shared between the Group and the relevant game developer based on a predetermined contractual ratio. Game tokens are non-refundable and non-exchangeable among different games. The Group's portion, net of the game developer's proceeds, is recorded as deferred revenue and amortized according to the prescribed revenue recognition policies described below. Users typically do not convert the virtual currency into game tokens or purchase the game tokens unless they soon plan to purchase in-game virtual items.

- Third party developed online games

Pursuant to contracts signed between the Group and the respective game developers, revenues from the sale or conversion of game tokens to be used for the purchase of in-game virtual items from online games developed by third parties are shared between the Group and the game developers based on a pre-agreed ratio for each game. These revenue-sharing contracts typically last one to two years.

The third party developed games are all under non-exclusive licensing contracts, maintained and updated by the game developers. The Group view the game developers to be the Group's customers and consider the Group's responsibility under the Group's agreements with the game developers to be promotion of the game developers' games. The Group mainly provides access platform and limited after-sale services to the game players. The determination of whether to record these revenues using gross or net method is based on an assessment of various factors. The primary factors are whether the Group is acting as the principal in offering services to the game players or as agent in the transaction, and the specific requirement of each contract. The Group determined that for third party developed games, the third party game developers are the principal given the game developers design and develop the web-game services offered, have reasonable latitude to establish prices of game tokens, and are responsible for maintaining and upgrading the game contents and virtual items. Accordingly, the Group records online game revenue, net of the pre-agreed portion of sharing of the revenues with the game developers.

Given that third party developed games are managed and administered by the third party game developers, the Group does not have access to the data on the consumption details such as when the game token is spent on the virtual items or the types of virtual items (consumable or perpetual items) purchased by each individual game player. However, the Group maintains historical data on timing of the conversion of its virtual currency into game specific tokens and the amount of purchases of game tokens. The Group believes that its performance for, and obligation to, the game developers corresponds to the game developers' services to the users. The Group has adopted a policy to recognize revenues relating to game tokens for third party developed games over the estimated user relationship with the Group on a game-by-game basis, which are approximately three to six months for the periods presented. Future usage patterns may differ from historical usage patterns and therefore the estimated user relationship with the Group may change in the future.

When the Group launches a new game, it estimates the user relationship based on other similar types of games in the market until the new game establishes its own history. The Group considers the games profile, attributes, target audience, and its appeal to players of different demographics groups in estimating the user relationship period.

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2. Principal accounting policies (continued)

(s) Revenue recognition (continued)

(i) Internet value-added services (continued)

(1) Online game revenue (continued)

To estimate the user relationship period, the Group maintains a software system that captures the following information for each user: (a) the frequency that users log into each game via the Group's platform, and (b) the amount and the timing of when the users convert or charge his or her game tokens. The Group estimates the user relationship period for a particular game to be (1) the date a player purchases or converts from virtual currency to a game token through (2) the date the Group estimates the user plays the game for the last time. This computation is completed on a user by user basis. Then, the results for all analyzed users are averaged to determine one estimated end user relationship period for each game. Each month's in-game payments are recognized over the user relationship period calculated for that game.

The consideration of user relationship with each online game is based on the Group's best estimate that takes into account all known and relevant information at the time of assessment. The Group assesses the estimated user relationships on a quarterly basis. Any adjustments arising from changes in the user relationship as a result of new information will be accounted as a change in accounting estimate in accordance with ASC 250 Accounting Changes and Error Corrections.

- *Self-developed games*

Revenues derived from self-developed games are recorded on a gross basis as the Group acts as a principal to fulfill all obligations. The Group does not maintain information on consumption details of in-game virtual items, and only has limited information related to the frequency of log-ons for its two self developed games. Given that certain historical data is not available, the Group uses the user relationship of third party games with similar popularity, gaming experience and sales to determine the estimated period of user relationship for its self-developed games. The estimated user relationship period of the Group's self-developed games are approximately four months for the periods presented.

(2) YY music revenue

YY Music revenue consists of sales of virtual items to be used on YY Client's music channels. Users use the Group's virtual currencies to purchase virtual items to show support for their favorite performers or gain access to privileges and special features in the channels. The Group operates the YY platform and offer virtual items in the music channels so the Group has primary responsibility to the end users. Accordingly, revenues are recognized on a gross basis because the Group is the primary obligor in the arrangement. Revenue is recognized for the sale of virtual items sold in YY Music channels immediately if the virtual item is a consumable or, in the case of time-based virtual items, recognized ratably over the period each virtual item is made available to the user, which does not exceed one year. The Group does not have further obligations to the user after the virtual items are consumed. Virtual items may be sold individually or bundled into one arrangement. When the Group's customers purchase multiple virtual items bundled within the same arrangement, the Group evaluate such arrangements under ASC 605-25 *Multiple-Element Arrangements* ("ASC 605-25"). The Group identifies the deliverables under the arrangement and determines if such deliverables meet the criteria to be accounted for as separate units of accounting. The Group allocates the arrangement consideration to those separate units based on their relative selling price. The Group recognizes revenue for each unit of accounting in accordance with the applicable revenue recognition method, assuming all other revenue recognition criteria are met.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

2. Principal accounting policies (continued)

(s) Revenue recognition (continued)

(i) Internet value-added services (continued)

(3) Other revenue

Other revenue mainly represents membership subscription revenue, server rental income, technical support fees, and revenue from the sale of other items on the YY platform.

The Group operates a membership subscription program where subscription members can have enhanced user privileges when using YY Client. The membership fee is collected up-front from subscribers. The receipt of the revenue is initially recorded as deferred revenue and revenue is recognized ratably over the period of the subscription as services are rendered. Unrecognized portion beyond 12 months from balance sheet date is classified as long-term deferred revenue.

Server rental income is recognized on a straight-line basis over the rental period.

(ii) Advertising revenues

Advertising revenues are derived principally from advertising arrangements where the advertisers pay to place their advertisements on the Group's platform in different formats over a particular period of time. Such formats generally include but are not limited to banners, text-links, videos, logos, and buttons. Advertisements on the Group's platform are generally charged on the basis of duration, and advertising contracts are signed to establish the fixed price and the advertising services to be provided. Where collectability is reasonably assured, advertising revenues from advertising contracts are recognized ratably over the contract period of display.

The Group enters into advertising contracts directly with advertisers or third party advertising agencies that represent advertisers. Contract terms generally range from 1 to 3 months. Both third party advertising agencies and direct advertisers are generally billed at the end of the display period and payments are due usually within 6 months.

Where customers purchase multiple advertising spaces with different display periods in the same contract, the Group allocates the total consideration to the various advertising elements based on the relative selling price method and recognizes revenue for the different elements over their respective display periods. The following hierarchy should be followed when determining the appropriate selling price for each element: (1) vendor specific objective evidence ("VSOE"), (2) third party evidence ("TPE"), and (3) best estimate of selling price ("BESP"). Given that the VSOE or TPE of the selling price cannot be determined, the Group has adopted a policy to allocate the fair values of different advertising elements based on the best estimate selling prices of each advertisement within the contract taking into consideration the standard price list and historical discounts granted. The Group recognizes revenue on the elements delivered and defers the recognition of revenue for the fair value of the undelivered elements until the remaining obligations have been satisfied. Where all of the elements within an arrangement are delivered uniformly over the agreement period, the revenues are recognized on a straight line basis over the contract period.

Transactions with third party advertising agencies

For contracts entered into with third party advertising agencies, the third party advertising agencies will in turn sell the advertising services to advertisers. Revenue is recognized ratably over the contract period of display based on the following criteria:

- There is persuasive evidence that an arrangement exists—the Group will enter into framework and execution agreements with the advertising agencies, specifying price, advertising content, format and timing

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

2. Principal accounting policies (continued)

(s) Revenue recognition (continued)

(ii) Advertising revenues (continued)

Transactions with third party advertising agencies (continued)

- Price is fixed or determinable—price charged to the advertising agencies are specified in the agreements, including relevant discount and rebate rates
- Services are rendered—the Group recognizes revenue ratably as the element are delivered over the contract period of display
- Collectability is reasonably assured—the Group assesses credit history of each advertising agency before entering into any framework and execution agreements. If the collectability from the agencies is assessed as not reasonably assured, the Group recognizes revenue only when the cash is received and all the other revenue criteria are met

The Group provides sales incentives in the forms of discounts and rebates to third party advertising agencies based on purchase volume. As the advertising agencies are viewed as the customers in these transactions, revenue is recognized based on the price charged to the agencies, net of sales incentives provided to the agencies. Sales incentives are estimated and recorded at the time of revenue recognition based on the contracted rebate rates and estimated sales volume based on historical experience.

Transactions with advertisers

The Group also enters into advertisement contracts directly with advertisers. Similar to transactions with third party advertising agencies, the Group recognizes revenue ratably as the elements are delivered over the contract period of display. The terms and conditions, including price, are fixed according to the contract between the Group and the advertisers. The Group also performs a credit assessment of all advertisers prior to entering into contracts. Revenue is recognized based on the amount charged to the advertisers, net of discounts.

(t) Advances from users and deferred revenue

Advances from users are prepayments from users in the form of the Group’s virtual currency that are not yet consumed or converted into game tokens, and upon the consumption or conversion, are recognized as revenue according to the prescribed revenue recognition policies described above. Deferred revenue primarily consists of the unamortized game tokens and prepaid subscriptions under the membership program, where there is still an implied obligation to be provided by the Group, which will be recognized as revenue when all of the revenue recognition criteria are met.

(u) Cost of revenues

Amounts recorded as cost of revenue relate to direct expenses incurred in order to generate IVAS and advertising revenue. Such costs are recorded as incurred. Cost of revenues consists primarily of (i) bandwidth costs, (ii) depreciation and amortization expense for servers and other equipment or intangibles directly related to operating the platform, (iii) personnel expenses such as salary and welfare expenses and share-based compensation, (iv) payment handling cost, (iv) business taxes and related surcharges, (v) YY music activities costs, and (vi) other costs.

In the PRC, business taxes are imposed by the government on the revenues reported by the selling entities for the provision of taxable services in the PRC, transfer of intangible assets and the sale of immovable properties in the PRC. The business tax rate varies depending on the nature of the revenues. The Group is

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2. Principal accounting policies (continued)

(u) Cost of revenues (continued)

also subject to cultural development fee on the provision of advertising services in the PRC. The subsidiaries/VIEs' advertising revenues earned from external customers are subject to business taxes, surcharges and cultural development fees of 8.5%, 8.5% and 8.6% for the year ended December 31, 2009, 2010 and 2011. The VIEs' IVAS revenue earned from external customers are subject to business taxes and surcharges of 3.30%, 3.30% and 3.36% for the year ended December 31, 2009, 2010 and 2011. As a result of the Group's current structure in the PRC and future intercompany transactions between the VIEs and Huanju Shidai, the Group's revenues might be subject to business tax and surcharge more than once.

The Group includes the business tax and surcharges, and cultural development fees incurred in cost of revenues. The business tax and surcharges, and cultural development fees included in cost of revenues for the years ended December 31, 2009, 2010 and 2011 were RMB2,328, RMB7,186 and RMB16,462, respectively.

(v) Research and development expenses

Research and development costs consist primarily of (i) salary and benefits for our research and development personnel, and (ii) rental and depreciation of office premise and servers utilized by the research and development personnel. The costs to develop the YY gaming platform, including the costs to develop the websites, new services and features, are expensed as incurred.

Costs incurred during the research stage are expensed as incurred. Costs incurred in the development stage, prior to the establishment of technological feasibility, which is when a working model is available, are expensed when incurred.

Development costs incurred for the years ended December 31, 2009, 2010 and 2011 that were qualified for capitalization were insignificant.

(w) Sales and marketing expenses

Sales and marketing expenses comprise primarily of salary, commission, stock based compensation expenses, and benefits of sales and marketing personnel and advertising and market promotion expenses. The advertising and market promotion expenses amounted to approximately RMB2,137, RMB1,773 and RMB4,234 during the years ended December 31, 2009, 2010 and 2011, respectively.

(x) General and administrative expenses

General and administrative expenses consist primarily of salary and benefits, including share-based compensation for general and administrative personnel, professional service fees, legal expenses and other administrative expenses.

(y) Government grants

Government grants represent cash subsidies received from the PRC government by the operating subsidiaries or VIEs of the Company. Government grants are originally recorded as deferred revenue when received upfront. After all of the conditions specified in the grants have been met, the grants are recognized as operating or non-operating income based on the nature of the government grants.

(z) Share-based compensation

The Company grants stock-based award, such as, but not limited to, share options, restricted shares, restricted share units and warrants to eligible employees, officers, directors, and non-employee consultants.

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2. Principal accounting policies (continued)

(z) Share-based compensation (continued)

Awards granted to employees, officers, and directors are initially accounted for as equity-classified awards. The related shared-based compensation expenses are measured at the grant date fair value of the award and are recognized using the graded vesting method, net of estimated forfeiture rates, over the requisite service period, which is generally the vesting period. Duowan BVI also granted share options and restricted shares to non-employees. Awards granted to non-employees are initially measured at fair value on the grant date and periodically remeasured thereafter until the earlier of the performance commitment date or the date the service is completed and recognized over the period the service is provided. Awards are remeasured at each reporting date using the fair value as at each period end until the measurement date, generally when the services are completed and awards are vested. Changes in fair value between the interim reporting dates are attributed consistent with the method used in recognizing the original compensation costs.

As a result of Duowan BVI's repurchases of certain awards offered in 2009 and in 2011 (Note 18), certain initially equity classified employee and non-employee awards had been reclassified as a liability classified award, as these awards were deemed to have a substantive cash settlement feature. These awards are re-measured at the end of each reporting period until either the substantive cash settlement is terminated or the holder of the awards is exposed to the market value fluctuation of the underlying shares for a reasonable period of time (at least six months), or the awards are settled, cancelled or expire unexercised.

On September 15, 2011, the board of directors of the Company resolved not to undertake any repurchases of vested or unvested share-based compensation awards, except under those conditions specified in the relevant award scheme and grant documents. In addition, any proposed repurchase of vested or unvested share-based compensation awards should be approved by the majority votes of the board of directors. Such intention of the Company was specifically communicated to all employees with or without the awards. All the employees with vested or unvested awards also confirmed such understanding by a written confirmation. Accordingly, the classification of the liability-classified awards changed back to be equity-classified.

Share-based compensation expense is recorded net of estimated forfeitures so that expense is recorded for only those stock-based awards that we expect to vest. Forfeitures are estimated at the time of grant based on historical forfeiture rates and will be revised in the subsequent periods if actual forfeitures differ from those estimates.

The Binomial option-pricing model is used to measure the fair value of all the share options. The determination of the fair value is affected by the share price as well as assumptions regarding a number of complex and subjective variables, including the expected share price volatility, actual and projected employee and non-employee share option exercise behavior, risk-free interest rates and expected dividends. The use of the Binomial option-pricing model requires extensive actual employee, directors, officers and non-employee exercise behavior data for the relative probability estimation purpose, and a number of complex assumptions.

(aa) Income taxes

Current income taxes are provided on the basis of net income for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes, in accordance with the regulations of the relevant tax jurisdictions. Deferred income taxes are accounted for using an asset and liability method. Under this method, deferred income taxes are recognized for the tax consequences of temporary differences by applying enacted statutory rates applicable to future years to differences between

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2. Principal accounting policies (continued)

(aa) Income taxes (continued)

the financial statement carrying amounts and the tax bases of existing assets and liabilities. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purpose. The effect on deferred taxes of a change in tax rates is recognized in statement of operations in the period of change. A valuation allowance is provided to reduce the amount of deferred tax assets if it is considered more likely than not that some portion of, or all of the deferred tax assets will not be realized.

Uncertain tax positions

The guidance on accounting for uncertainties in income taxes prescribes a more likely than not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Guidance was also provided on derecognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods, and income tax disclosures. Significant judgment is required in evaluating the Group's uncertain tax positions and determining its provision for income taxes. The Group recognizes interests and penalties, if any, under accrued expenses and other current liabilities on its balance sheet and under other expenses in its statements of operations. The Group did not recognize any significant interest and penalties associated with uncertain tax positions for the years ended December 31, 2009, 2010 and 2011. As of December 31, 2010 and 2011, the Group did not have any significant unrecognized uncertain tax positions.

(bb) Employee social security and welfare benefits

Employees of the Group in the PRC are entitled to staff welfare benefits including pension, work-related injury benefits, maternity insurance, medical insurance, unemployment benefit and housing fund plans through a PRC government-mandated multi-employer defined contribution plan. The Group is required to accrue for these benefits based on certain percentages of the employees' salaries, up to a maximum amount specified by the local government. The Group is required to make contributions to the plans out of the amounts accrued. The PRC government is responsible for the medical benefits and the pension liability to be paid to these employees and the Group's obligations are limited to the amounts contributed and no legal obligation beyond the contributions made. Employee social security and welfare benefits included as expenses in the accompanying statements of operations amounted to RMB3,731, RMB10,217 and RMB23,657, for the years ended December 31, 2009, 2010 and 2011, respectively.

(cc) Statutory reserves

The Group's subsidiaries and VIEs established in the PRC are required to make appropriations to certain non-distributable reserve funds.

In accordance with the laws applicable to China's Foreign Investment Enterprises, the Group's subsidiaries registered as wholly-owned foreign enterprises (Huanju Shidai, Zhuhai Duowan and Zhuhai Duowan Technology) have to make appropriations from its after-tax profit (as determined under the Accounting Standards for Business Enterprises as promulgated by the Ministry of Finance of the People's Republic of China ("PRC GAAP")) to reserve funds including general reserve fund, and staff bonus and welfare fund. The appropriation to the general reserve fund must be at least 10% of the after-tax profits calculated in accordance with PRC GAAP. Appropriation is not required if the reserve fund has reached 50% of the registered capital of the company. Appropriation to the staff bonus and welfare fund is at the company's discretion.

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2. Principal accounting policies (continued)

(cc) Statutory reserves (continued)

In addition, in accordance with the Company Laws of the PRC, the VIEs of the Company registered as PRC domestic companies (Guangzhou Huaduo and Beijing Tuda) must make appropriations from its after-tax profit as determined under the PRC GAAP to non-distributable reserve funds including a statutory surplus fund and a discretionary surplus fund. The appropriation to the statutory surplus fund must be at least 10% of the after-tax profits as determined under the PRC GAAP. Appropriation is not required if the surplus fund has reached 50% of the registered capital of the company. Appropriation to the discretionary surplus fund is made at the discretion of the company.

The use of the general reserve fund, statutory surplus fund and discretionary surplus fund are restricted to the off-setting of losses or increasing capital of the respective company. The staff bonus and welfare fund is a liability in nature and is restricted to fund payments of special bonus to staff and for the collective welfare of employees. All these reserves are not allowed to be transferred to the company in terms of cash dividends, loans or advances, nor can they be distributed except under liquidation.

The Group did not make any appropriation to its general reserve fund, statutory surpluses fund, discretionary surplus fund, and the staff bonus and welfare fund for the years ended December 31, 2009, 2010 and 2011, respectively, as the PRC subsidiaries and VIEs reported accumulated losses.

(dd) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or significant influence, such as a family member or relative, shareholder, or a related corporation. See also Note 20 for further information.

(ee) Dividends

Dividends are recognized when declared. No dividends were declared for the years ended December 31, 2009, 2010 and 2011, respectively. The Group does not have any present plan to pay any dividends on common shares in the foreseeable future. The Group currently intends to retain the available funds and any future earnings to operate and expand its business.

(ff) Loss per share

Basic loss per share is computed by dividing net loss attributable to common shareholders, considering the accretion of redemption feature, deemed dividend to preferred shareholders and amortization of beneficial conversion feature related to its convertible redeemable preferred shares (Note 17), by the weighted average number of common shares outstanding during the period using the two-class method. Under the two-class method, net income is allocated between common shares and other participating securities based on their participating rights. Net losses are not allocated to other participating securities if based on their contractual terms they are not obligated to share the losses.

Diluted loss per share is calculated by dividing net loss attributable to common shareholders, as adjusted for the effect of dilutive common equivalent shares, if any, by the weighted average number of common and dilutive common equivalent shares outstanding during the period. Common equivalent shares consist of common shares issuable upon the conversion of the preferred shares, using the if-converted method, and shares issuable upon the exercise of share options using the treasury stock method. Common equivalent shares are not included in the denominator of the diluted loss per share calculation when inclusion of such share would be anti-dilutive.

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2. Principal accounting policies (continued)

(gg) Comprehensive loss

Comprehensive loss is defined as the change in equity of the Company during a period arising from transactions and other events and circumstances excluding transactions resulting from investments by shareholders and distributions to shareholders. Comprehensive loss is reported in the consolidated statements of shareholders' deficits and comprehensive loss. Accumulated other comprehensive loss of the Group includes the foreign currency translation adjustments.

(hh) Segment reporting

Operating segments are defined as components of an enterprise engaging in businesses activities for which separate financial information is available that is regularly evaluated by the Group's chief operating decision makers in deciding how to allocate resources and assess performance. The Group's chief operating decision maker has been identified as the Chief Executive Officer, who reviews consolidated results when making decisions about allocating resources and assessing performance of the Group. The Group has internal reporting of cost and expenses that does not distinguish between segments, and reports costs and expenses by nature as a whole. The Group does not distinguish between markets or segments for the purpose of internal reporting. Hence, the Group has only one operating segment. As the Group's long-lived assets and revenue are substantially located in and derived from the PRC, no geographical segments are presented.

(ii) Internal use software

The Company recognizes internal use software development costs in accordance with guidance on intangible assets and internal use software. This requires capitalization of qualifying costs incurred during the software's application development stage and to expense costs as they are incurred during the preliminary project and post implementation/operation stages. The Company has not capitalized any costs related to internal use software during the years ended December 31, 2009, 2010 and 2011, respectively.

(jj) Recently issued accounting pronouncements

In May 2011, the FASB issued Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs, an accounting standard update which amended the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. For public entities, the amendments are effective prospectively during interim and annual periods beginning after December 15, 2011. Early application by public entities is not permitted. This amendment is not expected to have a material impact on the Group's financial position, results of operations or cash flows.

In June 2011, the FASB issued an accounting standards update on the presentation of comprehensive income under which the option to present the components of other comprehensive income as part of the statement of shareholders' equity has been eliminated. The standard requires other comprehensive income be presented as part of a single continuous statement of comprehensive income or in a statement of other comprehensive income immediately following the statement of operations. Reclassification adjustments from other comprehensive income to net income must be presented on the face of the financial statements. This standard must be retrospectively applied to all reporting periods presented in financial reports issued after the effective date. The new accounting guidance is effective for interim and annual periods beginning after December 15, 2011. The Group intends to provide the required financial reporting presentation upon the effective date of this standard. The adoption of this guidance will change the presentation of the Group's financial statement but will not affect the calculation of net income, comprehensive income or earnings per share.

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2. Principal accounting policies (continued)

(jj) Recently issued accounting pronouncements (continued)

In August 2011, the FASB approved changes to the goodwill impairment guidance that are intended to reduce the cost and complexity of the annual impairment test. The changes will provide entities an option to perform a "qualitative" assessment to determine whether further impairment testing (i.e. step 2) is necessary. If an entity believes, as a result of its qualitative assessment, that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is required. Otherwise, no further testing is required. The final standard was issued in September 2011. The changes will be effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011 and earlier adoption is permitted.

In December 2011, the FASB issued a further authoritative pronouncement, Accounting Standard Update, or ASU 2011-12, Deferral of the Effective Date for Amendments to the Presentation of Reclassification of Items Out of Accumulated Other Comprehensive Income in ASU 2011-05, Presentation of Comprehensive Income. Under the amendments in ASU 2011-05, entities are required to present reclassification adjustments and the effect of those reclassification adjustments on the face of the financial statements where net income is presented, by component of net income, and on the face of the financial statements where other comprehensive income is presented, by component of other comprehensive income. In addition, the amendments in ASU 2011-05 require that reclassification adjustments be presented in interim financial periods. The amendments supersede changes to those paragraphs in ASU 2011-05 that pertain to how, when, and where reclassification adjustments are presented. Due to the time required to properly make such a reassessment and to evaluate alternative presentation formats, the Board decided that it is necessary to reinstate the requirements for the presentation of reclassifications out of accumulated other comprehensive income that were in place before the issuance of ASU 2011-05. The amendments in this ASU are effective for public entities for fiscal years, and interim periods within those years, beginning after December 15, 2011. The Group is in the process of evaluating the presentation requirements of adopting this guidance.

In December 2011, the FASB issued an authoritative pronouncement on disclosures about offsetting assets and liabilities. Under this pronouncement, entities are required to disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. This scope would include derivatives, sale and repurchase agreements and reverse sale and repurchase agreements, and securities borrowing and securities lending arrangements. An entity is required to apply the amendments for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. An entity should provide the disclosures required by those amendments retrospectively for all comparative periods presented. This pronouncement is not expected to have a material impact on the Group's financial position, results of operations or cash flows.

3. Certain risks and concentration

(a) PRC regulations

Foreign ownership of internet-based businesses is subject to significant restrictions under the current PRC laws and regulations. The PRC government regulates internet access, the distribution of online information and the conduct of online commerce through strict business licensing requirements and other government regulations. These laws and regulations also limit foreign ownership in PRC companies that provide internet information distribution services. Specifically, foreign ownership in an internet information provider or other value-added telecommunication service providers may not exceed 50%. Foreigners or foreign invested enterprises are currently not able to apply for the required licenses for operating online games in the PRC.

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3. Certain risks and concentration (continued)

(a) PRC regulations (continued)

The Company is incorporated in the Cayman Islands and accordingly, the Company is considered as a foreign invested enterprise under PRC law.

In order to comply with the PRC laws restricting foreign ownership in the online business in China, the Group operates the online business in China through contractual arrangements with Guangzhou Huaduo and Beijing Tuda, the Group's two VIEs. As of December 31, 2011, Mr. David Xueling Li, CEO, Mr. Jun Lei, Chairman of the Company, Mr. Tony Bin Zhao, Chief Technology Officer, Mr. Jin Cao, General Manager of the Website Department, and Beijing Tuda own approximately 1.7%, 1.5%, 0.1%, 0.1% and 96.6% of Guangzhou Huaduo's equity interests, respectively. As of December 31, 2011, Mr. David Xueling Li, CEO, Mr. Tony Bin Zhao, Chief Technology Officer, and Mr. Jin Cao, General Manager of Website Department, own 97.7%, 1.5% and 0.8% of Beijing Tuda's equity interests, respectively.

The VIEs hold the licenses and permits necessary to conduct its internet value-added services and online advertising business in the PRC. If the Company had direct ownership of the VIEs, it would be able to exercise its rights as a shareholder to effect changes in the board of directors, which in turn could affect changes at the management level, subject to any applicable fiduciary obligations. However, under the current contractual arrangements, it relies on the VIEs and its' shareholders' performance of their contractual obligations to exercise effective control. In addition, the Group's contractual agreements have terms range from 10 to 30 years, which are subject to Huanju Shidai's unilateral termination right.

Under the respective service agreements, Huanju Shidai will provide services including technology support, technology services, business support and consulting services to Beijing Tuda and Guangzhou Huaduo in exchange for service fees. The amount of service fees payable is determined by various factors, including (a) a percentage of Beijing Tuda and Guangzhou Huaduo's revenues or earnings, and (b) the expenses that Huanju Shidai incurs for providing such services. Huanju Shidai may charge up to 100% of the income in Beijing Tuda and Guangzhou Huaduo and a multiple of the expenses incurred for providing such services, as determined by Huanju Shidai from time to time. The service fees payable by Beijing Tuda and Guangzhou Huaduo to Huanju Shidai are determined to be up to 100% of the profits of the Beijing Tuda and Guangzhou Huaduo, with the timing of such payment to be determined at the sole discretion of Huanju Shidai. As of December 31, 2010 and 2011, Huanju Shidai determined that zero service fees were incurred and retained by Beijing Tuda and Guangzhou Huaduo, respectively, because both VIEs had operating losses since inception. Therefore, no fees were recorded in any intercompany payable accounts. No service fee was paid prior to December 31, 2011. If fees were incurred, it would be significant to the Company and the operating companies' economic performance because it will be incurred and paid at up to 100% of the earnings of the VIEs. Fees incurred would be remitted, subject to further PRC restrictions. None of the VIEs or their shareholders are entitled to terminate the contracts prior to the expiration date, unless under remote circumstances such as a material breach of agreement or bankruptcy as it pertains to the service and business operation agreements and their amendment.

Further, the Group believes that the contractual arrangements among Huanju Shidai, the VIEs, and their shareholders are in compliance with PRC law and are legally enforceable. However, the PRC government may issue from time to time new laws or new interpretations on existing laws to regulate this industry. Regulatory risk also encompasses the interpretation by the tax authorities of current tax laws, and the Group's legal structure and scope of operations in the PRC, which could be subject to further restrictions resulting in limitations on the Company's ability to conduct business in the PRC. The PRC government may also require the Company to restructure the Group's operations entirely if it finds that its contractual arrangements do not comply with applicable laws and regulations. Furthermore, it could revoke the Group's

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3. Certain risks and concentration (continued)

(a) PRC regulations (continued)

business and operating licenses, require it to discontinue or restrict its operations, restrict its right to collect revenues, block its website, require it to restructure its operations, impose additional conditions or requirements with which the Group may not be able to comply, or take other regulatory or enforcement actions against the Group that could be harmful to its business. The imposition of any of these penalties may result in a material and adverse effect on the Group's ability to conduct the Group's business. In addition, if the imposition of any of these penalties causes the Group to lose the rights to direct the activities of the VIEs or the right to receive their economic benefits, the Group would no longer be able to consolidate the VIEs. The Group does not believe that any penalties imposed or actions taken by the PRC government would result in the liquidation of the Company, Huanju Shidai, and the VIEs.

The following consolidated financial information of the Group's VIEs was included in the accompanying consolidated financial statements as of and for the years ended:

	December 31,	
	2010	2011
	RMB	RMB
Total assets	60,161	181,850
Total liabilities	79,612	187,184

	For the year ended December 31,		
	2009	2010	2011
	RMB	RMB	RMB
Net revenue	18,173	96,102	245,633
Net loss	(25,400)	(139,466)	(66,077)

	For the year ended December 31,		
	2009	2010	2011
	RMB	RMB	RMB
Net cash provided by operating activities	5,406	18,554	70,570
Net cash used in investing activities	(4,617)	(24,763)	(46,475)
Net cash provided by financing activities	1,071	28,560	50,444
	1,860	22,351	74,539

(b) Foreign exchange risk

The revenues and expenses of the Group's subsidiaries and VIEs in the PRC are generally denominated in RMB and their assets and liabilities are denominated in RMB. The Group's financing activities are denominated in U.S. dollars. The RMB is not freely convertible into foreign currencies. Remittances of foreign currencies into the PRC and exchange of foreign currencies into RMB require approval by foreign exchange administrative authorities and certain supporting documentation. The State Administration for Foreign Exchange, under the authority of the People's Bank of China, controls the conversion of RMB into other currencies.

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3. Certain risks and concentration (continued)

(c) Concentration of risks

(1) Concentration of online game revenue

The Group depends on the success of a limited number of online games to generate revenue. The top 5 games account for 89%, 87% and 66% of the total online game revenue for the years ended December 31, 2009, 2010 and 2011, respectively.

The following table summarizes the games that account for more than 10% of the Group's online game revenues:

	For the year ended December 31,		
	2009	2010	2011
Online game			
A1	11%	*	*
A2	18%	63%	47%
A3	46%	11%	*
A4	*	*	10%

(2) Concentration of online advertising revenue

The Group depends on a limited number of customers for online advertising revenues. The top 10 customers accounted for 79%, 94% and 98% of the total online advertising revenues for the years ended December 31, 2009, 2010 and 2011, respectively.

The following table summarizes the percentage of the Group's online advertising revenues from customers with over 10% of total online advertising revenues:

	For the year ended December 31,		
	2009	2010	2011
Customer			
B1	27%	13%	12%
B2	21%	28%	36%
B3	*	16%	12%
B4	*	10%	22%

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3. Certain risks and concentration (continued)

(c) Concentration of risks (continued)

(3) Concentration of accounts receivable

The Group collects accounts receivable for online game revenue from collection agencies and accounts receivable for online advertising revenue from customers. The Group depends on payments from a limited number of the collection agencies and customers. The top 10 accounts receivable accounted for 76%, 92% and 86% of the total accounts receivable as of December 31, 2009, 2010 and 2011, respectively.

The following table summarizes the percentage of accounts receivable from collection agencies and customers with over 10% of total accounts receivable:

	December 31,		
	2009	2010	2011
Collection agencies and customers			
B1	23%	12%	12%
B2	21%	24%	31%
B3	*	19%	12%
B5	*	12%	*

* Less than 10%

(d) Credit risk

As of December 31, 2010 and 2011, substantially all of the Group's cash and cash equivalents and short-term deposits were held by two and three financial institutions, which are all located in Hong Kong and the PRC. Management chooses these institutions because of their reputations and track records for stability, and their known large cash reserves, and management periodically reviews these institutions' reputations, track records, and reported reserves. Management expects that any additional institutions that the Group uses for its cash and bank deposits will be chosen with similar criteria for soundness. The balances in the PRC are not insured since it is not a market practice in the PRC. Nevertheless under the PRC law, it is required that a commercial bank in the PRC that holds third party cash deposits should maintain a certain percentage of total customer deposits taken in a statutory reserve fund for protecting the depositors' rights over their interests in deposited money. PRC banks are subject to a series of risk control regulatory standards; PRC bank regulatory authorities are empowered to take over the operation and management of any PRC bank that faces a material credit crisis. The Group believes that it is not exposed to unusual risks as these financial institutions are either PRC banks or non-PRC banks that carry at least 'A' credit ratings from one or more credit rating agencies. The Group has not experienced any losses on its deposits of cash and cash equivalents and term deposit of the years ended December 31, 2009, 2010 and 2011 and believes its credit risk to be minimal.

4. Cash and cash equivalents

Cash and cash equivalents represent cash on hand, demand deposits placed with banks or other financial institutions, which have original maturities of three months or less. Cash and cash equivalents balance as of December 31, 2010 and 2011 primarily consist of the following currencies:

	December 31, 2010		December 31, 2011	
	Amount	RMB equivalent	Amount	RMB equivalent
RMB	35,299	35,299	108,775	108,775
US$	7,306	48,384	3,193	20,116
Total		83,683		128,891

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5. Short-term deposits

Short-term deposits represent deposits placed with banks with original maturities of more than three months but less than one year. Short-term deposits are all denominated in RMB.

6. Accounts receivable, net

	December 31,	
	2010 RMB	2011 RMB
Accounts receivable, gross	26,134	47,022
Less: allowance for doubtful receivables	(387)	—
Accounts receivable, net	25,747	47,022

The following table presents movement of the allowance for doubtful receivables:

	For the year ended December 31,	
	2010 RMB	2011 RMB
Balance at the beginning of the year	(100)	(387)
Additions charged to general and administrative expenses	(287)	—
Write-off during the year	—	387
Balance at the end of the year	(387)	—

7. Investments

	December 31,	
	2010 RMB	2011 RMB
Equity investments	—	3,142
Cost investments (Note i)	3,000	2,102
Total	3,000	5,244

(i) As of December 31, 2010 and 2011, one of the Group's investments represents an equity interest of 25% in a private company. As part of the share purchase agreement, the Group is entitled to receive an amount equal to 100% of its original investment in the event of liquidation in preference to other common shareholders. As a result, the investment is not an investment in common stock or in-substance common stock and precluded from applying the equity method of accounting. The Group accounted for the investment under the cost method.

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8. Property and equipment, net

Property and equipment consists of the following:

	December 31, 2010 RMB	December 31, 2011 RMB
Gross carrying amount		
Servers, computers and equipment	28,497	61,595
Furniture, fixture and office equipment	2,324	5,440
Leasehold improvement	—	3,759
Motor vehicles	1,034	1,149
Construction in progress	—	400
Total	31,855	72,343
Less: accumulated depreciation	(6,330)	(18,761)
Property and equipment, net	25,525	53,582

Depreciation expense for the years ended December 31, 2009, 2010 and 2011 were RMB1,150, RMB4,284 and RMB12,888, respectively.

9. Intangible assets, net

The following table summarizes the Group's intangible assets:

	December 31, 2010 RMB	December 31, 2011 RMB
Gross carrying amount		
Software	1,328	1,601
Domain names	12,084	11,504
Total of gross carrying amount	13,412	13,105
Less: accumulated amortization		
Software	(526)	(902)
Domain names	(650)	(1,389)
Total of accumulated amortization	(1,176)	(2,291)
Intangible assets, net	12,236	10,814

Amortization expense for the years ended December 31, 2009, 2010 and 2011 were RMB1,512, RMB1,030 and RMB1,211, respectively.

The estimated amortization expenses for each of the following five years are as follows:

	Domain Name RMB	Computer software RMB
2012	785	196
2013	785	196
2014	785	196
2015	763	90
2016	755	21

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9. Intangible assets, net (continued)

The weighted average amortization periods of intangible assets as of December 31, 2010 and 2011 are as below:

	December 31,	
	2010	2011
Computer software	3.4 years	5 years
Domain names	15 years	15 years

10. Goodwill

Duowan BVI acquired 100% equity interest of NeoTasks Inc.("NeoTasks") in 2008. Goodwill of RMB706 represents the excess of the purchase price over the estimated fair value of the net tangible and identifiable intangible assets acquired. Goodwill is not deductible for tax purposes. The Group performs the annual impairment tests on October 1 of each year. Based on the impairment tests performed, no impairment of goodwill was recorded for all periods presented.

11. Deferred revenue

	December 31,	
	2010 RMB	2011 RMB
Deferred revenue, current:		
Online game	17,436	31,215
Membership subscription	—	9,142
Total current deferred revenue, net	17,436	40,357
Deferred revenue, non-current:		
Membership subscription	—	448

12. Accrued liabilities and other current liabilities

	December 31,	
	2010 RMB	2011 RMB
Accrued salaries and welfare	7,280	27,050
Business and other taxes payable	3,681	7,028
Deposits from advertising customers	1,500	6,250
Accrued bandwidth costs	1,852	5,801
Others	1,264	2,942
Total	15,577	49,071

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13. Cost of revenue

	For the year ended December 31,		
	2009 RMB	2010 RMB	2011 RMB
Bandwidth costs	8,523	32,491	75,064
Salary and welfare	6,949	23,510	33,388
Business tax and surcharges	2,328	7,186	16,462
Shared-based compensation	5,269	31,709	15,449
Depreciation and amortization	2,264	4,298	11,951
Payment handling costs	1,687	6,769	9,306
YY music activities costs	—	—	6,750
Other costs	1,829	4,099	14,329
Total	28,849	110,062	182,699

14. Government grants

In 2011, the Group earned and received cash subsidies of RMB1,982 from the PRC local government for operating its local business operations in the jurisdiction.

15. Income tax

(i) Cayman Islands ("Cayman")

Under the current tax laws of Cayman Islands, the Company and its subsidiary are not subject to tax on income or capital gains. Besides, upon payment of dividends by the Company to its shareholders, no Cayman Islands withholding tax will be imposed.

(ii) British Virgin Islands ("BVI")

Duowan BVI is exempt from income tax on its foreign-derived income in the BVI. There are no withholding taxes in the BVI.

(iii) Hong Kong profits tax

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% on the estimated assessable profit for the years ended December 31, 2009, 2010 and 2011. No Hong Kong profits tax has been provided as the Group's subsidiary has no assessable profit arising in Hong Kong.

(iv) PRC Enterprise Income Tax ("EIT")

Current taxation primarily represented the provision for EIT for subsidiaries and VIEs operating in the PRC. Prior to January 1, 2008, companies established in the PRC were generally subject to a state and local corporate income tax, or EIT, at statutory rates of 30% and 3%, respectively. On March 16, 2007, the PRC National People's Congress promulgated the New Enterprise Income Tax Law (the "New EIT Law"), which became effective on January 1, 2008. The Company's subsidiaries and VIEs are subject to EIT on their taxable income as reported in their respective statutory financial statements adjusted in accordance with the relevant tax laws and regulations in the PRC. All PRC entities of the Group (including subsidiaries and VIEs) are subject to EIT at a rate of 25%. In 2011, Guangzhou Huaduo has been qualified as a "High and New Technology Enterprise"("HNTE") under the EIT Law. Therefore, it is entitled to a preferential tax rate of 15% from 2011 to 2012 and will continue to enjoy the preferential tax rate, provided that it continues to be qualified as HNTE during such period.

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15. Income tax (continued)

(iv) PRC Enterprise Income Tax ("EIT") (continued)

According to a policy promulgated by the State Tax Bureau of the PRC and effective from 2008 onwards, enterprises engage in research and development activities are entitled to claim 150% of the research and development expenses so incurred in a year as tax deductible expenses in determining its tax assessable profits for that year ("Super Deduction"). Guangzhou Huaduo had claimed such Super Deduction in ascertaining its tax assessable profits for the periods reported. Zhuhai Duowan started to claim Super Deduction in ascertaining its tax assessable profits in 2011 when it started to engage in engaged in research and development activities.

In addition, according to the New EIT Law and its implementation rules, foreign enterprises, which have no establishment or place in the PRC but derive dividends, interest, rents, royalties and other income (including capital gains) from sources in the PRC shall be subject to PRC withholding tax ("WHT") at 10% (a further reduced WHT rate may be available according to the applicable double tax treaty or arrangement). The 10% WHT is applicable to any dividends to be distributed from Huanju Shidai and Zhuhai Duowan Technology to Duowan BVI out of any profits of Huanju Shidai and its subsidiaries, and Zhuhai Duowan Technology derived after January 1, 2008.

Up to December 31, 2011, the Group does not have any present plan to pay out the retained earnings in the subsidiaries and VIEs in the foreseeable future. The Group currently intends to retain the available funds and any future earnings to operate and expand its business. Accordingly, no such WHT had been accrued.

The current and deferred portions of income tax expense included in the consolidated statements of operations are as follows:

	For the year ended December 31,		
	2009 RMB	2010 RMB	2011 RMB
Current income tax expenses	(391)	(3,965)	(12,516)
Deferred income tax benefits	—	1,643	11,173
Income tax expense for the year	(391)	(2,322)	(1,343)

The reconciliation of total tax expense computed by applying the respective statutory income tax rate to pre-tax loss is as follows:

	For the year ended December 31,		
	2009	2010	2011
PRC statutory income tax rate	(25.0%)	(25.0%)	(25.0%)
Effect of preferential tax rate	—	—	8.4%
Effect of tax-exempt entities	1.0%	0.2%	(5.1%)
Permanent differences*	19.7%	25.1%	32.5%
Change in valuation allowance	6.7%	1.5%	(7.8%)
Effect of Super Deduction available to the Group	(1.6%)	(0.8%)	(4.9%)
Adjustments of deferred tax for changes in tax rates	—	—	3.6%
Effective income tax rate	0.8%	1.0%	1.7%

* Permanent differences mainly arise from expenses not deductible for tax purposes including primarily share-based compensation costs and expenses incurred by the subsidiaries and VIEs.

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15. Income tax (continued)

(iv) PRC Enterprise Income Tax ("EIT") (continued)

Deferred taxes were measured using the enacted tax rates for the periods in which they are expected to be reversed. The tax effects of temporary differences that give rise to the deferred tax asset balances as of December 31, 2010 and 2011 are as follows:

	December 31,	
	2010	2011
	RMB	RMB
Deferred tax assets, current:		
Deferred revenue for online games	4,359	4,682
Allowance for doubtful accounts receivable, accrued expense and others not currently deductible for tax purposes	3,381	7,985
Valuation allowance	(6,097)	(180)
Total current deferred tax assets, net	1,643	12,487
Deferred tax assets, non-current:		
Tax loss carried forward	1,962	1,691
Impairment of equity investment	74	45
Impairment of cost investment	—	284
Valuation allowance	(2,036)	(1,691)
Total non-current deferred tax assets, net	—	329

The Group operates through multiple subsidiaries and VIEs and the valuation allowance is considered for each subsidiary and VIE on an individual basis. As of December 31, 2009, valuation allowances were fully provided for all the deferred income taxes because the Group considered that it was more likely than not that the benefits of the deferred income taxes will not be realized. As of December 31, 2010, the Group provided valuation allowance for the group companies' deferred income tax except for Zhuhai Duowan, which had derived taxable profit against the second year. The Group reassessed the earning history and the projected future taxable income of Zhuhai Duowan and concluded that deferred income tax of Zhuhai Duowan would be realized in the foreseeable future. Considering the other companies of the Group were still in loss positions, the Group provided full valuation allowance against their deferred income tax. As of December 31, 2011, Guangzhou Huaduo utilized all of the tax losses carried forward and had reported taxable profit. The Group reassessed the earning history and the projected future taxable income of Guangzhou Huaduo, concluded that deferred income tax of Guangzhou Huaduo would be realized in the foreseeable future, and accordingly no valuation allowance was provided. The other companies other than Guangzhou Huaduo and Zhuhai Duowan were still in loss position and full valuation allowance was provided. If events occur in the future that allow the Group to realize more of its deferred income tax than the presently recorded amounts, an adjustment to the valuation allowances will result in a decrease in tax expense when those events occur.

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15. Income tax (continued)

(iv) PRC Enterprise Income Tax ("EIT") (continued)

As of December 31, 2011, the Group had tax loss carry forwards of approximately RMB6,764, which can be carried forward to offset future taxable income. The net operating tax loss carry forwards will begin to expire as follows:

	Amount RMB
2012	—
2013	174
2014	3,184
2015	—
2016	3,406
Total	6,764

In accordance with PRC Tax Administration Law on the Levying and Collection of Taxes, the PRC tax authorities generally have up to five years to claw back underpaid tax plus penalties and interest for PRC entities' tax filings. In the case of tax evasion, which is not clearly defined in the law, there is no limitation on the tax years open for investigation. Accordingly, the PRC entities' tax years from 2007 to 2011 remain subject to examination by the tax authorities. There were no ongoing examinations by tax authorities as of December 31, 2011.

16. Common shares

Common Shares

The Company's Memorandum and Articles of Association authorized the Company to issue 946,074,577 and 1,022,785,225 common shares at US$0.00001 par value as of December 31, 2010 and 2011, respectively. Each common share is entitled to one vote. The holders of common shares are also entitled to receive dividends whenever funds are legally available and when declared by the Board of Directors, subject to prior rights of holders of all other classes of shares outstanding.

In January 2011, Duowan BVI entered into a common share and warrant purchase agreement with an independent institutional investor with respect to the issuance and sale of 51,140,432 common shares at an aggregate consideration of US$50,000 and a warrant to purchase up to an additional 25,570,216 common shares for an aggregate purchase price of US$25,000 ("Series D Common Share Financing"). The issuance price of each common share is US$0.9777, of which US$0.0830 per share relates to the fair value of the warrant. The related issuance costs were RMB1,208. In July 2011, the institutional investor exercised the warrant to acquire 25,570,216 common shares of Duowan BVI.

As of December 31, 2010 and 2011, there were 466,630,266 and 543,340,914 common shares outstanding, respectively.

Co-founder Common Shares

Of the common shares outstanding during 2009, 185,563,000 common shares relates to those issued to the Co-founder ("Co-founder Common Shares"), which has a liquidation preference of US$0.0021 per share after Series A, B, and C Preferred Shares, but prior to other common shares. The liquidation preference was subsequently waived by the Co-founder in February 23, 2010. All other rights are the same as the other common shares.

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16. Common shares (continued)

Repurchases

In connection with the November 2009 issuance of the Series C-1 Preferred Shares, Duowan BVI repurchased 10,206,700 common shares from the CEO for a total consideration of RMB5,576. The price paid for each common share was US$0.08 which was the then fair value. The common shares repurchased were immediately cancelled by Duowan BVI.

17. Convertible redeemable preferred shares

During the First Reorganization, Duowan Limited issued 54,488,000 Series A convertible preferred shares ("Series A Preferred Shares") and warrant to a third party investor ("Series A Investor") in exchange for an aggregate purchase price of RMB7,720, or US$0.0184 per share. During the Second Reorganization in June 2008, Duowan BVI issued an additional 81,612,930 Series A convertible preferred shares to the Series A Investor for an aggregate purchase price of RMB13,722. The related issuance costs were RMB172.

In August 2008, Duowan BVI issued 102,073,860 Series B convertible redeemable preferred shares ("Series B Preferred Shares") for aggregate cash consideration of RMB34,232 and issuance costs of RMB278.

In November 2009, Duowan BVI issued 16,249,870 Series C-1 convertible redeemable preferred shares ("Series C-1 Preferred Shares") and 104,999,650 C-2 convertible redeemable preferred shares ("Series C-2 Preferred Shares", collectively with Series C-1 Preferred Shares, "Series C Preferred Shares"), for aggregate cash considerations of RMB8,875 and RMB71,684 respectively. Series C Preferred Shares issuance costs were RMB274.

Series A Preferred Shares, Series B Preferred Shares and Series C Preferred Shares are collectively referred to as the "Preferred Shares".

As of December 31, 2010 and 2011, the Company has determined that the Preferred Shares should be classified as mezzanine equity since the Preferred Shares are contingently redeemable by the holders in the event that a qualified initial public offering has not occurred and the Preferred Shares have not been converted as of the redemption date.

The Company assessed beneficial conversion features attributable to the Preferred Shares and determined that in 2009 there was a beneficial conversion feature with an amount of RMB237, which was bifurcated from the carrying value of Series C Preferred Shares as a contribution to additional paid-in capital upon issuance of Series C Preferred Shares. The discount of RMB237 resulting from the recognition of the beneficial conversion feature was amortized immediately as a deemed dividend to preferred shareholders and charged against additional paid-in capital in the absence of any retained earnings at that time.

The Company determined that there were no embedded derivatives requiring bifurcation as the economic characteristics and risks of the conversion and redemption features embedded derivative instrument are not clearly and closely related to that of the convertible preferred shares. The convertible preferred shares are not readily convertible into cash as there is no a market mechanism in place for trading its share.

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17. Convertible redeemable preferred shares (continued)

As of December 31, 2011, the Preferred Shares comprised of the following:

Series	Issuance Date	Shares Issued and Outstanding	Issue Price Per Share (US$)	Proceeds from Issuance, Net of Issuance Costs (US$)	Carrying Amount (RMB)
A	December 1, 2006	54,488,000	0.0184	1,000	374,332
A	June 2, 2008	81,612,930	0.0245	1,975	560,681
B	August 8, 2008	102,073,860	0.0490	4,959	703,901
C-1	November 22, 2009	16,249,870	0.0800	1,300	112,556
C-2	November 22, 2009	104,999,650	0.1000	10,460	729,464

All Preferred Shares' par value is US$0.00001. The rights, preferences and privileges of the Preferred Shares are as follows:

Conversion

Each Preferred Share is convertible, at the option of the holders, at any time after the date of issuance of such preferred shares into such number of common shares according to a conversion price. Each share of Series A, Series B, Series C Preferred Shares is convertible into one common share and is subject to adjustments for certain events, including but not limited to additional equity securities issuance, share dividends, subdivisions, redemptions, combinations, or consolidation of common shares. The conversion price is also subject to adjustment in the event the Company issues additional common shares at a price per share that is less than such conversion price. In such case, the conversion price shall be reduced to adjust for dilution.

Each Preferred Share is automatically converted into common shares at the then effective conversion price with respect to such Preferred Share (i) at the closing of a qualified initial public offering ("Qualified IPO"), or (ii) at the election of the majority Series A, Series B, and Series C Preferred Shares holders (each voting or consenting as a separate class).

As of December 31, 2010, the Qualified IPO is defined as a firm-commitment public offering of common shares of the Company in the United States that has been registered under the Securities Act and on a recognized securities exchange such as NASDAQ or the New York Stock Exchange, or in a similar public offering of common shares in a jurisdiction and on a recognized securities exchange outside of the United States, including without limitation, the Hong Kong Stock Exchange, provided that (a) the market capitalization of the Company upon completion of such initial public offering shall be no less than US$400,000 and such public offering and the aggregate proceeds (before deduction of underwriting discounts and registration expenses) is approved by majority of the Board of Directors (including the affirmative consent of the majority of the Series A, Series B, and Series C Preferred Shares director), or (b) such public offering and the aggregate proceeds (before deduction of underwriting discounts and registration expenses) is approved by majority of the Board of Directors (including the affirmative consent of each of the Preferred Shares' directors), and provided further that such public offering is made at an equivalent price and yields equivalent offering proceeds and there is regulatory approval for such offering.

Subsequent to the Series D Common Share Financing in January 2011, the Qualified IPO is defined as a firm-commitment public offering of common shares of the Company in the United States that has been registered under the Securities Act and on a recognized securities exchange such as NASDAQ or the New York Stock Exchange, or in a similar public offering of common shares in a jurisdiction and on a recognized securities exchange outside of the United States, including without limitation, the Hong Kong

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17. Convertible redeemable preferred shares (continued)

Conversion (continued)

Stock Exchange, provided that (a) the market capitalization of the Company upon completion of such initial public offering shall be no less than US$1,500,000 and such public offering and the aggregate proceeds (before deduction of underwriting discounts and registration expenses) is approved by majority of the Board of Directors (including the affirmative consent of the majority of the Series A Director, the Series B Director, the Series C Director and the Series D director), or (b) such public offering and the aggregate proceeds (before deduction of underwriting discounts and registration expenses) is approved by majority of the Board of Directors (including the affirmative consent of each of the Series A Director, the Series B Director, the Series C Director and the Series D Director, if applicable), and provided further that such public offering is made at an equivalent price and yields equivalent offering proceeds and there is regulatory approval for such offering.

Redemption Right

As of December 31, 2010, at any time after the date that is the earlier of i) the date of the occurrence of a Default Redemption Event, and ii) five years following the Series C-1 original issue date and Series C-2 original issue date, at the election of the majority of Series C holders, the Company shall redeem all or any lesser portion of its then outstanding Preferred Shares. A Default Redemption Event shall be deemed to occur if the Company's corporate structure as a whole, including without limitation the VIE documents, is invalidated or otherwise challenged by any PRC governmental authority, court or other official governmental body as a result of the application of or interpretation of the PRC law. In connection with the Series D Common Share Financing in January 2011, the Default Redemption Event was removed and the redemption date was changed to any time after June 30, 2015.

The redemption date above is subject to postponement until the Company meets the financial thresholds of having at least US$3,000 of cash or cash equivalents on the balance sheet or the Company has generated over US$1,000 in free cash flows in the preceding twelve months.

The redemption price of Series A Preferred Shares is equal to (i) the fair market value of the Series A Preferred Shares as of the redemption date, or (ii) 150% of the original issue price of Series A Preferred Shares, plus all declared or accrued but unpaid dividends up until the date of redemption, plus an amount that would give the holders of the Series A Preferred Shares an internal rate of return of no less than 10% per annum.

The redemption price of Series B Preferred Shares is equal to (i) the fair market value of the Series B Preferred Shares as of the redemption date, or (ii) 100% original issue price of Series B Preferred Shares, plus all declared or accrued but unpaid dividends up until the date of redemption, plus an amount that would give the holders of the Preferred Shares an internal rate of return of no less than 10%.

The redemption price of Series C Preferred Shares is equal to (i) the fair market value of the Series C Preferred Shares as of the redemption date, or (ii) 100% original issue price of Series C-1 or C-2 Preferred Shares, plus all declared or accrued but unpaid dividends up until the date of redemption, plus an amount that would give the holders of the Series C-1 or C-2 Preferred Shares an internal rate of return of no less than 10% per annum.

Modification

Upon its issuance, Series A Preferred Shares were classified as permanent equity and are not redeemable. In association with the issuance of Series B Preferred Shares in August 2008, Series A Preferred Shares were granted redemption at the option of the holders and drag-along rights and accordingly are reclassified as

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17. Convertible redeemable preferred shares (continued)

Modification (continued)

mezzanine equity of the Company. The Company concluded that the addition of the redemption and drag-along rights is a modification of the terms of the Series A Preferred Shares. The incremental value received by the Series A Preferred Shareholders amount to RMB916 and is deemed to be a wealth transfer between the preferred shareholders and the common shareholders and charged to additional paid-in capital.

Upon its issuance, Series B Preferred Shares had a redemption right beginning on or after the seventh anniversary following the issuance of Series B Preferred Shares. In association of the issuance of Series C Preferred Shares, the redemption right for Series A and Series B Preferred Shares and drag along rights were amended. The Company concluded amendment of the redemption and drag-along rights is a modification of the terms of the Series A and Series B Preferred Shares. The incremental value received by Series A and Series B Preferred Shareholders amounted to RMB19 and RMB176, respectively, and is deemed to be a wealth transfer between the preferred share holders and the common share holders and charged to additional paid-in capital.

Accretion

Due to the redemption features described above, the Company classified the Preferred Shares in the mezzanine equity section of the consolidated balance sheets. The Company recognizes the changes in the redemption value immediately as they occur and adjust the carrying amount of the Preferred Shares to equal the redemption value at the end of each reporting period. The fair market value of the Preferred Shares was greater than their original purchase price as of December 31, 2009, 2010, and 2011. As a result, the Company recorded accretion to the redemption value immediately and adjust the carrying amount of the instrument to equal the redemption value at the end of each reporting period. Upon the closing of this offering, the Preferred Shares will convert into common shares and this preferred shares redemption value accretion will cease. The accretion was recorded against retained earnings, or in the absence of retained earnings, by charges against additional paid-in capital. Once additional paid-in capital has been exhausted, additional charges were recorded by increasing accumulated deficit.

The following table sets forth the changes of each of the convertible redeemable preferred shares for years ended December 31, 2009, 2010 and 2011:

Series A Preferred Shares

	For the year ended December 31,		
	2009 RMB	2010 RMB	2011 RMB
Beginning balance	39,973	154,393	846,752
Deemed dividend—modification of terms	19	—	—
Accretion to redemption value	114,401	692,359	88,261
Ending balance	154,393	846,752	935,013

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17. Convertible redeemable preferred shares (continued)

Accretion (continued)

Series B Preferred Shares

	For the year ended December 31,		
	2009 RMB	2010 RMB	2011 RMB
Beginning balance	44,786	124,173	639,799
Deemed dividend—modification of terms	176	—	—
Accretion to redemption value	79,211	515,626	64,102
Ending balance	124,173	639,799	703,901

Series C Preferred Shares

	For the year ended December 31,		
	2009 RMB	2010 RMB	2011 RMB
Beginning balance	—	169,852	770,720
Issuance of preferred shares, net of issuance cost	80,285	—	—
Beneficial conversion feature of redeemable preferred shares	(237)	—	—
Amortization of beneficial conversion feature of redeemable preferred shares	237	—	—
Accretion to redeemable value	89,567	600,868	71,300
Ending balance	169,852	770,720	842,020

The Company engaged an independent valuation firm to assist them in determining the fair values of the preferred and common shares which were estimated as of the date of issuance and at each financial statement reporting date using the "Discounted Cash Flow Method" , the "Guideline Transaction Method" and the "Backsolve Method", where methodologies, approaches and assumptions are consistent with the current working draft of the American Institute of Certified Public Accountants practice aid *Valuation of Privately Held Company Equity Securities Issued as Compensation.* The Guideline Transaction Method is a form of market approach based on the enterprise value to revenue multiples of the Group's own equity transactions close to the valuation date. The Backsolve Method is a form of market approach to valuation that derives the implied equity value for one type of equity security (e.g. common equity) from a contemporaneous transaction involving another type of equity security (e.g., preferred share). The Discounted Cash Flow Method, a form of income approach, estimates the fair value based on projected cash flows at each of the valuation dates. The followings are assumptions in the Discounted Cash Flow Method:

	November 1, 2009	December 31, 2011
Risk-free interest rate	2.05%	2.53%
Volatility	66.61%	66.1%
Dividend yield	—	—
Discount rate	20.50%	16%

The Company estimated the risk-free interest rate based on yield-to-maturities in continuous compounding of the China Government Bond with the time to maturities similar to the Preferred Shares. The Company estimated volatility at the dates of appraisal based on average of historical volatilities of the comparable companies in the same industry. The Company has no history or expectation of paying dividend on the

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17. Convertible redeemable preferred shares (continued)

Accretion (continued)

Preferred Shares. Discount rate is estimated by weighted average cost of capital as at each appraisal date. In addition to the above assumptions adopted, the Company's projections of future performance were also factored into the determination of the fair value of each Preferred Share.

Liquidity Preference

In the event of any liquidation, dissolution or winding up of the Company or any deemed liquidation event (e.g., change in control), the holders of Series B Preferred Shares and Series C Preferred Shares are entitled to receive an amount per share equal to 100% of the original issuance price plus all dividends accrued, or declared and unpaid. Series A Preferred Shares are entitled to receive an amount per share equal to 150% of the original issuance price plus all declared or accrued but unpaid dividends.

If the assets and funds distributed among the holders are insufficient to permit the payment of the full preferential amounts, then the holders of Series C Preferred Shares shall be entitled to be paid first, followed in sequence by Series B Preferred Shares, Series A Preferred Shares and common shares. After payment of the full amounts from above, the remaining assets of the Company available for distribution shall be distributed ratably among the holders of preferred shares and common shares in proportion to the number of outstanding shares held by each holder on an as converted basis.

Dividends

Each holder of Preferred Shares is entitled to receive dividends when and if declared by the Board of Directors of the Company. As long as the Preferred Shares are outstanding, the Company may not pay any dividend to common shareholders until all dividends declared and payable to the preferred shareholders have been paid. In the event the Company shall declare a dividend to the holders of common shares, then in each such case, the holders of the Preferred Shares shall be entitled to a proportionate share of such dividend on an as-converted basis.

Voting rights

Each Preferred Share conveys the right to the shareholder of one vote for each common share upon conversion.

18. Share-based compensation

(a) Share options

i) Pre-2009 Scheme Options

Grant of options

Before the adoption of the Employee Equity Incentive Scheme (the "2009 Incentive Scheme"), 12,705,700 and 8,499,050 share options were granted to employees through individually signed share option agreements, respectively to acquire common shares of Duowan BVI on a one-to-one basis on January 1, 2008 and 2009. In addition, on January 1, 2008, 3,832,290 share options were granted to one non-employee for the provision of consulting services to the Group (collectively defined as "Pre-2009 Scheme Options").

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18. Share-based compensation (continued)

(a) Share options (continued)

i) Pre-2009 Scheme Options (continued)

Vesting of options

These Pre-2009 Scheme Options will vest over a four year service period, with 25% of the options vesting after the first anniversary of the vesting inception date and the remaining 75% in six equal installments over the following 36 months. The options may be exercised provided that both the service conditions and a performance condition are met. The performance condition is defined to be i) an initial public offering, ii) completion of a financing meeting certain criteria, iii) an internal reorganization, or iv) a voluntary winding up of Duowan BVI. The performance condition that is tied to completion of a financing fulfilling certain criteria was met in June 2008 or November 2009.

The following table summarizes the activities of the Pre-2009 Scheme Options for employees and non-employee for the years ended December 31, 2009, 2010 and 2011:

	Number of options	Weighted average exercise price (US$)	Weighted average grant-date fair value (US$)	Weighted average remaining contractual life (years)	Aggregate intrinsic value (US$)
Outstanding, January 1, 2009	16,537,990	0.0041		9.00	512
Granted	8,499,050	0.0067	0.0297		
Forfeited	(369,950)	0.0060			
Outstanding, December 31, 2009	24,667,090	0.0050		8.34	3,799
Exercised/Repurchased[1]	(4,867,170)	0.0025			
Forfeited	(57,330)	0.0067			
Outstanding, December 31, 2010	19,742,590	0.0056		7.39	18,372
Exercised/Repurchased[2]	(1,853,055)	0.0061			
Forfeited	—				
Outstanding, December 31, 2011[3]	17,889,535	0.0055		6.37	19,366
Vested and exercisable at December 31, 2011	15,821,980	0.0054		6.29	17,131
Expected to vest at December 31, 2011	2,026,204	0.0067		7.00	2,191

(1) In connection with the issuance of the Series C-1 Preferred Shares of Duowan BVI in November 2009 (refer to Note 17 to the financial statements, which triggered the exit condition of the Pre-2009 Scheme Options to be met for a trade sale of Duowan BVI. Certain employees and one non-employee were given the opportunity to cash settle their vested options and were simultaneously repurchased by Duowan BVI by utilizing a portion of the proceeds received from the issuance of the Series C-1 Preferred Shares. The repurchase price of each vested option/share was the difference between the stated exercise price of the Pre-2009 Scheme Option and US$0.08, which was the per share issuance price of the Series C-1 Preferred Shares. A total of 4,867,170 Pre-2009 Scheme Options were repurchased by Duowan BVI for cash consideration of RMB2,576 paid by Duowan BVI. The underlying options were cancelled immediately after the repurchase (the "First Repurchase"). The negotiation and execution of the First Repurchase had formed an expectation to the Pre-2009 Scheme Option holders, including employees of the Group and the non-employee, that it was a practice of Duowan BVI to repurchase vested options from the option holders. Accordingly, the Pre-2009 Scheme Options were deemed to be tainted and they were no longer equity-classified awards but liability-classified awards. Such re-designation of the awards was applied to the date when Duowan BVI entered into an definitive agreement with shareholders of the Series C preferred shares on November 22, 2009, which committed Duowan BVI for the First Repurchase. As a result, fair values of the outstanding Pre-2009 Scheme Options had to be re-measured at the end of each reporting period until either the repurchase obligation are extinguished or the holders were exposed to fluctuation the market value of the shares for a period of at least six months, or the awards were settled, cancelled or expire unexercised.

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18. Share-based compensation (continued)

(a) Share options (continued)

i) Pre-2009 Scheme Options (continued)

Vesting of options (continued)

(2) In connection with the Series D Common Share Financing (Note 16) in January 2011, certain employees and the non-employee were given the opportunity to cash settle their vested options. The repurchase price of each vested option/share was the difference between the stated exercise price of the Pre-2009 Scheme Option and US$0.9777, which was the per share issuance price of the common shares issued to the new investor. A total of 1,853,055 Pre-2009 Scheme Options were exercised/repurchased by Duowan BVI for cash consideration of RMB11,701 paid by Duowan BVI. The underlying common shares were cancelled immediately after the repurchase (the "Second Repurchase"). Similar offer was made by Duowan BVI to the non-employee holding the Pre-2009 Scheme Options but that non-employee did not take up the offer.

(3) On September 15, 2011, the board of directors of the Company resolved not to undertake any repurchases of vested or unvested share-based compensation awards, except under those conditions specified in the relevant award scheme and grant documents. In addition, any proposed repurchase of vested or unvested share-based compensation awards should be approved by the majority votes of the board of directors. Such intention of the Company was specifically communicated to all employees with or without the awards. All the employees with vested or unvested awards also confirmed such understanding by a written confirmation. Accordingly, the classification of the liability-classified awards changed back to be equity-classified, and the related liability was reclassified to additional paid-in capital on the modification date.

Forfeitures are estimated at the time of grant. If necessary, forfeitures are revised in subsequent periods if actual forfeitures differ from those estimates.

The aggregate intrinsic value in the table above represents the difference between the estimated fair value of Duowan BVI's common shares as of December 31, 2009, 2010, the Company's common shares as of December 31, 2011 and the exercise price.

The Binomial option pricing model is used to determine the fair values of the share options granted to employees and the non-employee. The fair values of share options granted or remeasured during the years ended December 31, 2009, 2010 and 2011 were estimated using the following assumptions:

Pre-2009 Scheme Options granted to employees and a non-employee:

	2009	2010	2011
Risk-free interest rate[1]	2.81%-3.61%	3.01%-3.78%	3.34%-4.01%
Expected term[2]	8-10 years	7-9 years	6-8 years
Volatility rate[3]	62.50%-68.85%	54.60%-61.25%	53.06%-55.34%
Dividend yield[4]	—	—	—

(1) The risk-free interest rate of periods within the contractual life of the share option is based on the China Government Bond yield as at the valuation dates.
(2) The expected term is the remaining contractual life of the option.
(3) Expected volatility is estimated based on the average of historical volatilities of the comparable companies in the same industry as at the valuation dates.
(4) Duowan BVI and the Company has no history or expectation of paying dividend on its common shares. The expected dividend yield was estimated based on the Company's expected dividend policy over the expected term of the option.

The total intrinsic value of options exercised during the year ended December 31, 2009, 2010 and 2011 amounted to nil, RMB5,200 and RMB11,912, respectively.

For the years ended December 31, 2009, 2010 and 2011, the Company recorded share-based compensation of RMB18,921, RMB92,226 and RMB25,683, respectively, using the graded-vesting method for employees and non-employee.

As of December 31, 2011, there was RMB2,725 unrecognized share-based compensation expense relating to Pre-2009 Scheme Options granted to employees and the non-employee. The expense is expected to be recognized over a weighted-average remaining vesting period of 0.82 years using the graded vesting attribution method.

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18. Share-based compensation (continued)

(a) Share options (continued)

ii) 2009 Incentive Scheme Options

On January 1, 2010, the Board of Directors of Duowan BVI formally approved the 2009 Incentive Scheme dated on December 3, 2009, which permits the grant of share options and restricted shares of up to 118,166,946 shares, to any qualified persons, as determined by the Board of Directors of Duowan BVI. The contractual life of all options under the 2009 Incentive Scheme is ten years.

Up to the date of approval of these financial statements, no options had been granted under the 2009 Incentive Scheme by Duowan BVI or the Company.

(b) Restricted shares

Since January 1, 2010, Duowan BVI granted 61,250,677 restricted shares to employees and 100,000 restricted shares to a non-employee pursuant to the 2009 Incentive Scheme.

Vesting of restricted shares

The restricted shares have vesting conditions and will vest 50% after 24 months of the grant date and the remaining 50% will vest in two equal installments over the next 24 months. Under the restricted shares agreement, no shares may be sold or transferred prior to the occurrence of an exit event, as defined in the respective restricted share agreements as: i) a listing on any recognized stock exchange, ii) a sale by Duowan BVI of all or substantially all of its assets, iii) a sale of all of the issued capital of Duowan BVI, or iv) passing for court order of winding up of Duowan BVI.

If the employee terminates employment, the service vested portion of the restricted shares may be subject to:

(i) repurchase (subject to Company's sole discretion) by Duowan BVI at fair value of common shares of Duowan BVI which is assessed by an independent valuation company; or

(ii) be held by a person who is an existing employee of the Group and is designated by the leaving restricted share holder according to a properly signed escrow agreement to hold such shares for and on his/her behalf. If the leaving employee fails to deliver a properly signed agreement to Duowan BVI within 30 days from receipt of the notification from Duowan BVI, such service vested shares shall automatically lapse and expire.

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18. Share-based compensation (continued)

(b) Restricted shares (continued)

Vesting of restricted shares (continued)

The following table summarizes the restricted shares activity for the years ended December 31, 2010 and 2011:

	Number of restricted shares	Weighted average grant-date fair value (US$)
Outstanding, January 1, 2010	—	—
Granted	50,503,877	0.2934
Forfeited	(2,017,841)	0.2886
Outstanding, December 31, 2010	48,486,036	0.2936
Granted	10,846,800	0.9362
Forfeited	(2,726,024)	0.3917
Vested	(13,321,711)	0.1636
Outstanding, December 31, 2011	43,285,101	0.4885
Expected to vest at December 31, 2011	39,605,867	0.4885

Forfeitures are estimated at the time of grant. If necessary, forfeitures are revised in subsequent periods if actual forfeitures differ from those estimates.

For the years ended December 31, 2010 and 2011, the Company recorded share-based compensation of RMB24,525 and RMB57,805, respectively, using the graded-vesting method for employees and non-employee.

As of December 31, 2011, total unrecognized compensation expense relating to the restricted shares was RMB65,375. The expense is expected to be recognized over a weighted average period of 1.75 years using the graded vesting attribution method.

(c) Share-based awards granted to CEO and Chairman of the Company

On February 23, 2010, the CEO and the Chairman of the Company, also directors and shareholders were granted 13,369,813 and 29,678,483 restricted shares, respectively. The Chairman's shares have a service condition that vest over a four year period (50% after the second anniversary and 25% each year thereafter). Both the CEO's and the Chairman's shares are subject to a performance condition which relates to the number of peak concurrent users on the YY Client. Such performance condition was met as at December 31, 2010.

Pursuant to the provisions stipulated in the grant document relating to these restricted shares grant, upon the occurrence of an Acceleration Event, the restricted shares granted to the Chairman would also become fully vested. An "Accelerated Event" is defined as (i) a Listing, (ii) a sale of all or substantially all of the issued share capital of Duowan BVI, (iii) a sale by Duowan BVI of all or substantially all of its assets, (iv) the passing of an effective resolution or the making of an order of a competent court for the winding up of Duowan BVI.

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18. Share-based compensation (continued)

(c) Share-based awards granted to CEO and Chairman of the Company (continued)

The following table summarizes information regarding the restricted shares granted to the CEO and the Chairman:

	Number of restricted shares	Weighted average grant-date fair value (US$)
Outstanding, January 1, 2010	—	
Granted	43,048,296	0.1875
Vested	(13,369,813)	0.1875
Outstanding, December 31, 2010 and 2011	29,678,483	

The fair value of the share-based awards above was determined at the respective grant dates by the Company with the assistance of an independent valuation company.

The Company recognized these awards as employee share-based compensation awards using fair value of the awards on the grant date. As of December 31, 2010, the performance condition was met. The compensation expense for the CEO's restricted shares was fully recognized and the compensation expense for the Chairman's restricted shares is recognized over the requisite service period using the graded vesting method.

The total fair value of restricted shares vested during the year ended December 31, 2010 and 2011 amounted to RMB16,602 and Nil, respectively.

Share-based compensation expenses related to the awards granted to the CEO and Chairman of RMB28,759 and RMB14,143 were recognized in general and administrative expenses in the consolidated statements of operations for the years ended December 31, 2010 and 2011.

As of December 31, 2011, there was RMB9,618 of total unrecognized compensation cost and expense related to the restricted shares. The cost and expense is expected to be recognized over a weighted average period of 1.51 years using the graded vesting attribution method.

(d) Share-based awards for former NeoTasks employees

On December 5, 2008, Duowan BVI granted the two founders of NeoTasks, 26,873,070 warrants to acquire common shares of Duowan BVI in connection with the NeoTasks acquisition for post-combination services at an exercise price of US$0. In October 2009, the Company converted the warrants into restricted shares having the same rights and vesting conditions as the original warrant grants. Accordingly, no incremental charge was recognized in the conversion. The shares were issued to the holders and legally registered in July 2010.

The awards shall vest over the earlier of (i) a three-year period, with one-third of the shares vesting annually or (ii) upon any sale, merger, amalgamation, liquidation or listing of Duowan BVI or the sale by Duowan BVI of all or substantially all of its assets (the "Awards to NeoTasks Founders").

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18. Share-based compensation (continued)

(d) Share-based awards for former NeoTasks employees (continued)

The following table summarizes information regarding the share-based award granted:

	Number of warrants	Number of restricted shares
Outstanding, January 1, 2009	26,873,070	—
Exercise of warrant with exercise price of US$0	(26,873,070)	26,873,070
Vested	—	(7,781,690)
Repurchases[1]	—	(1,176,000)
Outstanding, December 31, 2009	—	17,915,380
Vested	—	(8,957,690)
Outstanding, December 31, 2010	—	8,957,690
Vested	—	(8,957,690)
Outstanding, December 31, 2011[2]	—	—

(1) In connection with the First Repurchase occurred in November 2009, Duowan BVI repurchased a portion of their vested restricted shares by utilizing a portion of the proceeds obtained from the Series C preferred shares issuance. The negotiation and execution of the First Repurchase had formed an expectation to the holders of Awards to NeoTasks Founders that it was a practice of Duowan BVI to repurchase the vested restricted shares held by them. The Awards to NeoTasks Founders were deemed to be tainted and they were no longer equity-classified awards but liabilities-classified awards effective from November 2009. The awards would be re-measured at the end of each reporting period until either the repurchase obligation was extinguished or the awards holders were exposed to fluctuation of the market value of the shares for a period of at least six months, or the awards are settled, cancelled or expire unexercised.

(2) On September 15, 2011, the board of directors of the Company resolved not to undertake any repurchases of vested or unvested share-based compensation awards, except under those conditions specified in the relevant award scheme and grant documents. In addition, any proposed repurchase of vested or unvested share-based compensation awards should be approved by the majority votes of the board of directors. Such intention of the Company was specifically communicated to all employees with or without the awards. All the employees with vested or unvested awards also confirmed such understanding by a written confirmation. Accordingly, the classification of the liability-classified awards changed back to be equity- classified, and the related liability was reclassified to additional paid-in capital on the modification date.

The fair value of the restricted shares above was determined at the grant date. Effective from the re-designation of the award as liability-classified, it was re-measured at the end of each reporting date by the Company with the assistance of an independent valuation company. The change in fair value was recognized in the consolidated statements of operations. After the award was changed back to equity-classified awards, it was measured based on the fair value of the awards on September 15, 2011, and the expenses to be recognized over the remaining requisite service period using the graded vesting attribution method.

Share-based compensation expenses related to the above share-based award of RMB17,561, RMB91,426 and RMB27,726 were recognized in general and administrative expenses in the consolidated statements of operations for the years ended December 31, 2009, 2010 and 2011, respectively.

As of December 31, 2011, there were no unrecognized compensation costs related to restricted shares for NeoTasks acquisition.

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18. Share-based compensation (continued)

(e) Restricted Share Units

On September 16, 2011, the Board of the Directors of the Company approved the 2011 Share Incentive Plan, which permits the grant of share options, restricted shares and restricted share units of up to 43,000,000 shares, to any qualified persons, as determined by the Board of the Directors of the Company. On the same date, the Company granted 9,097,000 restricted share units to employees pursuant to the 2011 Share Incentive Plan, that are subject to vesting over a four to five year period. No restricted share units were granted to non-employees as at December 31, 2011.

The following table summarizes the restricted share units activity for the year ended December 31, 2011:

	Number of restricted shares	Weighted average grant-date fair value (US$)
Outstanding, December 31, 2010	—	
Granted	9,097,000	1.0630
Forfeited	(100,700)	
Outstanding, December 31, 2011	8,996,300	
Vested at December 31, 2011	—	
Expected to vest at December 31, 2011	8,699,422	

For the year ended December 31, 2011, the Company recorded share-based compensation of RMB9,644, using the graded-vesting attribution method.

As of December 31, 2011, total unrecognized compensation expense relating to the restricted share units was RMB49,317. The expense is expected to be recognized over a weighted average period of 2.66 years using the graded vesting attribution method.

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18. Share-based compensation (continued)

(f) Movements of equity-classified and liability-classified awards

The table below shows the movements and details of various equity-classified and liability-classified awards granted by the Company to its employees and non-employee for the years ended December 31, 2009, 2010 and 2011:

	Equity-classified Awards (RMB)						Liability-classified Awards (RMB)			
	Pre-2009 Scheme options	2009 Incentive Scheme–restricted shares	2011 Incentive Scheme–restricted share units	Share-based awards to CEO and Chairman	Awards to NeoTasks Founders	Sub-total	Pre-2009 Scheme options	Awards to NeoTasks Founders	Sub-total	Total
Balance as at January 1, 2009	1,066	—	—	2,049	310	3,425	—	—	—	3,425
Share-based compensation expenses	71	—	—	—	3,407	3,478	18,850	14,154	33,004	36,482
Reclassifications										
— From equity-awards to liability-awards*	(1,137)	—	—	—	(3,717)	(4,854)	1,137	3,717	4,854	—
Exercised/Repurchased	—	—	—	—	—	—	—	(642)	(642)	(642)
Foreign currency translation adjustment	—	—	—	—	—	—	(1)	—	(1)	(1)
Balance as at December 31, 2009	**—**	**—**	**—**	**2,049**	**—**	**2,049**	**19,986**	**17,229**	**37,215**	**39,264**
Balance as at January 1, 2010	—	—	—	2,049	—	2,049	19,986	17,229	37,215	39,264
Share-based compensation expenses	—	24,525	—	28,759	—	53,284	92,226	91,426	183,652	236,936
Exercised/Repurchased	—	—	—	—	—	—	(2,576)	—	(2,576)	(2,576)
Reclassifications										
— From liability-awards to common share**	—	—	—	—	—	—	—	(14,028)	(14,028)	(14,028)
Foreign currency translation adjustment	—	—	—	—	—	—	(601)	(538)	(1,139)	(1,139)
Balance as at December 31, 2010	—	24,525	—	30,808	—	55,333	109,035	94,089	203,124	258,457
Balance as at January 1, 2011	**—**	**24,525**	**—**	**30,808**	**—**	**55,333**	**109,035**	**94,089**	**203,124**	**258,457**
Share-based compensation expenses	2,219	57,805	9,644	14,143	3,359	87,170	23,464	24,367	47,831	135,001
Exercised/Repurchased	—	—	—	—	—	—	(11,701)	—	(11,701)	(11,701)
Reclassifications										
— From liability-awards to common share**	—	—	—	—	—	—	—	(57,692)	(57,692)	(57,692)
— From liability-awards to equity awards***	116,328	—	—	—	57,602	173,930	(116,328)	(57,602)	(173,930)	—
Foreign currency translation adjustment	—	—	—	—	—	—	(4,470)	(3,162)	(7,632)	(7,632)
Balance as at December 31, 2011	**118,547**	**82,330**	**9,644**	**44,951**	**60,961**	**316,433**	**—**	**—**	**—**	**316,433**

* As detailed in Note 18(a) and (d), the share options and the restricted shares to NeoTasks founders were tainted and they were reclassified from equity-classified awards to liability-classified awards in November 2009 accordingly.

** During the year ended December 31, 2010 and 2011, the restricted shares to NeoTasks founders were held by NeoTasks Founders for more than six months, therefore, the related awards amounting to RMB14,028 and RMB57,692 were reclassified back to common share respectively.

*** As detailed in Note 18(a) and (d), the share options and the restricted shares to NeoTasks founders were reclassified from liability-classified awards to equity-classified awards in September 2011, accordingly.

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19. Basic and diluted net loss per share

Basic and diluted net loss per share for the years ended December 31, 2009, 2010 and 2011 are calculated as follows:

	For the year ended December 31,		
	2009 RMB	2010 RMB	2011 RMB
Numerator:			
Net loss attributable to the Company	(47,116)	(238,857)	(83,156)
Amortization of beneficial conversion feature	(237)	—	—
Accretion to convertible redeemable preferred shares redemption value	(283,179)	(1,808,853)	(223,663)
Deemed dividend to Series A preferred shareholders	(19)	—	—
Deemed dividend to Series B preferred shareholders	(176)	—	—
Allocation of net income to participating preferred shareholders	—	—	—
Numerator of basic net loss per share	(330,727)	(2,047,710)	(306,819)
Dilutive effect of preferred shares	—	—	—
Numerator for diluted loss per share	(330,727)	(2,047,710)	(306,819)
Denominator:			
Denominator for basic and diluted net loss per share-weighted average shares outstanding	407,613,328	406,304,672	485,883,845
Basic net loss per share	(0.81)	(5.04)	(0.63)
Diluted net loss per share	(0.81)	(5.04)	(0.63)

The Company’s preferred shares are participating securities and as such would be included in the calculation of basic earnings per share under the two-class method. According to the contractual terms of the preferred shares, the preferred shares do not have a contractual obligation to share in the losses of the Company. Therefore no loss was allocated to the preferred shares in the computation of basic loss per share for the years ended December 31, 2009, 2010 and 2011.

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19. Basic and diluted net loss per share (continued)

The Preferred Shares, share-based awards for former NeoTasks employees, the share-based awards granted to the CEO and Chairman, share option, restricted shares, restricted share units and warrants to an independent institutional investor were excluded from the computation of diluted net loss per common share for the periods presented because including them would have had an anti-dilutive effect. The following table summarizes information regarding weighted average of common shares equivalents which were excluded from the computation of diluted net loss per common share:

	For the year ended December 31,		
	2009	2010	2011
Preferred shares-weighted average	251,130,218	359,424,310	359,424,310
Share-based awards for NeoTasks acquisition-weighted average	26,234,988	17,277,298	8,319,608
Share-based awards granted to CEO and Chairman-weighted average	—	36,679,507	29,678,483
Share options-weighted average	24,930,643	19,805,981	18,488,604
Restricted shares-weighted average	—	38,138,860	54,045,124
Restricted share units-weighted average	—	—	2,625,039
Warrants to an independent institutional investor-weighted average	—	—	12,609,970

20. Related party transactions

The table below sets forth the related parties and their relationships with the Group:

Related Party	Relationship with the Group
Zhuhai Daren Computer Technology Company Limited (“Zhuhai Daren”)	Equity Investment
Guangzhou Shanghang Information Technical Co., Ltd. (“Shanghang”)	Significant influence exercised by the Chairman as key shareholder

During the years ended December 31, 2009, 2010 and 2011, significant related party transactions were as follows:

	For the year ended December 31,		
	2009 RMB	2010 RMB	2011 RMB
Online game revenue sharing from Zhuhai Daren	822	1,683	4,451
Bandwidth costs paid to Shanghang	—	1,760	21,985
Interest-free loan to Zhuhai Daren	—	1,500	500

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20. Related party transactions (continued)

As of December 31, 2010 and 2011, the amounts due from/to related parties were as follows:

	December 31,	
	2010 RMB	2011 RMB
Amount due from a related party		
Other receivables from Zhuhai Daren	1,500	2,000
Amounts due to related parties		
Account payables to Zhuhai Daren	386	793
Other payables to Shanghang	828	77
Total	1,214	870

The other receivables/payables from/to related parties are unsecured, interest-free and payable on demand.

21. Fair value measurements

Fair value reflects the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Group considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the assets or liabilities.

The Group applies a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. This guidance specifies a hierarchy of valuation techniques, which is based on whether the inputs into the valuation technique are observable or unobservable. The hierarchy is as follows:

Level 1—Valuation techniques in which all significant inputs are unadjusted quoted prices from active markets for assets or liabilities that are identical to the assets or liabilities being measured.

Level 2—Valuation techniques in which significant inputs include quoted prices from active markets for assets or liabilities that are similar to the assets or liabilities being measured and/or quoted prices for assets or liabilities that are identical or similar to the assets or liabilities being measured from markets that are not active. Also, model-derived valuations in which all significant inputs and significant value drivers are observable in active markets are Level 2 valuation techniques.

Level 3—Valuation techniques in which one or more significant inputs or significant value drivers are unobservable. Unobservable inputs are valuation technique inputs that reflect the Group's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The fair value guidance describes three main approaches to measure the fair value of assets and liabilities: (1) market approach; (2) income approach and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

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21. Fair value measurements (continued)

When available, the Group uses quoted market prices to determine the fair value of an asset or liability. If quoted market prices are not available, the Group will measure fair value using valuation techniques that use, when possible, current market-based or independently sourced market parameters, such as interest rates and currency rates. The Group did not have any financial instruments that were required to be measured at fair value on a recurring basis as of December 31, 2010 and 2011.

The Group's financial instruments consist principally of cash, short-term deposits, accounts receivable, amounts due to/from related parties, accounts payable and certain accrued expenses. The recorded values of cash, accounts receivable, amounts due to/from related parties, accounts payable and certain accrued expenses are recorded at cost which approximates fair value.

22. Commitments and contingencies

(a) Operating lease commitments

The Group leases facilities in the PRC under non-cancellable operating leases expiring on different dates. Payments under operating leases are expensed on a straight-line basis over the periods of the respective leases.

Total office rental expenses under all operating leases were RMB1,853, RMB4,506 and RMB6,361 for the years ended December 31, 2009, 2010 and 2011, respectively.

As of December 31, 2011, future minimum payments under non-cancellable operating leases consist of the following:

	Office rental RMB
2012	10,987
2013	12,448
2014	13,561
2015 and thereafter	13,837
	50,833

(b) Capital commitment

As of December 31, 2011, total capital commitments for leasehold improvement, which was contracted but not yet reflected in the financial statements, amounted to RMB920.

(c) Litigation

The Group is not currently a party to, nor is aware of, any legal proceeding, investigation or claim which is likely to have a material adverse effect on the Group's business, financial condition, results or operations, or cash flows. The Group did not record any legal contingencies as of December 31, 2011.

23. Subsequent events

The Group evaluated subsequent events through July 13, 2012, which was the date which these financial statements were issued.

(a) On February 2, 2012, the Group disposed of a cost investment to the chairman of the Company, who is also a director and a shareholder, for a cash consideration of RMB1,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

23. Subsequent events (continued)

(b) On March 12, 2012, the Group acquired the business of an internet platform for cash consideration of RMB11,722.

(c) On January 1 and March 31, 2012, the Group granted 1,668,000 and 6,597,921 restricted share units under the 2011 Incentive Scheme, respectively. The fair value of the restricted share units at the grant date was US$1.0869 and US$1.1530, respectively.

24. Restricted net assets

Relevant PRC laws and regulations permit payments of dividends by the Group's subsidiaries, the VIE and the subsidiary of the VIE incorporated in the PRC only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. In addition, the Company's subsidiaries, the VIE and the subsidiary of the VIE incorporated in the PRC are required to annually appropriate 10% of their net after-tax income to the statutory general reserve fund prior to payment of any dividends, unless such reserve funds have reached 50% of their respective registered capital. As a result of these and other restrictions under PRC laws and regulations, the Group's subsidiaries, the VIE and the subsidiary of the VIE incorporated in the PRC are restricted in their ability to transfer a portion of their net assets to the Company either in the form of dividends, loans or advances, which restricted portion as calculated under US GAAP amounted to approximately RMB84,501 and RMB151,096 as of December 31, 2010 and 2011, respectively. There are no differences between US GAAP and PRC accounting standards in connection with the reported net assets of the legally owned subsidiaries in the PRC and the VIEs. Even though the Company currently does not require any such dividends, loans or advances from the PRC entities for working capital and other funding purposes, the Company may in the future require additional cash resources from them due to changes in business conditions, to fund future acquisitions and development, or merely to declare and pay dividends or distributions to our shareholders. Except for the above, there is no other restriction on use of proceeds generated by the Group's subsidiaries, the VIE and the subsidiary of the VIE to satisfy any obligations of the Company.

25. Additional information: condensed financial statements of the Company

Rule 12-04(a) and 4-08(e)(3) of Regulation S-X require condensed financial information as to financial position, changes in financial position and results of operations of a parent company as of the same dates and for the same periods for which audited consolidated financial statements have been presented when the restricted net assets of consolidated and unconsolidated subsidiaries together exceed 25 percent of consolidated net assets as of the end of the most recently completed fiscal year. However, the Group was only reorganized with the Company being the ultimate holding company of the Group upon the completion of the Share Swap on September 6, 2011 as described in Note 1. Therefore, condensed financial statements for 2009 and 2010 relate to Duowan BVI and for 2011 relate to the Company. The Company records its investments in its subsidiaries and VIEs under the equity method of accounting. Such investments are presented on the separate condensed balance sheets of the Company as "Long-term investments in subsidiaries and VIEs".

The subsidiaries did not pay any dividends to the Company for the years presented. Certain information and footnote disclosures generally included in financial statements prepared in accordance with US GAAP have been condensed and omitted. The footnote disclosures represent supplemental information relating to the operations of the Company, as such, these statements should be read in conjunction with the notes to the consolidated financial statements of the Group.

As of December 31, 2010 and 2011, the Company had no significant capital and other commitments, long-term obligations, or guarantee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

25. Additional information: condensed financial statements of the Company (continued)

Condensed balance sheets

	As of December 31,		
	2010 RMB (a)	2011 RMB (b)	2011 US$
Assets			
Current assets			
Cash and cash equivalents	22,013	—	—
Short-term deposits	—	—	—
Interest Receivables	—	—	—
Due from employees	970	—	—
Due from subsidiaries and VIE	—	—	—
Total current assets	22,983	—	—
Non-current assets			
Intangible assets, net	11,307	—	—
Investments in subsidiaries and consolidated VIEs	75,007	619,241	98,449
Other non-current assets	—	—	—
Total non-current assets	86,314	619,241	98,449
Total assets	109,297	619,241	98,449
Current liabilities			
Accrued liabilities and other payables	203,531	—	—
Total liabilities	203,531	—	—
Mezzanine equity			
Series A convertible redeemable preferred shares (US$0.00001 par value, 136,100,930 shares authorized, issued and outstanding as of December 31, 2010 and 2011)	846,752	935,013	148,651
Series B convertible redeemable preferred shares (US$0.00001 par value, 102,073,860 shares authorized, issued and outstanding as of December 31, 2010 and 2011)	639,799	703,901	111,908
Series C-1 convertible redeemable preferred shares (US$0.00001 par value, 16,249,870 shares authorized, issued and outstanding as of December 31, 2010 and 2011)	102,754	112,556	17,894
Series C-2 convertible redeemable preferred shares (US$0.00001 par value, 104,999,650 shares authorized, issued and outstanding as of December 31, 2010 and 2011)	667,966	729,464	115,972
Shareholders' deficit			
Common shares (US$ 0.00001 par value; 946,074,577 and 1,022,785,225 shares authorized, 466,630,266 and 543,340,914 shares issued and outstanding as of December 31, 2010 and 2011, respectively)	32	37	6
Additional paid-in capital	—	584,093	92,861
Accumulated deficits	(2,350,448)	(2,433,604)	(386,900)
Accumulated other comprehensive loss	(1,089)	(12,219)	(1,943)
Total shareholders' deficit	(2,351,505)	(1,861,693)	(295,976)
Total liabilities, mezzanine equity and shareholders' deficit	109,297	619,241	98,449

(a) Represents condensed balance sheet of Duowan BVI for 2010
(b) Represents condensed balance sheet of the Company for 2011

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

25. Additional information: condensed financial statements of the Company (continued)

Condensed statements of operations

	For the year ended December 31,			
	2009 RMB (a)	2010 RMB (a)	2011 RMB (b)	2011 US$
Operating expenses				
General and administrative expenses	(32)	(2,489)	—	—
Operating loss	**(32)**	**(2,489)**	**—**	**—**
Share of losses from subsidiaries and VIEs	(47,084)	(236,368)	(83,156)	(13,221)
Net loss	**(47,116)**	**(238,857)**	**(83,156)**	**(13,221)**
Amortization of beneficial conversion feature	(237)	—	—	—
Accretion to convertible redeemable preferred shares redemption value	(283,179)	(1,808,853)	(223,663)	(35,559)
Deemed dividend to Series A preferred shareholders	(19)	—	—	—
Deemed dividend to Series B preferred shareholders	(176)	—	—	—
Net loss attributable to common shareholders	**(330,727)**	**(2,047,710)**	**(306,819)**	**(48,780)**

(a) Represents condensed statements of operations of Duowan BVI for 2009 and 2010
(b) Represents condensed statement of operations of the Company for 2011

Condensed statement of cash flows

	For the year ended December 31,			
	2009 RMB (a)	2010 RMB (a)	2011 RMB (b)	2011 US$
Net cash used in operating activities	(33)	(2,436)	—	—
Net cash used in investing activities	(10,941)	(66,432)	—	—
Net cash provided by/(used in) financing activities	74,629	(3,138)	—	—
Net increase/(decrease) in cash and cash equivalents	63,655	(72,006)	—	—
Cash and cash equivalents at the beginning of the year	32,070	95,726	—	—
Effect of exchange rates on cash and cash equivalents	1	(1,707)	—	—
Cash and cash equivalents at the end of the year	95,726	22,013	—	—

(a) Represents condensed statements of cash flows of Duowan BVI for 2009 and 2010
(b) Represents condensed statement of cash flows of the Company for 2011

26. Unaudited pro forma balance sheet and earnings per share for conversion of preferred shares

All of the Preferred Shares shall automatically be converted into common shares at the conversion ratio of one preferred share to one common share immediately prior to (i) the closing of the Qualified IPO or (ii) at the election of a majority of the Series A Holders, a majority of the Series B Holders and a majority of the Series C Holders (each voting or consenting as a separate class).

The unaudited pro forma balance sheet as of December 31, 2011 presents an adjusted financial position as if the conversion of the preferred shares into common shares occurred on December 31, 2011. Accordingly, the carrying value of the preferred shares, in the amount of RMB2,480,934, was reclassified from preferred shares to common shares and additional paid in capital for such pro forma presentation.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

26. Unaudited pro forma balance sheet and earnings per share for conversion of preferred shares (continued)

The unaudited pro forma loss per share for the year ended December 31, 2011 after giving effect to the conversion of the Preferred Shares into common shares as if the conversion occurred at January 1, 2011, respectively was as follows:

	For the year ended December 31, 2011 RMB
Numerator:	
Net loss attributable to common shareholders	(306,819)
Pro forma effect of conversion of Preferred Shares	223,663
Pro forma net loss attributable to common shareholders—Basic and diluted	(83,156)
Denominator:	
Denominator for basic calculation—weighted average number of common shares outstanding	485,883,845
Pro forma effect of conversion of Preferred Shares	359,424,310
Denominator for pro forma basic and diluted calculation	845,308,155
Pro forma basic net loss per share attributable to common shareholders	(0.0984)
Pro forma diluted net loss per share attributable to common shareholders	(0.0984)

For the year ended December 31, 2011, of the 18,488,604 share options, 29,678,483 share-based awards granted to CEO and Chairman, 8,319,608 share-based awards for former NeoTasks employees and 12,609,970 warrants to an independent institutional investor, 54,045,124 restricted shares and 2,625,039 restricted share units were excluded from the computation of diluted net loss per common share for the periods presented because including them would had an anti-dilutive effect.

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2011 AND JUNE 30, 2012
(All amounts in thousands, except share and per share data)

	Notes	As of December 31, 2011	As of June 30, 2012			
		2011	2012	2012	2012	2012
		RMB	RMB	US$ (Note 2(b))	RMB Pro forma (Note 21)	US$ Pro forma (Note 21) (Note 2(b))
Assets						
Current assets						
Cash and cash equivalents	4	128,891	187,934	29,582	187,934	29,582
Short-term deposits		472,655	507,060	79,814	507,060	79,814
Accounts receivable, net	5	47,022	64,431	10,142	64,431	10,142
Amounts due from related parties	16	2,000	1,973	311	1,973	311
Prepayments and other current assets		9,742	14,181	2,232	14,181	2,232
Deferred tax assets		12,487	22,539	3,548	22,539	3,548
Total current assets		672,797	798,118	125,629	798,118	125,629
Non-current assets						
Deferred tax assets		329	604	94	604	94
Investments	6	5,244	4,417	695	4,417	695
Property and equipment, net	7	53,582	75,126	11,825	75,126	11,825
Intangible assets, net	8	10,814	21,001	3,306	21,001	3,306
Goodwill		706	1,607	253	1,607	253
Other non-current assets		1,954	2,279	359	2,279	359
Total non-current assets		72,629	105,034	16,532	105,034	16,532
Total assets		**745,426**	**903,152**	**142,161**	**903,152**	**142,161**
Liabilities and shareholders' equity						
Current liabilities						
Accounts payable		16,114	23,250	3,660	23,250	3,660
Deferred revenue	9	40,357	84,833	13,353	84,833	13,353
Advances from users		2,453	4,202	661	4,202	661
Income taxes payable		16,872	31,805	5,006	31,805	5,006
Accrued liabilities and other current liabilities	10	49,071	60,836	9,576	60,836	9,576
Amounts due to related parties	16	870	763	120	763	120
Total current liabilities		125,737	205,689	32,376	205,689	32,376
Non-current liabilities						
Deferred revenue	9	448	1,255	198	1,255	198
Total liabilities		**126,185**	**206,944**	**32,574**	**206,944**	**32,574**
Commitments and contingencies	18					

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UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2011 AND JUNE 30, 2012 (CONTINUED)
(All amounts in thousands, except share and per share data)

	Notes	As of December 31, 2011	As of June 30, 2012			
		2011	2012	2012	2012	2012
		RMB	RMB	US$ (Note 2(b))	RMB Pro forma (Note 21)	US$ Pro forma (Note 21) (Note 2(b))
Mezzanine equity						
Series A convertible redeemable preferred shares (US$0.00001 par value, 136,100,930 shares authorized, issued and outstanding as of December 31, 2011 and June 30, 2012 (unaudited), and none outstanding on a pro forma basis as of June 30, 2012 (unaudited))		935,013	983,057	154,739	—	—
Series B convertible redeemable preferred shares (US$0.00001 par value, 102,073,860 shares authorized, issued and outstanding as of December 31, 2011 and June 30, 2012 (unaudited), and none outstanding on a pro forma basis as of June 30, 2012 (unaudited))		703,901	739,903	116,465	—	—
Series C-1 convertible redeemable preferred shares (US$0.00001 par value, 16,249,870 shares authorized, issued and outstanding as of December 31, 2011 and June 30, 2012 (unaudited), and none outstanding on a pro forma basis as of June 30, 2012 (unaudited))		112,556	118,276	18,617	—	—
Series C-2 convertible redeemable preferred shares (US$0.00001 par value, 104,999,650 shares authorized, issued and outstanding as of December 31, 2011 and June 30, 2012 (unaudited), and none outstanding on a pro forma basis as of June 30, 2012 (unaudited))		729,464	766,319	120,623	—	—

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UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2011 AND JUNE 30, 2012 (CONTINUED)
(All amounts in thousands, except share and per share data)

	Notes	As of December 31, 2011	As of June 30, 2012			
		2011	2012	2012	2012	2012
		RMB	RMB	US$ (Note 2(b))	RMB Pro forma (Note 21)	US$ Pro forma (Note 21) (Note 2(b))
Shareholders' (deficits) equity						
Common shares (US$0.00001 par value; 1,022,785,225 shares authorized, 543,340,914 shares issued and outstanding as of December 31, 2011 and June 30, 2012 (unaudited) and 902,765,224 outstanding on a pro forma basis as of June 30, 2012 (unaudited))	13	37	37	6	61	9
Additional paid-in capital		584,093	511,732	80,550	3,119,263	490,991
Accumulated deficits		(2,433,604)	(2,412,788)	(379,787)	(2,412,788)	(379,787)
Accumulated other comprehensive losses		(12,219)	(10,328)	(1,626)	(10,328)	(1,626)
Total shareholders' (deficits) equity		(1,861,693)	(1,911,347)	(300,857)	696,208	109,587
Total liabilities, mezzanine equity and shareholders' (deficits) equity		**745,426**	**903,152**	**142,161**	**903,152**	**142,161**

The accompanying notes are an integral part of these consolidated financial statements.

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UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2012
(All amounts in thousands, except share and per share data)

	Notes	For the six months ended June 30,		
		2011	2012	2012
		RMB	RMB	US$ (Note 2(b))
Net revenues				
Internet value-added services				
—Online game		71,679	150,398	23,674
—YY music		9,645	92,721	14,595
—Others		1,969	30,961	4,873
Online advertising		35,467	50,370	7,929
Total net revenues		118,760	324,450	51,071
Cost of revenues[1]	11	(78,349)	(164,138)	(25,836)
Gross profit		40,411	160,312	25,235
Operating expenses[1]				
Research and development expenses		(43,215)	(77,809)	(12,248)
Sales and marketing expenses		(7,917)	(4,862)	(765)
General and administrative expenses		(59,165)	(50,170)	(7,897)
Total operating expenses		(110,297)	(132,841)	(20,910)
Government grants		—	671	106
Operating (loss) income		(69,886)	28,142	4,431
Foreign currency exchange gains (loss), net		4,014	(1,786)	(281)
Interest income		1,348	5,986	942
(Loss) income before income tax expenses		(64,524)	32,342	5,092
Income tax expenses	12	(3,365)	(11,152)	(1,755)
(Loss) income before loss in equity method investments, net of income taxes		(67,889)	21,190	3,337
Loss in equity method investments, net of income taxes		(746)	(374)	(60)
Net (loss) income attributable to YY Inc.		(68,635)	20,816	3,277
Accretion to convertible redeemable preferred shares redemption value		(157,859)	(126,621)	(19,931)
Net loss attributable to common shareholders		**(226,494)**	**(105,805)**	**(16,654)**
Net (loss) income		(68,635)	20,816	3,277
Other comprehensive (loss) income:				
Foreign currency translation adjustments, net of nil tax		(1,160)	1,891	298
Comprehensive (loss) income attributable to YY Inc.		**(69,795)**	**22,707**	**3,575**
Net loss per share				
—basic	15	(0.48)	(0.20)	(0.03)
—diluted	15	(0.48)	(0.20)	(0.03)
Weighted average number of common shares used in calculating—basic loss per share	15	467,627,928	537,420,517	537,420,517
Weighted average number of common shares used in calculating—diluted loss per share	15	467,627,928	537,420,517	537,420,517

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UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2012 (CONTINUED)
(All amounts in thousands, except share and per share data)

(1) Share-based compensation was allocated in cost of revenues and operating expenses as follows:

	Notes	For the six months ended June 30,		
		2011	2012	2012
		RMB	RMB	US$ (Note 2(b))
Cost of revenues		9,240	4,386	690
Research and development expenses		13,887	19,731	3,106
Sales and marketing expenses		660	500	79
General and administrative expenses		48,181	29,643	4,666

The accompanying notes are an integral part of these consolidated financial statements.

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UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICITS FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2012
(All amounts in thousands, except share and per share data)

	Notes	Common shares		Additional paid-in capital	Accumulated deficits	Accumulated other comprehensive losses	Total shareholders' deficits
		Number of shares	Amount				
		Note 13	RMB	RMB	RMB	RMB	RMB
Balance as of December 31, 2011		**543,340,914**	**37**	**584,093**	**(2,433,604)**	**(12,219)**	**(1,861,693)**
Share-based compensation—share options	14	—	—	2,119	—	—	2,119
Share-based compensation—restricted shares	14	—	—	25,775	—	—	25,775
Share-based compensation—restricted share units	14	—	—	22,350	—	—	22,350
Share-based compensation—restricted shares to the CEO and Chairman	14	—	—	4,016	—	—	4,016
Accretion of Series A convertible redeemable preferred shares to redemption value		—	—	(48,044)	—	—	(48,044)
Accretion of Series B convertible redeemable preferred shares to redemption value		—	—	(36,002)	—	—	(36,002)
Accretion of Series C convertible redeemable preferred shares to redemption value		—	—	(42,575)	—	—	(42,575)
Components of comprehensive income							
Net income		—	—	—	20,816	—	20,816
Foreign currency translation adjustment, net of nil tax		—	—	—	—	1,891	1,891
Balance as of June 30, 2012		**543,340,914**	**37**	**511,732**	**(2,412,788)**	**(10,328)**	**(1,911,347)**

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UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICITS FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2012 (CONTINUED)
(All amounts in thousands, except share and per share data)

	Notes	Common shares		Additional paid-in capital	Accumulated deficits	Accumulated other comprehensive losses	Total shareholders' deficits
		Number of shares	Amount				
		Note 13	RMB	RMB	RMB	RMB	RMB
Balance as of December 31, 2010		**466,630,266**	**32**	**—**	**(2,350,448)**	**(1,089)**	**(2,351,505)**
Issuance of common shares		51,140,432	3	328,129	—	—	328,132
Share-based compensation—restricted shares	14	—	—	30,586	—	—	30,586
Share-based compensation—restricted shares to the CEO and Chairman	14	—	—	7,174	—	—	7,174
Transferred from matured liability award for NeoTasks founders		—	—	57,692	—	—	57,692
Accretion of Series A convertible redeemable preferred shares to redemption value		—	—	(63,151)	—	—	(63,151)
Accretion of Series B convertible redeemable preferred shares to redemption value		—	—	(45,372)	—	—	(45,372)
Accretion of Series C convertible redeemable preferred shares to redemption value		—	—	(49,336)	—	—	(49,336)
Components of comprehensive losses							
Net loss		—	—	—	(68,635)	—	(68,635)
Foreign currency translation adjustment, net of nil tax		—	—	—	—	(1,160)	(1,160)
Balance as of June 30, 2011		**517,770,698**	**35**	**265,722**	**(2,419,083)**	**(2,249)**	**(2,155,575)**

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2012
(All amounts in thousands)

	Notes	For the six months ended June 30,		
		2011	2012	2012
		RMB	RMB	US$ (Note 2(b))
Cash flows from operating activities				
Net (loss) income		(68,635)	20,816	3,277
Adjustments to reconcile net (loss) income to net cash provided by operating activities				
Depreciation of property and equipment	7	5,068	11,256	1,772
Amortization of acquired intangible assets	8	618	1,328	209
Allowance for doubtful accounts	5	—	1,969	310
Gain on disposal of property and equipment		(66)	—	—
Impairment of cost investment		—	453	71
Share-based compensation	14	71,968	54,260	8,541
Share of loss from equity investments		746	374	60
Deferred income taxes, net	12	(1,952)	(10,327)	(1,626)
Foreign exchange gains (loss), net		(4,014)	1,786	281
Changes in operating assets and liabilities, net				
Accounts receivable	5	(17,187)	(19,378)	(3,050)
Prepayments and other current assets		1,209	(4,734)	(745)
Amounts due from a related party	16	—	72	11
Amounts due to related parties	16	(446)	(107)	(17)
Accounts payable		2,247	225	35
Deferred revenue	9	2,892	45,283	7,128
Advances from users		623	1,749	275
Income taxes payable		5,317	14,933	2,351
Accrued liabilities and other current liabilities		14,109	11,765	1,851
Net cash provided by operating activities		12,497	131,723	20,734
Cash flows from investing activities				
Placements of short-term deposits		(382,935)	(364,405)	(57,360)
Maturities of short-term deposits		84,233	330,000	51,944
Purchase of property and equipment		(18,457)	(25,779)	(4,058)
Purchase of intangible assets		(219)	(813)	(128)
Cash paid for equity investments		(4,500)	(1,000)	(157)
Cash paid for cost investments		(1,000)	—	—
Cash received from disposal of cost investment	6	—	1,000	157
Consideration paid in connection with business acquisition	3	—	(11,722)	(1,845)
Loan to a related party	16	(500)	(700)	(110)
Repayment of loan from related parties	16	—	1,100	173
Loans to employees		(1,025)	(791)	(125)
Repayment of loans from employees		48	316	50
Proceeds from disposal of property and equipment		374	17	3
Net cash used in investing activities		(323,981)	(72,777)	(11,456)
Cash flows from financing activities				
Proceeds from issuance of common shares and warrants, net of issuance costs	13	328,132	—	—
Repurchase of vested share options		(11,087)	—	—
Net cash provided by financing activities		317,045	—	—
Net increase in cash and cash equivalents		**5,561**	**58,946**	**9,278**
Cash and cash equivalents at the beginning of the period		83,683	128,891	20,288
Effect of exchange rates change on cash and cash equivalents		(2,153)	97	16
Cash and cash equivalents at the end of the period		**87,091**	**187,934**	**29,582**
Supplemental disclosure of cash flows information				
—Employee loans settled with repurchase of vested share options		614	—	—
—Income taxes paid		—	(6,546)	(1,030)

The accompanying notes are an integral part of these consolidated financial statements.

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NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

1. Organization and principal activities

(a) Principal activities

YY Inc. (the “Company”) was incorporated in the Cayman Islands on July 22, 2011. The Company through its subsidiaries, and its variable interest entities (“VIEs”) (collectively, the “Group”) is principally engaged in operating an online social platform in the People’s Republic of China (the “PRC” or “China”) through its platform, YY Client and through its website *YY.com* and *Duowan.com*.

(b) Subsidiaries and VIEs

The details of the subsidiaries and VIEs as of June 30, 2012 are set out below:

Name	Place of incorporation	Date of incorporation	% of direct or indirect economic ownership	Principal activities
Subsidiaries				
Duowan Entertainment Corp. (“Duowan BVI”)	British Virgin Islands	November 6, 2007	100%	Investment holding
NeoTasks Inc. (“NeoTasks”)	Cayman Islands	April 26, 2006	100%	Investment holding
NeoTasks Limited	Hong Kong	June 16, 2005	100%	Investment holding
Huanju Shidai Technology (Beijing) Company Limited (“Huanju Shidai” or “Duowan Entertainment”)*	PRC	March 19, 2008	100%	Investment holding
Zhuhai Duowan Information Technology Company Limited (“Zhuhai Duowan” or “Guangzhou Duowan”)**	PRC	April 9, 2007	100%	Online advertising and software development
Zhuhai Duowan Technology Company Limited (“Zhuhai Duowan Technology”)	PRC	December 2, 2010	100%	Software development
Variable Interest Entities (“VIEs”)				
Guangzhou Huaduo Network Technology Company Limited (“Guangzhou Huaduo”)	PRC	April 11, 2005	100%	Holder of internet content provider licenses and internet value added services
Beijing Tuda Science and Technology Company Limited (“Beijing Tuda”)	PRC	June 2, 2005	100%	Holder of internet content provider licenses

* Formerly known as Duowan Entertainment Information Technology (Beijing) Company Limited.

** Formerly known as Guangzhou Duowan Information Technology Company Limited.

2. Summary of significant accounting policies

(a) Basis of presentation and use of estimates

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the annual audited consolidated financial statements. In the opinion of management, all adjustments, consisting of normal recurring adjustments

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

2. Summary of significant accounting policies (continued)

(a) Basis of presentation and use of estimates (continued)

necessary for the fair statement of results for the periods presented, have been included. The results of operations of any interim period are not necessarily indicative of the results of operations for the full year or any other interim period.

The preparation of condensed consolidated financial statements requires management to make estimates and assumptions that affect the recorded amounts reported therein. A change in facts or circumstances surrounding the estimate could result in a change to estimates and impact future operating results.

The unaudited condensed consolidated financial statements and related disclosures have been prepared with the presumption that users of the unaudited condensed consolidated financial statements have read or have access to the audited consolidated financial statements for the preceding fiscal year. The condensed consolidated balance sheet at December 31, 2011 has been derived from the audited financial statements at that date but does not include all the information and footnotes required by accounting principles generally accepted in the United States of America. Accordingly, these unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2011.

(b) Convenience translation

Translations of amounts from RMB into US$ for the convenience of the reader were calculated at the noon buying rate of US$1.00 = RMB6.3530 on June 30, 2012 as set forth in the H.10 statistical release of the U.S. Federal Reserve Board. No representation is made that the RMB amounts could have been, or could be, converted into US$ at such rate.

(c) Statutory reserves

The Group did not make any appropriation to its general reserve fund, statutory surpluses fund, discretionary surplus fund, and the staff bonus and welfare fund for the six months ended June 30, 2011 and 2012, respectively.

(d) Revenue

YY music revenue

YY Music revenue consists of sales of virtual items to be used on YY Client’s music channels. Users use the Group’s virtual currencies to purchase virtual items to show support for their favorite performers or gain access to privileges and special features in the channels. The Group operates the YY platform and offer virtual items in the music channels so the Group has primary responsibility to the end users. Accordingly, revenues are recognized on a gross basis because the Group is the primary obligor in the arrangement. Revenue is recognized for the sale of virtual items sold in YY Music channels immediately if the virtual item is a consumable or, in the case of time-based virtual items, recognized ratably over the period each virtual item is made available to the user, which does not exceed one year. The Group does not have further obligations to the user after the virtual items are consumed. Virtual items may be sold individually or bundled into one arrangement. When the Group’s customers purchase multiple virtual items bundled within the same arrangement, the Group evaluate such arrangements under ASC 605-25 *Multiple-Element Arrangements* (“ASC 605-25”). The Group identifies the deliverables under the arrangement and determines if such deliverables meet the criteria to be accounted for as separate units of accounting. The Group allocates the arrangement consideration to those separate units based on their relative selling price. The Group recognizes revenue for each unit of accounting in accordance with the applicable revenue recognition method, assuming all other revenue recognition criteria are met.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

2. Summary of significant accounting policies (continued)

(e) Segment reporting

Operating segments are defined as components of an enterprise engaging in business activities for which separate financial information is available that is regularly evaluated by the Group's chief operating decision makers in deciding how to allocate resources and assess performance. The Group's chief operating decision maker has been identified as the Chief Executive Officer, who reviews consolidated results when making decisions about allocating resources and assessing performance of the Group. The Group has internal reporting of cost and expenses that does not distinguish between segments, and reports costs and expenses by nature as a whole. The Group does not distinguish between markets or segments for the purpose of internal reporting. Hence, the Group has only one operating segment. As the Group's long-lived assets and revenue are substantially located in and derived from the PRC, no geographical segments are presented.

(f) Recently Adopted Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board ("FASB") issued Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs, an accounting standard update which amended the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. The Group adopted this standard effective January 1, 2012 with no material impact on the consolidated financial statements and disclosures.

In June 2011, the FASB issued an accounting standards update on the presentation of comprehensive income under which the option to present the components of other comprehensive income as part of the statement of shareholders' equity has been eliminated. The Group adopted this standard effective January 1, 2012.

In September 2011, the FASB issued an amendment to the existing standard which provides entities with an option to perform a qualitative assessment to determine whether further impairment testing on goodwill is necessary. The Group adopted this standard effective January 1, 2012 with no material impact on the consolidated financial statements and disclosures.

3. Business Acquisition

On March 12, 2012, the Group acquired a majority of the assets of an internet service company, which is in the business of operating an internet platform, for cash consideration of RMB11,722. As a result of the acquisition, the Group obtained the key intellectual property to develop and expand the platform of YY Client. The acquisition was recorded using the acquisition method of accounting and the allocation of the purchase price at the date of acquisition is as follows:

	RMB
Property and equipment	128
Intangible assets	
Technology	10,035
Software	660
Goodwill	899
Total	11,722

The excess of purchase price over tangible assets and identifiable intangible assets acquired and liabilities assumed was recorded as goodwill. The acquired goodwill is not deductible for tax purposes. Acquisition-related costs were immaterial and were included in general and administrative expenses for six months ended June 30, 2012.

Pro forma results of operations related to the acquisition have not been presented because they are not material to the Group's consolidated statements of operations for the six months ended June 30, 2011 and 2012.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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4. Cash and cash equivalents

Cash and cash equivalents represent cash on hand, demand deposits placed with banks or other financial institutions, which have original maturities of three months or less. Cash and cash equivalents balance as of December 31, 2011 and June 30, 2012 primarily consist of the following currencies:

	December 31, 2011		June 30, 2012	
	Amount	RMB equivalent	Amount	RMB equivalent
RMB	108,775	108,775	174,494	174,494
US$	3,193	20,116	2,125	13,440
Total		128,891		187,934

5. Accounts receivable, net

	December 31, 2011 RMB	June 30, 2012 RMB
Accounts receivable, gross	47,022	65,762
Less: allowance for doubtful receivables	—	(1,331)
Accounts receivable, net	47,022	64,431

The following table presents movement of the allowance for doubtful receivables:

	For the six months ended June 30,	
	2011 RMB	2012 RMB
Balance at the beginning of the period	387	—
Additions charged to general and administrative expenses	—	1,969
Write-off during the period	—	(638)
Balance at the end of the period	387	1,331

6. Investments

	December 31, 2011 RMB	June 30, 2012 RMB
Equity investments	3,142	3,768
Cost investments (Note i)	2,102	649
Total	5,244	4,417

(i) As of June 30, 2012, the Group's cost investment represents an equity interest of 25% in a private company. As part of the share purchase agreement, the Group is entitled to receive an amount equal to 100% of its original investment in the event of liquidation in preference to other common shareholders. As a result, the investment is not an investment in common stock or in-substance common stock and precluded from applying the equity method of accounting. The Group accounted for the investment under the cost method.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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6. Investments (continued)

On February 2, 2012, the Group disposed of a cost investment to the Chairman of the Company at fair value for cash consideration of RMB1,000.

7. Property and equipment, net

Property and equipment consists of the following:

	December 31, 2011 RMB	June 30, 2012 RMB
Gross carrying amount		
Servers, computers and equipment	61,595	73,758
Furniture, fixture and office equipment	5,440	8,513
Leasehold improvement	3,759	19,474
Motor vehicles	1,149	2,205
Construction in progress	400	1,189
Total	72,343	105,139
Less: accumulated depreciation	(18,761)	(30,013)
Property and equipment, net	53,582	75,126

Depreciation expenses for the six months ended June 30, 2011 and 2012 were RMB5,068 and RMB11,256, respectively.

No impairment loss for property and equipment had been recognized for the six months ended June 30, 2011 and 2012.

8. Intangible assets, net

The following table summarizes the Group's intangible assets:

	December 31, 2011 RMB	June 30, 2012 RMB
Gross carrying amount		
Domain name	11,504	11,548
Technology	—	10,012
Software	1,601	3,064
Total of gross carrying amount	13,105	24,624
Less: accumulated amortization		
Domain name	(1,389)	(1,794)
Technology	—	(667)
Software	(902)	(1,162)
Total of accumulated amortization	(2,291)	(3,623)
Intangible assets, net	10,814	21,001

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

8. Intangible assets, net (continued)

Amortization expenses for the six months ended June 30, 2011 and 2012 were RMB618 and RMB1,328, respectively.

No impairment loss for intangible assets had been recognized for the six months ended June 30, 2011 and 2012.

The estimated amortization expenses for each of the following five years as of June 30, 2012 are as follows:

Twelve months ended June 30,	Domain name RMB	Software RMB	Technology RMB
2013	789	954	2,002
2014	789	344	2,002
2015	781	316	2,002
2016	759	187	2,002
2017	759	101	1,337

The weighted average amortization periods of intangible assets as of December 31, 2011 and June 30, 2012 are as below:

	December 31, 2011	June 30, 2012
Domain name	15 years	15 years
Technology	—	5 years
Software	5 years	5 years

9. Deferred revenue

	December 31, 2011 RMB	June 30, 2012 RMB
Deferred revenue, current:		
Online game	31,171	44,624
Membership subscription	9,142	31,196
YY music	—	8,866
Government grant	—	116
Others	44	31
Total current deferred revenue, net	40,357	84,833
Deferred revenue, non-current:		
Membership subscription	448	542
Government grant	—	713
Total non-current deferred revenue, net	448	1,255

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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10. Accrued liabilities and other current liabilities

	December 31, 2011 RMB	June 30, 2012 RMB
Accrued salaries and welfare	25,902	23,815
Accrued bandwidth costs	5,801	9,989
Accrued YY music activities costs	1,148	9,730
Business and other taxes payable	7,028	8,971
Deposits from advertising customers	6,250	3,250
Others	2,942	5,081
Total	49,071	60,836

11. Cost of revenues

	For the six months ended June 30,	
	2011 RMB	2012 RMB
Bandwidth costs	32,848	64,219
YY music activities costs	600	30,499
Salaries and welfare	15,929	20,384
Business tax and subcharges	5,935	14,264
Depreciation and amortization	4,981	10,853
Payment handling costs	4,792	8,912
Share-based compensation	9,240	4,386
Others	4,024	10,621
Total	78,349	164,138

12. Income Tax

(i) Cayman Islands (“Cayman”)

Under the current tax laws of Cayman Islands, the Company and its subsidiary are not subject to tax on income or capital gains. Besides, upon payment of dividends by the Company to its shareholders, no Cayman Islands withholding tax will be imposed.

(ii) British Virgin Islands (“BVI”)

Duowan BVI is exempted from income tax on its foreign-derived income in the BVI. There are no withholding taxes in the BVI.

(iii) Hong Kong profits tax

Entities incorporated in Hong Kong are subject to the Hong Kong profits tax at a rate of 16.5% on the estimated assessable profit for the period. No Hong Kong profits tax has been provided as the Group’s subsidiary has no assessable profit arising in Hong Kong.

(iv) PRC Enterprise Income Tax (“EIT”)

The Company’s subsidiaries and VIEs are subject to EIT on their taxable income as reported in their respective statutory financial statements adjusted in accordance with the relevant tax laws and regulations in

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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12. Income Tax (continued)

(iv) PRC Enterprise Income Tax ("EIT") (continued)

the PRC. All the PRC entities of the Group (including subsidiaries and VIEs) are subject to EIT at a rate of 25%. In 2011, Guangzhou Huaduo has been qualified as "High and New Technology Enterprise" ("HNTE") under the EIT Law. Therefore, it is entitled to a preferential tax rate of 15% from 2011 to 2012 and will continue to enjoy the preferential tax rate, provided that it continues to be qualified as HNTE during such period.

According to a policy promulgated by the State Tax Bureau of the PRC and effective from 2008 onwards, enterprises engaged in research and development activities are entitled to claim 150% of the research and development expenses so incurred in a year as tax deductible expenses in determining its tax assessable profits for that year ("Super Deduction"). Both Guangzhou Huaduo and Zhuhai Duowan are entitled to claim such Super Deduction in ascertaining their tax assessable profits for the six months ended June 30, 2012.

In addition, according to the EIT Law and its implementation rules, foreign enterprises, which have no establishment or place in the PRC but derive dividends, interest, rents, royalties and other income (including capital gains) from sources in the PRC shall be subject to PRC withholding tax ("WHT") at 10% (a further reduced WHT rate may be available according to the applicable double tax treaty or arrangement). The 10% WHT is applicable to any dividends to be distributed from Huanju Shidai and Zhuhai Duowan Technology to Duowan BVI out of any profits of Huanju Shidai and its subsidiaries, and Zhuhai Duowan Technology derived after January 1, 2008.

Up to June 30, 2012, the Group does not have any present plan to pay out the retained earnings in the subsidiaries and VIEs in the foreseeable future. The Group currently intends to retain the available funds and any future earnings to operate and expand its business. Accordingly, no such WHT had been accrued.

The current and deferred portions of income tax expenses included in the consolidated statements of operations are as follows:

	For the six months ended June 30,	
	2011	2012
	RMB	RMB
Current income tax expenses	5,317	21,479
Deferred income tax benefits	(1,952)	(10,327)
Income tax expense for the period	3,365	11,152

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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12. Income Tax (continued)

(iv) PRC Enterprise Income Tax ("EIT") (continued)

The reconciliation of total income tax expenses computed by applying the respective statutory income tax rate to pre-tax (loss) income is as follows:

	For the six months ended June 30,	
	2011	2012
PRC statutory income tax rate	(25.0%)	(25.0%)
Effect of preferential tax rate	7.7%	13.3%
Effect of tax-exempt entities	(1.8%)	(0.2%)
Permanent differences*	21.4%	(32.1%)
Changes in valuation allowance	0.8%	(1.4%)
Effect of Super Deduction available to the Group	(2.4%)	10.9%
Adjustments of deferred tax for changes in tax rates	4.5%	—
Effective income tax rate	5.2%	(34.5%)

* Permanent differences mainly arise from expenses not deductable for tax purposes including primarily share-based compensation costs and expenses incurred by the subsidiaries and VIEs.

13. Common shares

Common Shares

The Company's Memorandum and Articles of Association authorized the Company to issue 1,022,785,225 common shares at US$0.00001 par value as of June 30, 2012. Each common share is entitled to one vote. The holders of common shares are also entitled to receive dividends whenever funds are legally available and when declared by the Board of Directors, subject to prior rights of holders of all other classes of shares outstanding.

As of June 30, 2012, there were 543,340,914 common shares outstanding.

14. Share-based compensation

(a) Share option

i) Pre-2009 Scheme Options

Grant of options

Before the adoption of the Employee Equity Incentive Scheme (the "2009 Incentive Scheme"), 12,705,700 and 8,499,050 share options were granted to employees through individually signed share option agreements, respectively to acquire common shares of Duowan BVI on a one-to-one basis on January 1, 2008 and 2009. In addition, on January 1, 2008, 3,832,290 share options were granted to one non-employee for the provision of consulting services to the Group (collectively defined as "Pre-2009 Scheme Options").

Vesting of options

These Pre-2009 Scheme Options will vest over a four year service period, with 25% of the options vesting after the first anniversary of the vesting inception date and the remaining 75% in six equal installments over

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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14. Share-based compensation (continued)

(a) Share option (continued)

i) Pre-2009 Scheme Options (continued)

Vesting of options (continued)

the following 36 months. The options may be exercised provided that both the service conditions and a performance condition are met. The performance condition is defined to be i) an initial public offering, ii) completion of a financing meeting certain criteria, iii) an internal reorganization, or iv) a voluntary winding up of Duowan BVI. The performance condition that is tied to completion of a financing fulfilling certain criteria was met in June 2008 or November 2009.

The following table summarizes the activities of the Pre-2009 Scheme Options for employees and non-employee for the six months ended June 30, 2012:

	Number of options	Weighted average exercise price (US$)	Weighted average remaining contractual life (years)	Aggregate intrinsic value (US$)
Outstanding, December 31, 2011	17,889,535	0.0055	6.37	19,366
Forfeited	(19,110)	0.0067		
Outstanding, June 30, 2012	17,870,425	0.0055	5.87	20,157
Vested and exercisable at June 30, 2012	16,846,189	0.0055	5.84	19,002
Expected to vest at June 30, 2012	1,020,661	0.0067	6.50	1,150

The aggregate intrinsic value in the table above represents the difference between the estimated fair value of the Company's common shares as of June 30, 2012 and the exercise price.

The Binomial option pricing model is used to remeasured the fair values of the share options granted to the non-employee. The following table summarized the assumptions used to remeasure the fair value as of June 30, 2012:

	As of June 30, 2012
Risk-free interest rate(1)	2.99%
Expected term(2)	5.50 years
Volatility rate(3)	56.19%
Dividend yield(4)	—

(1) The risk-free interest rate of periods within the contractual life of the share option is based on the China Government Bond yield as at the valuation date.
(2) The expected term is the remaining contractual life of the option.
(3) Expected volatility is estimated based on the average of historical volatilities of the comparable companies in the same industry as at the valuation date.
(4) The Company and Duowan BVI have no history or expectation of paying dividend on its common shares.

For the six months ended June 30, 2011 and 2012, the Group recorded share-based compensation of RMB16,914 and RMB2,119, respectively, using the graded-vesting method to the employees and a non-employee.

As of June 30, 2012, there was RMB870 unrecognized share-based compensation expense relating to Pre-2009 Scheme Options granted to employees. The expense is expected to be recognized over a weighted-average remaining vesting period of 0.5 years using the graded vesting attribution method.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

14. Share-based compensation (continued)

(a) Share option (continued)

ii) 2009 Incentive Scheme Options

On January 1, 2010, the Board of Directors of Duowan BVI formally approved the 2009 Incentive Scheme dated on December 3, 2009, which permits the grant of share options and restricted shares of up to 120,020,001 shares, to any qualified persons, as determined by the Board of Directors of Duowan BVI. The contractual life of all options and restricted shares under the 2009 Incentive Scheme is ten years.

Up to the date of approval of these financial statements, no options had been granted under the 2009 Incentive Scheme by Duowan BVI or the Company.

(b) Restricted shares

Since January 1, 2010, Duowan BVI granted 61,250,677 restricted shares to employees and 100,000 restricted shares to a non-employee pursuant to the 2009 Incentive Scheme.

Vesting of restricted shares

The restricted shares have a vesting condition and will vest 50% after 24 months of grant and the remaining 50% will vest in two equal installments over the next 24 months. Under the restricted shares agreement, no shares may be sold or transferred prior to the occurrence of an exit event, as defined in the respective restricted share agreements as: i) a listing on any recognized stock exchange, ii) a sale by Duowan BVI of all or substantially all of its assets, iii) a sale of all of the issued capital of Duowan BVI, or iv) passing for court order of winding up of Duowan BVI.

If the employee terminates employment, the service vested portion of the restricted shares may be subject to:

(i) repurchase (subject to Company's sole discretion) by Duowan BVI at fair value of common shares of Duowan BVI which is assessed by an independent valuation company; or

(ii) be held by a person who is an existing employee of the Group and is designated by the leaving restricted share holder according to a properly signed escrow agreement to hold such shares for and on his/her behalf. If the leaving employee fails to deliver a properly signed agreement to Duowan BVI within 30 days from receipt of the notification from Duowan BVI, such service vested shares shall automatically lapse and expire.

The following table summarizes the restricted shares activities for the six months ended June 30, 2012:

	Number of restricted shares	Weighted average grant-date fair value (US$)
Outstanding, December 31, 2011	43,285,101	0.4885
Forfeited	(333,378)	0.5460
Vested	(10,669,318)	0.4388
Outstanding, June 30, 2012	32,282,405	0.5043
Expected to vest at June 30, 2012	31,551,928	0.5033

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14. Share-based compensation (continued)

(b) Restricted shares (continued)

Vesting of restricted shares (continued)

For the six months ended June 30, 2011 and 2012, the Company recorded share-based compensation of RMB30,586 and RMB25,775, respectively, using the graded-vesting method.

As of June 30, 2012, total unrecognized compensation expense relating to the restricted shares was RMB40,154. The expense is expected to be recognized over a weighted average period of 1.55 years using the graded vesting attribution method.

(c) Share-based awards granted to CEO and Chairman of the Company

On February 23, 2010, the CEO and the Chairman of the Company, also directors and shareholders were granted 13,369,813 and 29,678,483 restricted shares, respectively. The Chairman's shares have a service condition that vest over a four year period (50% after the second anniversary and 25% each year thereafter). Both the CEO's and the Chairman's shares are subject to a performance condition which relates to the number of peak concurrent users on the YY Client. Such performance condition was met as at December 31, 2010.

Pursuant to the provisions stipulated in the grant document relating to these restricted shares grant, upon the occurrence of an Acceleration Event, the restricted shares granted to the Chairman would become fully vested. An "Accelerated Event" is defined as (i) a Listing, (ii) a sale of all or substantially all of the issued share capital of Duowan BVI, (iii) a sale by Duowan BVI of all or substantially all of its assets, (iv) the passing of an effective resolution or the making of an order of a competent court for the winding up of Duowan BVI.

The following table summarizes the restricted shares activities for the six months ended June 30, 2012:

	Number of restricted shares	Weighted average grant-date fair value (US$)
Outstanding, December 31, 2011	29,678,483	0.1875
Vested	(14,839,242)	0.1875
Outstanding, June 30, 2012	14,839,241	0.1875

The total fair value of restricted shares vested for the six months ended June 30, 2011 and 2012 amounted to Nil and RMB17,515, respectively.

Share-based compensation expenses related to the awards granted to the Chairman of RMB7,174 and RMB4,016 were recognized in general and administrative expenses in the consolidated statements of operations for the six months ended June 30, 2011 and 2012, respectively.

As of June 30, 2012, there was RMB5,622 of total unrecognized compensation cost and expense related to the restricted shares, which is expected to be recognized over a weighted average period of 1.32 years using the graded vesting attribution method.

(d) Restricted Share Units

On September 16, 2011, the Board of the Directors of the Company approved the 2011 Share Incentive Plan, which permits the grant of share options, restricted shares and restricted share units of up to 43,000,000 shares, to any qualified persons, as determined by the Board of the Directors of the Company. On the same date, the Company granted 9,097,000 restricted share units to employees pursuant to the 2011 Share Incentive Plan, that are subject to vesting over a four to five years period.

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14. Share-based compensation (continued)

(d) Restricted Share Units (continued)

For the six months ended June 30, 2012, 8,265,921 restricted share units were granted to the Group's employees, that are subject to vesting over a two to four years period. No restricted share units were granted to non-employees.

The following table summarizes the restricted share units' activities for the six months ended June 30, 2012:

	Number of restricted shares	Weighted average grant-date fair value (US$)
Outstanding, December 31, 2011	8,996,300	1.0630
Granted	8,265,921	1.1096
Forfeited	(339,800)	1.0846
Outstanding, June 30, 2012	16,922,421	1.0853
Expected to vest at June 30, 2012	16,574,231	1.0854

For the six months ended June 30, 2012, the Company recorded share-based compensation of RMB22,350, using the graded-vesting attribution method.

As of June 30, 2012, total unrecognized compensation expense relating to the restricted share units was RMB83,735. The expense is expected to be recognized over a weighted average period of 2.19 years using the graded vesting attribution method.

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14. Share-based compensation (continued)

(e) Movements of the equity-classified and liability-classified awards

The table below shows details of the movement of various equity-classified and liability-classified awards granted by the Company to its employees and non-employees for the six months ended June 30, 2011 and 2012:

	Equity-classified Awards (RMB)						Liability-classified Awards(RMB)			
	Pre-2009 Scheme options	2009 Incentive Scheme – restricted shares	2011 Incentive Scheme – restricted share units	Share-based awards to CEO and Chairman	Awards to NeoTasks Founders	Sub-total	Pre-2009 Scheme options	Awards to NeoTasks Founders	Sub-total	Total
Balance as of January 1, 2011	**—**	**24,525**	**—**	**30,808**	**—**	**55,333**	**109,035**	**94,089**	**203,124**	**258,457**
Share-based compensation expenses	—	30,586	—	7,174	—	37,760	16,914	17,294	34,208	71,968
Exercised/Repurchased	—	—	—	—	—	—	(11,701)	—	(11,701)	(11,701)
Transfer from matured liability award for NeoTasks founders	—	—	—	—	—	—	—	(57,692)	(57,692)	(57,692)
Foreign currency translation adjustment	—	—	—	—	—	—	(2,639)	(2,587)	(5,226)	(5,226)
Balance as of June 30, 2011	**—**	**55,111**	**—**	**37,982**	**—**	**93,093**	**111,609**	**51,104**	**162,713**	**255,806**
Balance as of January 1, 2012	**118,547**	**82,330**	**9,644**	**44,951**	**60,961**	**316,433**	**—**	**—**	**—**	**316,433**
Share-based compensation expense	2,119	25,775	22,350	4,016	—	54,260	—	—	—	54,260
Balance as of June 30, 2012	**120,666**	**108,105**	**31,994**	**48,967**	**60,961**	**370,693**	**—**	**—**	**—**	**370,693**

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NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

15. Basic and diluted net loss per share

Basic and diluted net loss per share for the six months ended June 30, 2011 and 2012 are calculated as follows:

	For the six months ended June 30,	
	2011 RMB	2012 RMB
Numerator:		
Net (loss) income attributable to the Company	(68,635)	20,816
Accretion to convertible redeemable preferred shares redemption value	(157,859)	(126,621)
Allocation of net income to participating preferred shareholders	—	—
Numerator of basic net loss per share	(226,494)	(105,805)
Dilutive effect of preferred shares	—	—
Numerator for diluted loss per share	(226,494)	(105,805)
Denominator:		
Denominator for basic and diluted net loss per share-weighted average shares outstanding	467,627,928	537,420,517
Basic net loss per share	(0.48)	(0.20)
Diluted net loss per share	(0.48)	(0.20)

The Company's preferred shares are participating securities and as such would be included in the calculation of basic earnings per share under the two-class method. According to the contractual terms of the preferred shares, the preferred shares do not have a contractual obligation to share in the losses of the Company. Therefore no loss was allocated to the preferred shares in the computation of basic loss per share for the six months ended June 30, 2011 and 2012.

The preferred shares, share-based awards for former NeoTasks employees, share-based awards granted to the CEO and Chairman, share options, restricted shares, restricted share units and warrants to an independent institutional investor were excluded from the computation of diluted net loss per common share for the periods presented because including them would have had an anti-dilutive effect. The following table summarizes information regarding weighted average of common shares equivalents which were excluded from the computation of diluted net loss per common share:

	For the six months ended June 30,	
	2011	2012
Preferred shares-weighted average	359,424,310	359,424,310
Share-based awards for former NeoTasks employees—weighted average	8,957,690	—
Share-based awards granted to the CEO and Chairman—weighted average	29,678,483	19,242,094
Share options-weighted average	19,094,020	17,882,500
Restricted shares-weighted average	58,509,930	43,222,027
Restricted share units-weighted average	—	13,855,715
Warrants to an independent institutional investor-weighted average	21,450,570	—

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

16. Related party transactions

The table below sets forth the related parties and their relationships with the Group:

Related Party	Relationship with the Group
Zhuhai Daren Computer Technology Company Limited (“Zhuhai Daren”)	Equity Investment
Guangzhou Shanghang Information Technical Co., Ltd. (“Shanghang”)	Significant influence exercised by the Chairman as key shareholder
Zhuhai Lequ Technology Co., Ltd. (“Zhuhai Lequ”)	Equity Investment

During the six months ended June 30, 2011 and 2012, significant related party transactions were as follows:

	For the six months ended June 30,	
	2011 RMB	2012 RMB
Online game revenue sharing from Zhuhai Daren	2,225	2,891
Bandwidth costs paid to Shanghang	10,469	5,961
Interest-free loan to Zhuhai Daren	500	—
Repayment of interest-free loan from Zhuhai Daren	—	600
Interest-free loan to Zhuhai Lequ	—	700
Repayment of interest-free loan from Zhuhai Lequ	—	500
Disposal of a cost investment to the Chairman and Co-founder, who is also a director of the Company	—	1,000

As of December 31, 2011 and June 30, 2012, the amounts due from/to related parties were as follows:

	December 31, 2011 RMB	June 30, 2012 RMB
Amounts due from related parties		
Other receivable from Zhuhai Daren	2,000	1,400
Other receivable from Zhuhai Lequ	—	573
Total	2,000	1,973
Amounts due to related parties		
Accounts payable to Zhuhai Daren	793	744
Other payables to Shanghang	77	19
Total	870	763

The amounts due from/to related parties are unsecured, interest-free and payable on demand.

17. Fair value measurements

Fair value reflects the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Group considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the assets or liabilities.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

17. Fair value measurements (continued)

The Group applies a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. This guidance specifies a hierarchy of valuation techniques, which is based on whether the inputs into the valuation technique are observable or unobservable. The hierarchy is as follows:

Level 1—Valuation techniques in which all significant inputs are unadjusted quoted prices from active markets for assets or liabilities that are identical to the assets or liabilities being measured.

Level 2—Valuation techniques in which significant inputs include quoted prices from active markets for assets or liabilities that are similar to the assets or liabilities being measured and/or quoted prices for assets or liabilities that are identical or similar to the assets or liabilities being measured from markets that are not active. Also, model-derived valuations in which all significant inputs and significant value drivers are observable in active markets are Level 2 valuation techniques.

Level 3—Valuation techniques in which one or more significant inputs or significant value drivers are unobservable. Unobservable inputs are valuation technique inputs that reflect the Group's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The fair value guidance describes three main approaches to measure the fair value of assets and liabilities: (1) market approach; (2) income approach and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

When available, the Group uses quoted market prices to determine the fair value of an asset or liability. If quoted market prices are not available, the Group will measure fair value using valuation techniques that use, when possible, current market-based or independently sourced market parameters, such as interest rates and currency rates. The Group did not have any financial instruments that were required to be measured at fair value on a recurring basis as of June 30, 2012.

The Group's financial instruments consist principally of cash, short-term deposits, accounts receivable, amounts due to/from related parties, accounts payable and certain accrued expenses. The recorded values of cash, accounts receivable, amounts due to/from related parties, accounts payable and certain accrued expenses are recorded at cost which approximates fair value.

18. Commitments and contingencies

(a) Operating lease commitments

The Group leases facilities in the PRC under non-cancellable operating leases expiring on different dates. Payments under operating leases are expensed on a straight-line basis over the periods of the respective leases.

Total office rental expenses under all operating leases were RMB3,028 and RMB6,818 for the six months ended June 30, 2011 and 2012, respectively.

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NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

18. Commitments and contingencies (continued)

(a) Operating lease commitments (continued)

As of June 30, 2012, future minimum payments under non-cancellable operating leases consist of the following:

Six months ended June 30,	Office rental RMB
2013	18,143
2014	17,877
2015	13,833
2016 and thereafter	5,024
Total	54,877

(b) Capital commitments

As of June 30, 2012, total capital commitments for leasehold improvement, which was contracted but not yet reflected in the financial statements, amounted to RMB500.

(c) Litigation

The Group is not currently a party to, nor is aware of, any legal proceeding, investigation or claim which is likely to have a material adverse effect on the Group's business, financial condition, results or operations, or cash flows. The Group did not record any legal contingency accruals as of June 30, 2012.

19. Subsequent events

(a) On July 14, 2012, the Group disposed of its equity interest in Shenzhen Yingpeng to a related company, of which the Company's Chairman is also the Chairman of the related company, at fair value for cash consideration of RMB2,000.

(b) On July 15, 2012, the Group granted 533,000 restricted share units under the 2011 Incentive Scheme to employees that are subject to four years vesting period. The fair value of the restricted share units at the grant date was US$1.1284 per share.

(c) Pursuant to a shareholders' resolution on August 2, 2012, the four individual shareholders holding common shares of the Company, including Mr. David Xueling Li, CEO, Mr. Jun Lei, Chairman of the Company, Mr. Tony Bin Zhao, Chief Technology Officer, Mr. Jin Cao, General Manager of the Website Department transferred their common share interests in the Company to investment holding British Virgin Island companies, namely YYME Limited, Top Brand Holdings Limited, YY TZ Limited and CJ Entertainment Limited, respectively, of which they own 100% equity interest. Subsequent to the reorganization, the individual shareholders continued to beneficially hold the same common share interests in the Company, but now through an intermediate holding company.

20. Restricted net assets

Relevant PRC laws and regulations permit payments of dividends by the Group's subsidiaries and VIEs incorporated in the PRC only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. In addition, the Company's subsidiaries and VIEs incorporated in the PRC are required to annually appropriate 10% of their net after-tax income to the statutory general reserve fund prior to payment of any dividends, unless such reserve funds have reached 50% of their respective registered capital. As a result of these and other restrictions under PRC laws and regulations, the Group's subsidiaries and VIEs incorporated in the PRC are restricted in their ability to transfer a portion of their net

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

20. Restricted net assets (continued)

assets to the Company either in the form of dividends, loans or advances, which restricted portion amounted to approximately RMB151,096 and RMB197,404 as of December 31, 2011 and June 30, 2012, respectively, as calculated under US GAAP. There are no differences between the US GAAP and PRC accounting standards in connection with the reported net assets of the legally owned subsidiaries in the PRC and VIEs. Even though the Company currently does not require any such dividends, loans or advances from the PRC entities for working capital and other funding purposes, the Company may in the future require additional cash resources from them due to changes in business conditions, to fund future acquisitions and development, or merely to declare and pay dividends or distributions to our shareholders. Except for the above, there is no other restriction on use of proceeds generated by the Group's subsidiaries and VIEs to satisfy any obligations of the Company.

21. Unaudited pro forma balance sheet and earnings per share for conversion of preferred shares

All of the preferred shares shall automatically be converted into common shares at the conversion ratio of one preferred share to one common share immediately prior to (i) the closing of the Qualified IPO or (ii) at the election of a majority of the Series A Holders, a majority of the Series B Holders and a majority of the Series C Holders (each voting or consenting as a separate class).

The unaudited pro forma balance sheet as of June 30, 2012 presents an adjusted financial position as if the conversion of the preferred shares into common shares occurred on June 30, 2012. Accordingly, the carrying value of the preferred shares, in the amount of RMB2,607,555, was reclassified from preferred shares to common shares and additional paid in capital for such pro forma presentation.

The unaudited pro forma loss per share for the six months ended June 30, 2012 after giving effect to the conversion of the preferred shares into common shares as if the conversion occurred at January 1, 2012, respectively was as follows:

	For the six months ended June 30, 2012 RMB
Numerator:	
Net loss attributable to common shareholders	(105,805)
Pro forma effect of conversion of preferred shares	126,621
Pro forma net income attributable to common shareholders—Basic and diluted	20,816
Denominator:	
Denominator for basic calculation—weighted average number of common shares outstanding	537,420,517
Pro forma effect of conversion of preferred shares	359,424,310
Denominator for pro forma basic calculation	896,844,827
Dilutive effect of share options	17,533,247
Dilutive effect of restricted shares	35,631,449
Dilutive effect of restricted share units	3,788,083
Dilutive effect of share-based awards granted to CEO and Chairman	18,180,449
Denominator of pro-forma diluted calculation	971,978,055
Pro forma basic net income per share attributable to common shareholders	0.0232
Pro forma diluted net income per share attributable to common shareholders	0.0214

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American Depositary Shares

YY Inc.

Representing Common Shares

Deutsche Bank Securities **Morgan Stanley**

Until , 2012 (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.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 6. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences or committing a crime. Our second amended and restated articles of association provide for indemnification of officers and directors for losses, damages, costs and expenses incurred in their capacities as such, except through their fraud or dishonesty.

Pursuant to the form of indemnification agreements filed as Exhibit 10.3 to this Registration Statement, we will agree to indemnify our directors and officers against certain liabilities and expenses incurred by such persons in connection with claims made by reason of their being such a director or officer.

The form of Underwriting Agreement to be filed as Exhibit 1.1 to this Registration Statement will also provide for indemnification of us and our officers and directors.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended (the "Securities Act") may be permitted to directors, officers or persons controlling us pursuant to the foregoing provisions, we have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

ITEM 7. RECENT SALES OF UNREGISTERED SECURITIES.

During the past three years, we issued (including options and warrants to acquire its common shares), which were outstanding prior to the share exchange between Duowan Entertainment Corp. and YY Inc. on September 6, 2011. We believe that each of the following issuances was exempt from registration under the Securities Act in reliance on Regulation S under the Securities Act regarding sales by an issuer in offshore transactions. On September 6, 2011, YY Inc. entered into a share exchange agreement with the then shareholders of Duowan Entertainment Corp., under the terms of which YY Inc. issued one preferred or common share in exchange for each preferred or common share that the shareholders held in Duowan Entertainment Corp. As a result of the share exchange, YY Inc. became our ultimate holding company.

Purchaser	Date of Sale or Issuance	Number of Securities	Consideration	Underwriting Discount and Commission
An executive officer and employees	January 1, 2009	Options to purchase 17,345 common shares[1]	Past and future services	Not applicable
Tony Bin Zhao	July 1, 2009	2,554,401 restricted shares	Past and future services	Not applicable
Jin Cao	July 1, 2009	1,702,934 restricted shares	Past and future services	Not applicable
Granite Global Ventures III L.P.	December 3, 2009	21,755 series C-1 preferred shares[1]	US$852,796	Not applicable
Granite Global Ventures III L.P.	December 3, 2009	140,571 series C-2 preferred shares[1]	US$6,887,979	Not applicable
GGV III Entrepreneurs Fund L.P.	December 3, 2009	354 C-1 preferred shares[1]	US$13,867.80	Not applicable
GGV III Entrepreneurs Fund L.P.	December 3, 2009	2,286 series C-2 preferred shares[1]	US$112,014	Not applicable
Steamboat Ventures Asia, L.P.	December 3, 2009	7,896 C-1 preferred shares[1]	US$309,523.20	Not applicable
Steamboat Ventures Asia, L.P.	December 3, 2009	51,020 series C-2 preferred shares[1]	US$2,499,980	Not applicable
Morningside China TMT Fund I, L.P.	December 3, 2009	3,158 C-1 preferred shares[1]	US$123,793.60	Not applicable
Morningside China TMT Fund I, L.P.	December 3, 2009	20,408 series C-2 preferred shares[1]	US$999,992	Not applicable
An executive officer and employees	January 1, 2010	23,686,542 restricted shares	Past and future services	Not applicable

Purchaser	Date of Sale or Issuance	Number of Securities	Consideration	Underwriting Discount and Commission
An employee	April 1, 2010	2,000,000 restricted shares	Past and future services	Not applicable
Employees	July 1, 2010	20,060,000 restricted shares	Past and future services	Not applicable
David Xueling Li	July 9, 2010	13,369,813 common shares	Agreeing to enter into an employment agreement and a restricted share agreement with Duowan Entertainment Corp.	Not applicable
Jun Lei	July 9, 2010	29,678,483 common shares	Agreeing to enter into an employment agreement and a restricted share agreement with Duowan Entertainment Corp.	Not applicable
Tony Bin Zhao	August 13, 2010	17,768,380 common shares upon exercise of the warrant	None	Not applicable
Jin Cao	August 13, 2010	7,928,690 common shares upon exercise of the warrant	None	Not applicable
An employee	October 1, 2010	500,000 restricted shares	Past and future services	Not applicable
Executive officers and employees	January 1, 2011	10,850,800 restricted shares	Past and future services	Not applicable
Tiger Global Six YY Holdings	January 21, 2011	25,570,216 common shares	US$25,000,000	Not applicable
Tiger Global Six YY Holdings	January 21, 2011	Warrant to purchase 25,570,216 common shares	US$25,000,000	Not applicable
Tiger Global Six YY Holdings	February 11, 2011	25,570,216 common shares	US$25,000,000	Not applicable
Tiger Global Six YY Holdings	July 29, 2011	25,570,216 common shares upon exercise of the warrant	None	Not applicable
An executive officer and employees	September 16, 2011	9,097,000 restricted share units	Past and future services	Not applicable

Purchaser	Date of Sale or Issuance	Number of Securities	Consideration	Underwriting Discount and Commission
Employees	January 1, 2012	1,688,000 restricted share units	Past and future services	Not applicable
An executive officer and employees	March 31, 2012	6,597,921 restricted share units	Past and future services	Not applicable
Employees	July 15, 2012	533,000 restricted share units	Past and future services	Not applicable

(1) The number of the securities is presented to give retroactive effect to a 1:490 share split effected by Duowan Entertainment Corp. on July 9, 2010.

(2) Apart from the warrant to purchase 36,562 common shares in Duowan Entertainment Corp., Duowan Entertainment Corp. also paid Mr. Tony Bin Zhao RMB0.8 million in exchange for Mr. Zhao's termination of the option to purchase 5,553,000 common shares in NeoTasks Inc.

(3) Apart from the warrant to purchase 18,281 common shares in Duowan Entertainment Corp., Duowan Entertainment Corp. also paid Mr. Jin Cao RMB0.4 million in exchange for Mr. Cao's termination of the option to purchase 2,777,000 common shares in NeoTasks Inc.

ITEM 8. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) Exhibits

See Exhibit Index beginning on page II-9 of this registration statement.

(b) Financial Statement Schedules

Schedules have been omitted because the information required to be set forth therein is not applicable or is shown in the Consolidated Financial Statements or the Notes thereto.

ITEM 9. UNDERTAKINGS.

The undersigned registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the provisions described in Item 6, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant under Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form F-1 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in , on , 2012.

YY INC.

By: ______________________

Name: David Xueling Li

Title: Chief Executive Officer

POWERS OF ATTORNEY

Each person whose signature appears below constitutes and appoints and as attorneys-in-fact with full power of substitution, for him or her in any and all capacities, to do any and all acts and all things and to execute any and all instruments which said attorney and agent may deem necessary or desirable to enable the registrant to comply with the Securities Act of 1933, as amended (the "Securities Act"), and any rules, regulations and requirements of the Securities and Exchange Commission thereunder, in connection with the registration under the Securities Act of common shares of the registrant (the "Shares"), including, without limitation, the power and authority to sign the name of each of the undersigned in the capacities indicated below to the Registration Statement on Form F-1 (the "Registration Statement") to be filed with the Securities and Exchange Commission with respect to such Shares, to any and all amendments or supplements to such Registration Statement, whether such amendments or supplements are filed before or after the effective date of such Registration Statement, to any related Registration Statement filed pursuant to Rule 462(b) under the Securities Act, and to any and all instruments or documents filed as part of or in connection with such Registration Statement or any and all amendments thereto, whether such amendments are filed before or after the effective date of such Registration Statement; and each of the undersigned hereby ratifies and confirms all that such attorney and agent shall do or cause to be done by virtue hereof.

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Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
David Xueling Li	Chief Executive Officer and Director (principal executive officer)	
Eric He	Chief Financial Officer (principal financial and principal accounting officer)	
Jun Lei	Chairman of the Board of Directors	
Qin Liu	Director	
Alexander Barrett Hartigan	Director	
Jenny Hong Wei Lee	Director	
Tony Bin Zhao	Director	
Nazar Yasin	Director	

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SIGNATURE OF AUTHORIZED REPRESENTATIVE IN THE UNITED STATES

Pursuant to the Securities Act of 1933, the undersigned, the duly authorized representative in the United States of YY Inc. has signed this registration statement or amendment thereto in on , 2012.

Authorized U.S. Representative

By: ____________________________________
Name:
Title:

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YY INC.

EXHIBIT INDEX

Exhibit Number	Description of Document
1.1*	Form of Underwriting Agreement.
3.1†	Amended and Restated Memorandum and Articles of Association of the Registrant, as currently in effect.
3.2*	Form of Second Amended and Restated Memorandum and Articles of Association of the Registrant, as effective upon the completion of this offering.
4.1*	Registrant's Specimen American Depositary Receipt (included in Exhibit 4.3).
4.2*	Registrant's Specimen Certificate for Common Shares.
4.3*	Deposit Agreement, dated as of , 2012, among the Registrant, the depositary and holder of the American Depositary Receipts.
4.4†	Investors' Rights Agreement dated September 6, 2011 among the Registrant, its common shareholders, preferred shareholders and several other parties named therein.
4.5†	Right of First Refusal and Co-Sale Agreement dated September 6, 2011 among the Registrant, its common shareholders, preferred shareholders and several other parties named therein.
4.6†	Share Exchange Agreement dated September 6, 2011, relating to Duowan Entertainment Corp.
5.1*	Form of opinion of Conyers Dill & Pearman regarding the validity of the common shares being registered.
8.1*	Form of opinion of Conyers Dill & Pearman regarding certain Cayman Islands tax matters.
8.2*	Form of opinion of Skadden, Arps, Slate, Meagher & Flom LLP regarding certain U.S. tax matters.
8.3*	Form of opinion of Zhong Lun Law Firm regarding certain PRC tax matters (included in Exhibit 99.2).
10.1*	2009 Employee Equity Incentive Scheme of the Registrant, as amended and restated.
10.2*	2011 Share Incentive Plan of the Registrant.
10.3*	Form of Indemnification Agreement with the Registrant's directors.
10.4*	Form of Employment Agreement between the Registrant and an Executive Officer of the Registrant.
10.5*	English translation of Exclusive Business Cooperation Agreement dated August 12, 2008 between Huanju Shidai (formerly known as Duowan Entertainment Information Technology (Beijing) Company Limited) and Guangzhou Huaduo.
10.6*	English translation of Exclusive Technology Support and Technology Services Agreement dated August 12, 2008 between Huanju Shidai and Guangzhou Huaduo.
10.7*	English translation of Powers of Attorney issued to Huanju Shidai by the shareholders of Guangzhou Huaduo.
10.8*	English translation of Exclusive Option Agreement between Huanju Shidai, Guangzhou Huaduo and the shareholders of Guangzhou Huaduo.
10.9*	English translation of Equity Interest Pledge Agreement between Huanju Shidai and the shareholders of Guangzhou Huaduo.
10.10*	English translation of Exclusive Business Cooperation Agreement dated December 3, 2009 between Huanju Shidai and Beijing Tuda.
10.11*	English translation of Exclusive Technology Support and Technology Services Agreement dated December 3, 2009 between Huanju Shidai and Beijing Tuda.

Exhibit Number	Description of Document
10.12*	English translation of Powers of Attorney issued to Huanju Shidai by the shareholders of Beijing Tuda on May 27, 2011.
10.13*	English translation of Exclusive Option Agreement dated May 27, 2011 between Huanju Shidai, Beijing Tuda and the shareholders of Beijing Tuda.
10.14*	English translation of Equity Interest Pledge Agreement dated July 1, 2011 between Huanju
	Shidai and the shareholders of Beijing Tuda.
10.15†**	English translation of the Joint Operation Agreement dated July 1, 2011 between the Zhuhai branch of Guangzhou Huaduo Network Technology Co., Ltd. and Shenzhen 7th Road Technology Co., Ltd.
21.1†	Subsidiaries of the Registrant.
23.1*	Consent of PricewaterhouseCoopers Zhong Tian CPAs Limited Company, Independent Registered Public Accounting Firm.
23.2*	Consent of Conyers Dill & Pearman (included in exhibit 5.1).
23.3*	Consent of Skadden, Arps, Slate, Meagher & Flom LLP (included in exhibit 8.2).
23.4*	Consent of Zhong Lun Law Firm (included in exhibit 99.2).
23.5*	Consent of iResearch Consulting Group.
23.6	Consent of DCCI.
24.1*	Powers of Attorney (included on signature page).
99.1*	Code of Business Conduct and Ethics of the Registrant.
99.2*	Form of Opinion of Zhong Lun Law Firm regarding certain PRC law matters.

* To be filed by amendment.
** Confidential treatment requested for certain confidential portions of this exhibit.
† Previously filed.

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Exhibit 99.5

CONFIDENTIAL TREATMENT REQUESTED BY THE REGISTRANT
AS CONFIDENTIALLY SUBMITTED TO THE SECURITIES AND EXCHANGE COMMISSION ON SEPTEMBER 21, 2012

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM F-1
REGISTRATION STATEMENT

UNDER
THE SECURITIES ACT OF 1933

YY INC.

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's name into English)

Cayman Islands	**7389**	**Not Applicable**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification Number)**

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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	**Proposed maximum aggregate offering price(1)**	**Amount of registration fee**
Class A common shares, par value US$0.00001 per share(2)(3)	US$	US$

(1) Estimated solely for the purpose of determining the amount of registration fee in accordance with Rule 457(o) under the Securities Act of 1933.

(2) 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, and also includes Class A common shares that may be purchased by the underwriters pursuant to an over-allotment option. These Class A common shares are not being registered for the purpose of sales outside the United States.

(3) American depositary shares issuable upon 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 Class A common shares.

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 preliminary prospectus is not complete and may be changed. [Neither we nor the selling shareholders] may sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and we [and the selling shareholders] are not soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

PROSPECTUS (SUBJECT TO COMPLETION)
DATED , 2012

AMERICAN DEPOSITARY SHARES

YY Inc.

Representing **Class A Common Shares**

This is an initial public offering of American depositary shares, or ADSs, of YY Inc. Each ADS represents Class A common shares, par value US$0.00001 per share. We are offering ADSs[, and the selling shareholders identified in this prospectus are offering ADSs. We will not receive any of the proceeds from the ADSs sold by the selling shareholders]. Prior to this offering, there has been no public market for our shares or ADSs. We anticipate the initial public offering price will be between US$ and US$ per ADS.

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, voting together as one class on all matters that require a shareholders' vote. Each Class B common share is convertible into one Class A common share at any time by the holder thereof, while Class A common shares are not convertible into Class B common shares under any circumstance.

We are an "emerging growth company" under applicable U.S. federal securities laws and are eligible for reduced public company reporting requirements.

We have applied to have our ADSs listed on the Nasdaq Global Market under the symbol "YY."

Investing in our ADSs involves a high degree of risk. See "Risk Factors" beginning on page 16.

PRICE US$ PER ADS

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Us, Before Expenses	[Proceeds to the Selling Shareholders]
Per ADS	US$	US$	US$	US$
Total	US$	US$	US$	US$

The underwriters have an option to purchase up to additional ADSs from us [and an aggregate of additional ADSs from the selling shareholders] at the initial public offering price, less underwriting discounts and commissions, within 30 days from the date of this prospectus, to cover over-allotments. Upon the completion of this offering, our senior management and existing shareholders holding more than 5% of our outstanding shares will own an aggregate of % of the total voting power of our outstanding shares.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the ADSs to purchasers on or about , 2012.

Deutsche Bank Securities Morgan Stanley

The date of this prospectus is , 2012.

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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.

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 prospectus contains information from a consumer survey commissioned by us and conducted by iResearch Consulting Group, or iResearch, a third party market research firm, in July 2012 to provide information on our market position in China. We refer to this report as the iResearch Report in this prospectus.

Overview

YY is a revolutionary rich communication social platform that engages users in real-time online group activities through voice, text and video. YY Client, our core product launched in China in July 2008, has attracted 344.6 million registered user accounts as of June 30, 2012 and had 66.3 million monthly active users in June 2012.

People are social creatures with a fundamental desire to connect, interact and communicate with each other. YY empowers users to create and organize groups of varying sizes to discover and participate in a wide range of online activities, including online games, karaoke, music concerts, education, live shows and conference calls. We believe that our proprietary technology infrastructure was the first to develop the capacity to support simultaneous communication among millions of concurrent users in a single channel. YY's scale, social features and high quality voice and video make it popular among internet users in China, as evidenced by the 10.0 million peak concurrent users on YY in August 2012 and 260.9 billion voice minutes that users spent on YY Client in the first six months of 2012. "Voice minute" means a minute in which the user is using our voice- or video-enabled services, such as listening to or talking on YY channels.

Our platform consists of YY Client, the YY.com and Duowan.com web portals and Mobile YY. YY Client is our personal computer, or PC-based user software that provides real-time access to online activities groups, which we refer to as channels. Although online communication tools such as instant messenger and social networking services existed when we introduced YY Client in July 2008, these tools and services were confined to text or limited-scale voice or video communications. YY Client has transformed online social communications by enabling large-scale group activities through our platform. In 2011, we held an approximate 84.2% market share in the real-time online group voice communications market in China in terms of user time spent, according to the iResearch Report. On average, each active user spent approximately 53.5 hours on YY Client in June 2012. YY Client is available to download for free from YY.com, our online portal and guide to channels, events and content available across our platform. We also operate Duowan.com, which provides access to and interactive resources for online games, and was ranked the No. 2 game media website in China in terms of monthly unique visitors in the three months ended March 31, 2012 according to iResearch. To increase the accessibility and usage of YY Client, we introduced our mobile application, Mobile YY, in September 2010.

Delivering superior user experience is our core focus, and it relies on our proprietary technology and industry know-how. A single YY channel can currently have from only a handful to more than 1.3 million concurrent users. YY enables users to continually create new channels to engage in activities on our open platform designed to make offline group activities more effective and efficient online. YY is supported by our highly scalable infrastructure throughout China, and our proprietary algorithms enabling low latency, low jitter and low loss rates in delivering voice and video data.

While the basic use of our platform is currently free, we monetize our user base through internet value-added services, or IVAS, and online advertising. Currently, revenues from IVAS are primarily generated through

sales of virtual items and game tokens that our users may purchase for use in online activities on our platform, including online games, which are all web games, and YY Music, our music channels on YY Client. Online advertising revenues are primarily generated from sales of different forms of advertising on Duowan.com. Although we do not currently derive revenues from Mobile YY, we have plans to monetize it by selling virtual items on Mobile YY in the future. We believe that we will be able to capitalize on the large and highly engaged user base of our open platform by exploring additional monetization opportunities and diversifying our revenue sources.

We have achieved significant growth in recent years. Our total net revenues increased from RMB32.7 million in 2009 to RMB128.3 million in 2010 and to RMB319.7 million (US$50.8 million) in 2011, representing a CAGR of 212.6% from 2009 to 2011. For the six months ended June 30, 2012, our total net revenues grew to RMB324.5 million (US$51.1 million), representing a 173.2% increase from RMB118.8 million for the six months ended June 30, 2011. We had a net loss of RMB47.1 million, RMB238.9 million and RMB83.2 million (US$13.2 million) in 2009, 2010 and 2011, respectively, and in the six months ended June 30, 2012, we had a net income of RMB20.8 million (US$3.3 million). Our adjusted net loss, a non-GAAP measure, decreased from RMB10.6 million in 2009 to RMB1.9 million in 2010, and in 2011, we had an adjusted net income of RMB51.8 million (US$8.2 million). In the six months ended June 30, 2012, our adjusted net income amounted to RMB75.1 million (US$11.8 million) compared to an adjusted net loss of RMB3.3 million in the same period in 2011. Our adjusted net (loss) income excludes non-cash share-based compensation expenses. For information regarding adjusted net (loss) income and a reconciliation of each to net (loss) income, see "—Our Summary Consolidated Financial Data—Non-GAAP Financial Measure" on page 14.

The PRC government extensively regulates foreign ownership of, and the licensing and permit requirements pertaining to, companies that provide internet-based services such as our YY platform. To comply with these restrictions, we conduct our operations principally through our consolidated affiliated entities in China. We face risks and uncertainties associated with our corporate structure, as our control over these consolidated affiliated entities is based on contractual arrangements rather than equity ownership. See "Risk Factors—Risks Relating to Our Corporate Structure and Our Industry" and "Corporate History and Structure."

Our Strengths

We believe the following factors have contributed to the success of our rich communication social platform:

- Large and highly engaged user base;
- Powerful network effects;
- Superior user experience;
- Scalable platform serving a broad range of potential end markets; and
- Proprietary and scalable technology infrastructure.

Our Strategies

Our mission is to make offline group activities available and better online. We are dedicated to continue to pursue our mission by pursuing the following strategies:

- Further expand our user base;
- Increase the monetization of our user base;
- Further develop and expand the use of Mobile YY; and
- Continue to invest in our leading technology infrastructure.

Monetization Opportunities

As users continue to unlock the full potential of our platform, we believe we will have increasing opportunities to expand our portfolio of products and services, and monetize them in various manners. Currently, we derive revenues from our internet value-added services users and third party advertisers. Although we do not currently derive revenues from Mobile YY, we have plans to monetize it by selling virtual items on Mobile YY in the future.

Internet Value-Added Services

We primarily generate revenues from paying users of online web games, YY Music and membership. We believe the following areas represent the most significant monetization opportunities for our platform:

Online Games. Online games, which include massive multiplayer online games and web games, have become an increasingly popular source of entertainment for individuals and groups of internet users. According to the iResearch Report, China's online games market generated RMB32.7 billion (US$5.1 billion) of revenue in 2010, and is expected to grow to RMB43.5 billion (US$6.8 billion) in 2013. Our platform attracts a large number of online game players and is particularly attractive to online game players' guilds, the members of which congregate on YY Client to discuss gaming strategies and to communicate during online games. Our platform provides users with access to a wide variety of games which we monetize. In the future, we intend to develop and introduce more online games-related services such as the recently introduced live broadcasting of online games to a large audience.

Music. YY has become a popular platform for live music performances on music channels. YY provides a stage for grassroots musicians, celebrities and professional performers to perform live. We create and offer to users virtual items that can be used on the music channels. Users can purchase consumable virtual items from us to show support for their favorite performers or time-based virtual items that provide users with recognized status, such as priority speaking rights or special symbols on the music channels. We share with certain popular performers and channel owners a portion of the revenues we derive from such in-channel virtual item sales on YY Music. According to a report we commissioned in 2012 conducted by the Data Center of China Internet, or DCCI, the total market size for karaoke and live music performance in ten major cities in China, including Beijing, Shanghai and Shenzhen, was US$8.6 billion. We have encouraged and facilitated numerous large-scale music events such as fan club gathering and meet-and-greets with various performers, as well as concerts and singing competitions for performers from various music channels. In the future, we intend to encourage more live music events which users can access in real-time for an entry fee.

Membership. We provide enhanced membership privileges to users who pay a monthly fee and subscribe to our membership program. Enhanced privileges include access to new and unreleased channel functions, including additional video usage, priority entrance to certain live performances, and exclusive rights to access VIP avatars, VIP ring-tones, VIP fonts and VIP emoticons. In the future, we intend to continue exploring different ways to expand our members-only offerings so as to better serve our members and attract a larger membership base.

Education. YY provides a convenient and efficient platform for lectures or personal tutoring sessions to be conducted in real time. Our education channels provide numerous classes that cover diverse subjects such as foreign languages, the PRC government civil employee examination and IT training. In the future, we intend to continue enabling users to conduct education courses and cooperate with various educational institutions to provide online classes on YY for a fee.

Advertising Services

We believe that our extensive user base represents an attractive demographic target for advertisers. We believe our advertising business will continue to develop as we grow our user base and advertisers embrace our platform and solutions for them.

Online Display Advertising. According to iResearch, Duowan was the No. 2 game media website in China in the three months ended March 31, 2012, with a market share of 15.7% in terms of monthly unique visitors during that period. Also, according to the iResearch Report, total online advertising spending by game developers in China was approximately RMB690.0 million (US$108.6 million) in 2010, while the overall online advertising market in China was RMB32.6 billion (US$5.1 billion). According to the iResearch Report, the overall online advertising market in China is expected to grow to as much as RMB143.1 billion (US$22.5 billion) in 2014, representing a CAGR of 34.5% from 2010 to 2014.

The vast majority of our current advertising revenues are generated from advertisements on Duowan.com. In 2011 and the six months ended June 30, 2012, revenues generated from advertisements on Duowan.com contributed 93.8% and 97.8% of our total advertising revenues, respectively. We currently do not allow advertising on YY.com and Mobile YY, and have minimal advertising on YY Client. In the future, we intend to expand our capacity and advertisement solutions for online advertising as our user base grows and to launch additional special interest content-driven portals to complement Duowan.com. Currently, a significant majority of our advertisers are game developers and we intend to further diversify our advertising client base.

Our Challenges

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

- successfully implement our relatively new business model, grow and monetize our user base and expand our product and service offerings;
- continue developing innovative technologies in response to evolving user demand and maintain our technological leadership;
- develop and maintain relationships with advertisers in a broad range of industries;
- generate and increase revenues from a diverse group of online games; and
- attract and retain qualified personnel.

In addition, we expect to face risks and uncertainties related to our corporate structure and doing business in China, including:

- risks associated with our control over our consolidated affiliated entities in China, which is based on contractual arrangements rather than equity ownership; and
- uncertainties associated with our compliance with applicable PRC regulations and policies, including those relating to various channels on our YY platform.

Corporate Information

Our principal executive offices are located at Building 3-08, Yangcheng Creative Industry Zone, No. 309 Huangpu Avenue Middle, Tianhe District, Guangzhou 510655, People’s Republic of China. Our telephone number at this address is (+86 20) 2916 2000. Our registered office in the Cayman Islands is located at the offices of Codan Trust Company (Cayman) Limited of Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KYI-1111, Cayman Islands. Our agent for service of process in the United States is .

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

Corporate History

We commenced operations in April 2005 in China. In November 2007, we established Duowan Entertainment Corp., or Duowan BVI, in the British Virgin Islands. Through its wholly owned subsidiary, Duowan BVI entered into a series of contractual arrangements with certain PRC consolidated affiliated entities and their shareholders through which it exercises effective control over the operations of these PRC consolidated affiliated entities. Our current holding company, YY Inc., was incorporated in July 2011 as a limited liability company in the Cayman Islands. Through a share exchange in September 2011, the shareholders of Duowan BVI exchanged all of their outstanding common and preferred shares in Duowan BVI for common shares, meaning common shares with a par value US$0.00001 per share, and preferred shares, meaning series A, B, C-1 and C-2 preferred shares with a par value of US$0.00001 per share, of YY Inc. on a pro rata basis. No additional consideration was paid in connection with the share exchange. As a result, Duowan BVI became a wholly owned subsidiary of YY Inc. For more details, see “Corporate History and Structure.”

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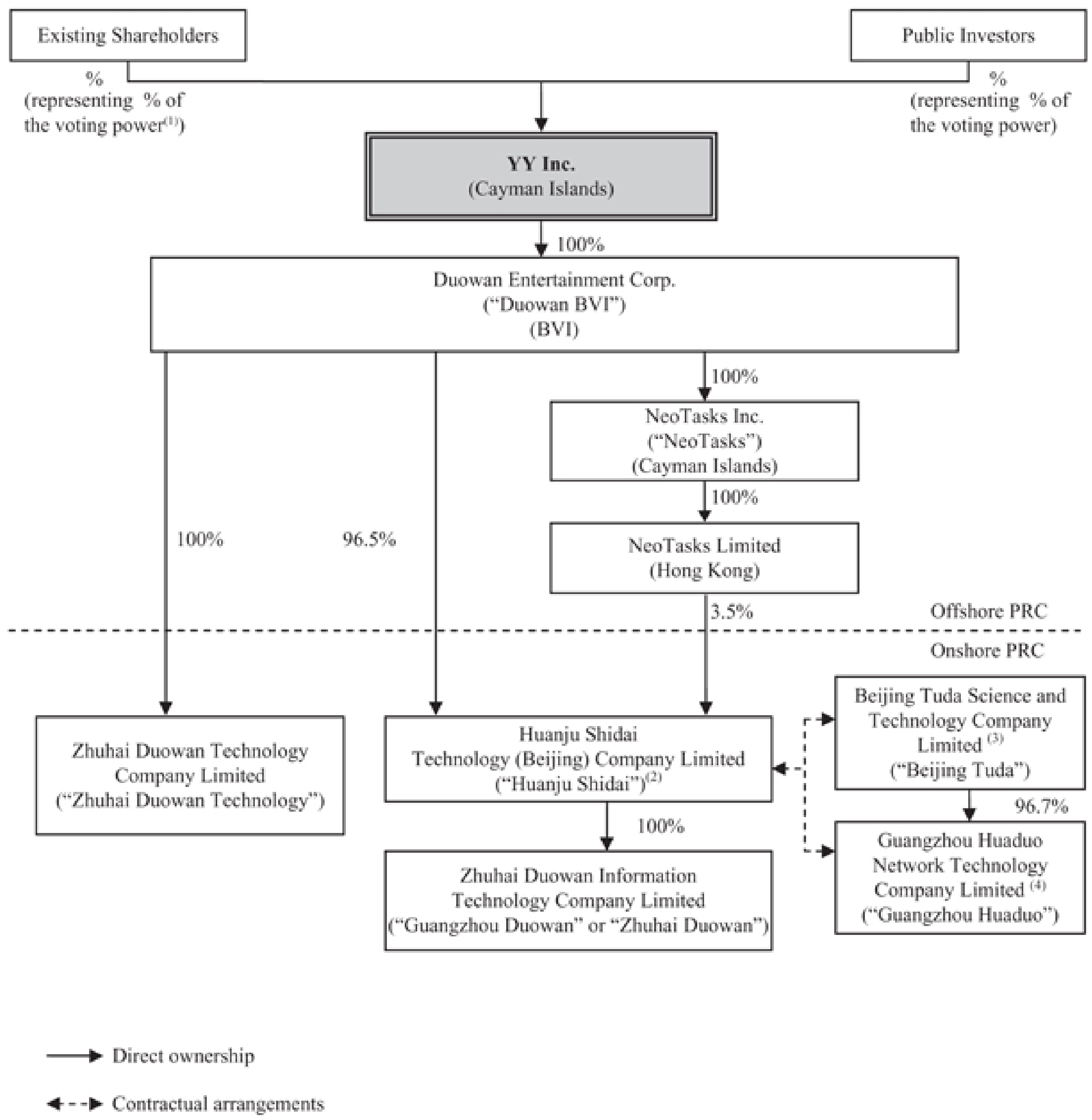
The following diagram illustrates our corporate structure upon the completion of this offering, assuming that the underwriters do not exercise their option to purchase additional shares:



(1) Upon the completion of this offering, our senior management and existing shareholders holding more than 5% of our outstanding shares will own an aggregate of % of the total voting power of our outstanding shares.

(2) Formerly known as Duowan Entertainment Information Technology (Beijing) Company Limited.

(3) Beijing Tuda is our PRC consolidated affiliated entity. Mr. David Xueling Li, our co-founder, chief executive officer and director, Mr. Tony Bin Zhao, our chief technology officer and Mr. Jin Cao, the general manager of our website department, own 97.7%, 1.5% and 0.8% of Beijing Tuda's equity interests, respectively.

(4) Guangzhou Huaduo is our PRC consolidated affiliated entity. Mr. David Xueling Li, Mr. Jun Lei, our co-founder and chairman, Mr. Tony Bin Zhao, Mr. Jin Cao and Beijing Tuda own approximately 1.7%, 1.5%, 0.1%, 0.1% and 96.6% of Guangzhou Huaduo's equity interests, respectively.

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Implications of Being an Emerging Growth Company

As a company with less than US$1.0 billion in revenue for our last fiscal year, we qualify as an "emerging growth company" pursuant to the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include exemption from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, in the assessment of the emerging growth company's internal control over financial reporting. The JOBS Act also provides that an emerging growth company does not need to comply with any new or revised financial accounting standards until such date that a private company is otherwise required to comply with such new or revised accounting standards. However, we have elected to "opt out" of this provision and, as a result, we will comply with new or revised accounting standards as required when they are adopted for public companies. This decision to opt out of the extended transition period under the JOBS Act is irrevocable.

We will remain an emerging growth company until the earliest of (a) the last day of our fiscal year during which we have total annual gross revenues of at least US$1.0 billion; (b) the last day of our fiscal year following the fifth anniversary of the completion of this offering; (c) the date on which we have, during the previous three-year period, issued more than US$1.0 billion in non-convertible debt; or (d) the date on which we are deemed to be a "large accelerated filer" under the Securities Exchange Act of 1934, as amended, or the Exchange Act, which would occur if the market value of our ADSs that are held by non-affiliates exceeds US$700 million as of the last business day of our most recently completed second fiscal quarter. Once we cease to be an emerging growth company, we will not be entitled to the exemptions provided in the JOBS Act discussed above.

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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$ and US$ per ADS.
ADSs offered by us	ADSs
[ADSs offered by the selling shareholders]	ADSs
Common shares outstanding immediately after this offering	We will adopt a dual class common share structure immediately upon the completion of this offering. common shares (or common shares if the underwriters exercise their over-allotment option in full) will be outstanding immediately upon the completion of this offering, comprised of (1) Class A common shares, par value $0.00001 per share (or Class A common shares if the underwriters exercise their over-allotment option in full), and (2) Class B common shares, par value $0.00001 per share. The Class B common shares outstanding immediately after the completion of this offering will represent % of our total outstanding shares and % of the then total voting power. Our founders, Mr. David Xueling Li, Mr. Tony Bin Zhao, Mr. Jin Cao and Mr. Rongjie Dong and their affiliates collectively will beneficially own Class A common shares and Class B common shares immediately after the completion of this offering, which represent % of our total outstanding shares and % of the then total voting power.
ADSs outstanding immediately after this offering	ADSs (or ADSs if the underwriters exercise their over-allotment option in full)
The ADSs	Each ADS represents Class A common shares, par value US$0.00001 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 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. 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 issue Class A common shares represented by our ADSs in this offering. All of our existing common shares will be redesignated as Class B common shares and all of our outstanding preferred shares will be automatically converted into Class B common shares on a one-for- one basis immediately upon the completion of this offering. All share-based compensation awards, including options, restricted shares and restricted share units, regardless of grant dates, will entitle holders to the equivalent number of Class A common shares once the vesting and exercising conditions on such share-based compensation awards are met. Immediately upon the completion of this offering, we will have Class B common shares outstanding, including Class B common shares, or % of the total Class B common shares outstanding which will be beneficially owned by our founders, Messrs. David Xueling Li, Tony Bin Zhao, Jin Cao and Rongjie Dong and their affiliates collectively. 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 all matters that require a shareholders' vote. Each Class B common share is convertible into one Class A common share at any time by the holder. Class A common shares are not convertible into Class B common shares under any circumstances. Upon any transfer of Class B common shares by a holder to any person or entity which is not an affiliate of such holder and which is not any of our founders or any affiliates of our founders, such Class B common shares will be automatically and immediately converted into the equivalent number of Class A common shares. In addition, if at any time, Messrs. David Xueling Li, Jun Lei, Tony Bin Zhao and Jin Cao and their affiliates collectively own less than 5% of the total number of the issued and outstanding Class B common shares, each issued and outstanding Class B common share will be automatically and immediately converted into one Class A common share, and we will not issue any Class B common shares thereafter.

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	Furthermore, if at any time more than 50% of the ultimate beneficial ownership of any holder of Class B common shares (other than our founders or our founders' affiliates) changes, each such Class B common share will be automatically and immediately converted into one Class A common share.
	See "Description of Share Capital."
Over-allotment option	We [and the selling shareholders] have granted to the underwriters an option, which is exercisable within 30 days from the date of this prospectus, to purchase up to additional ADSs.
Use of proceeds	We plan to use the net proceeds we receive from this offering for investing in our voice and video technology and infrastructure, expanding our product development and services offerings, expanding our sales and marketing activities and other general corporate purposes, including working capital needs. See "Use of Proceeds" for additional information.
	[We will not receive any of the proceeds from the sale of ADSs by the selling shareholders.]
Lock-up	We, [our directors and executive officers, our existing shareholders and certain of our options, restricted shares and restricted share units holders] 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 after the date of this prospectus. See "Underwriting" for more information.
Proposed Nasdaq Global Market symbol	We have applied to have the ADSs listed on the Nasdaq Global Market under the symbol "YY." Our ADSs and Class A common shares will not be listed on any other stock exchange or traded on any automated quotation system.
Payment and settlement	The underwriters expect to deliver the ADSs against payment therefor through the facilities of the Depository Trust Company on , 2012.
Depositary	Deutsche Bank Trust Company Americas
Directed share program	[At our request, the underwriters have reserved for sale, at the initial public offering price, up to ADSs offered by this prospectus to some of our directors, officers, employees, business associates and related persons.]
Risk factors	See "Risk Factors" and other information included in this prospectus for a discussion of risks that 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 series A, B, C-1 and C-2 preferred shares into 359,424,310 Class B common shares immediately upon the completion of this offering;

- assumes no exercise of the underwriters' over-allotment option;
- excludes Class A common shares issuable upon the exercise of options outstanding at a weighted average exercise price of US$ per share as well as restricted shares and restricted share units that have vested as of the date of this prospectus; and
- excludes common shares reserved for future issuances under the 2009 Scheme, and common shares reserved for future issuances under the 2011 Plan.

Our Summary Consolidated Financial Data

The following summary consolidated statements of operations data for the years ended December 31, 2009, 2010 and 2011 and the summary balance sheet data as of December 31, 2010 and 2011 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. Our consolidated financial statements are prepared and presented in accordance with U.S. GAAP. The summary consolidated statements of operations data for the six months ended June 30, 2011 and 2012 and the summary consolidated balance sheet data as of June 30, 2012 have been derived from our unaudited consolidated financial statements included elsewhere in this prospectus. The unaudited consolidated financial statements have been prepared 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 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.

	For the Year Ended December 31,				For the Six Months Ended June 30,		
	2009	2010	2011		2011	2012	
	RMB	RMB	RMB	US$	RMB	RMB (Unaudited)	US$
	(in thousands, except for share, per share and per ADS data)						
Summary Consolidated Statements of Operations Data:							
Internet value-added service							
—Online game	12,976	86,316	165,933	26,830	71,679	150,398	23,674
—YY Music	—	—	52,854	8,403	9,645	92,721	14,595
—Others	853	1,282	13,589	2,161	1,969	30,961	4,873
Online advertising	18,881	40,740	87,279	13,876	35,467	50,370	7,929
Total net revenue	32,710	128,338	319,665	50,820	118,760	324,450	51,071
Cost of revenues(1)	(28,849)	(110,062)	(182,699)	(29,046)	(78,349)	(164,138)	(25,836)
Gross profit	3,861	18,276	136,956	21,774	40,411	160,312	25,235
Operating expenses(1):							
Research and development expenses	(12,597)	(49,219)	(106,804)	(16,980)	(43,215)	(77,809)	(12,248)
Sales and marketing expenses	(4,951)	(12,363)	(13,381)	(2,127)	(7,917)	(4,862)	(765)
General and administrative expenses	(32,878)	(192,222)	(118,241)	(18,798)	(59,165)	(50,170)	(7,897)
Total operating expenses	(50,426)	(253,804)	(238,426)	(37,905)	(110,297)	(132,841)	(20,910)
Operating (loss) income	(46,565)	(235,528)	(99,488)	(15,816)	(69,886)	28,142	4,431
(Loss) income before income tax expenses	(46,534)	(236,023)	(80,455)	(12,791)	(64,524)	32,342	5,092
Net (loss) income attributable to YY Inc.	(47,116)	(238,857)	(83,156)	(13,221)	(68,635)	20,816	3,277
Amortization of beneficial conversion feature	(237)	—	—	—	—	—	—
Accretion to convertible redeemable preferred shares redemption value	(283,179)	(1,808,853)	(223,663)	(35,559)	(157,859)	(126,621)	(19,931)
Deemed dividend to series A preferred shareholders	(19)	—	—	—	—	—	—
Deemed dividend to series B preferred shareholders	(176)	—	—	—	—	—	—
Net loss attributable to common shareholders	(330,727)	(2,047,710)	(306,819)	(48,780)	(226,494)	(105,805)	(16,654)
Weighted average number of common shares used in calculating:							
Basic	407,613,328	406,304,672	485,883,845	485,883,845	467,627,928	537,420,517	537,420,517
Diluted	407,613,328	406,304,672	485,883,845	485,883,845	467,627,928	537,420,517	537,420,517
Net loss per share:							
Basic	(0.81)	(5.04)	(0.63)	(0.10)	(0.48)	(0.20)	(0.03)
Diluted	(0.81)	(5.04)	(0.63)	(0.10)	(0.48)	(0.20)	(0.03)
Loss per ADS(2):							
Basic							
Diluted							

(1) Share-based compensation was allocated in cost of revenues and operating expenses as follows:

	For the Year Ended December 31,				For the Six Months Ended June 30,		
	2009	2010	2011		2011	2012	
	RMB	RMB	RMB	US$	RMB	RMB (Unaudited)	US$
	(in thousands)						
Cost of revenues	5,269	31,709	15,449	2,456	9,240	4,386	690
Research and development expenses	2,475	21,627	31,672	5,035	13,887	19,731	3,106
Sales and marketing expenses	194	1,499	1,336	212	660	500	79
General and administrative expenses	28,544	182,101	86,544	13,759	48,181	29,643	4,666
Total	36,482	236,936	135,001	21,462	71,968	54,260	8,541

(2) Each ADS represents Class A common shares.

	As of December 31,				As of June 30,					
	2009	2010	2011		2012					
	RMB	RMB	RMB	US$	RMB	US$	RMB	US$	RMB	US$
	Actual	Actual	Actual	Actual	Actual	Actual	Pro forma(1) (Unaudited)	Pro forma(1) (Unaudited)	Pro forma as adjusted(2) (Unaudited)	Pro forma as adjusted(2) (Unaudited)
	(in thousands)									
Summary Consolidated Balance Sheet Data:										
Cash and cash equivalents	106,427	83,683	128,891	20,491	187,934	29,582	187,934	29,582		
Total assets	131,003	158,767	745,426	118,510	903,152	142,161	903,152	142,161		
Total current liabilities	52,757	253,001	125,737	19,990	205,689	32,376	205,689	32,376		
Total mezzanine equity	448,418	2,257,271	2,480,934	394,425	2,607,555	410,444	—	—		
Accumulated deficits	(370,045)	(2,350,448)	(2,433,604)	(386,900)	(2,412,788)	(379,787)	(2,412,788)	(379,787)		
Total shareholders' (deficits) equity	(370,172)	(2,351,505)	(1,861,693)	(295,976)	(1,911,347)	(300,857)	696,208	109,587		

(1) The unaudited consolidated balance sheet data as of June 30, 2012 on a pro forma basis reflect the automatic conversion of all of our outstanding series A, B, C-1 and C-2 preferred shares into 359,424,310 Class B common shares immediately upon the completion of this offering.

(2) The unaudited consolidated balance sheet data as of June 30, 2012 on a pro forma as adjusted basis reflect (a) the automatic conversion of all of our outstanding series A, B, C-1 and C-2 preferred shares into 359,424,310 Class B common shares immediately upon the completion of this offering; and (b) the 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$ 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.

Non-GAAP Financial Measure

Adjusted Net Loss or Income

To provide investors with additional information about our financial results, we disclose within this prospectus adjusted net loss or income, a non-GAAP financial measure. We have provided below a reconciliation between adjusted net loss or income and net loss or income, the most directly comparable GAAP financial measure.

We have included adjusted net loss or income in this prospectus because it is a key measure we use to evaluate our operating performance, generate future operating plans and make strategic decisions for the allocation of capital. Accordingly, we believe that adjusted net loss or income provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors. While we believe that this non-GAAP financial measure is useful in evaluating our business, this information should be considered as supplemental in nature and is not meant as a substitute for the related financial information prepared in accordance with GAAP.

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The following table presents a reconciliation between adjusted net loss or income and net loss or income, the most directly comparable GAAP financial measure.

	For the Year Ended December 31,				For the Six Months Ended June 30,		
	2009	2010	2011		2011	2012	
	RMB	RMB	RMB	US$	RMB	RMB (Unaudited)	US$
				(in thousands)			
Reconciliation of Net (Loss) Income to Adjusted Net (Loss) Income:							
Net (loss) income	(47,116)	(238,857)	(83,156)	(13,221)	(68,635)	20,816	3,277
Share-based compensation	(36,482)	(236,936)	(135,001)	(21,462)	(71,968)	(54,260)	(8,541)
Adjusted net (loss) income	(10,634)	(1,921)	51,845	8,241	3,333	75,076	11,818

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 Relating to Our Business

Our business is based on a relatively new business model that may not be successful, and we may not be able to effectively manage our growth or implement our future business strategies, in which case our business and results of operations would be materially and adversely affected.

Many of the elements of our business are unique, evolving and relatively unproven. The markets for our technology, especially our voice- and video-based technology, and products and services are relatively new and rapidly developing and are subject to significant challenges. Our business plan relies heavily upon increased revenues from IVAS and online advertising, and our ability to successfully monetize our user base and products and services, and we may not succeed in any of these respects.

Some of our current monetization methods are in a very preliminary stage; for example, we began selling virtual items on YY's music channels in March 2011. If we fail to properly manage the supply and timing of our in-game virtual items and the appropriate price points for these products and services, our users may be less likely to purchase in-game virtual items from us. The prices for our in-game virtual items reflect the terms of our agreements with the third party game developers. For non-game virtual items, we consider industry standards and expected user demand in determining how to most effectively optimize virtual item merchandizing. Furthermore, as the online music industry in China is relatively young and untested, there are few proven methods of projecting user demand or available industry standards on which we can rely. We cannot assure you that our attempts to monetize our user base and products and services will be successful, profitable or widely accepted and therefore the future revenue and income potential of our business are difficult to evaluate.

We have experienced a period of significant rapid growth and expansion that has placed, and continues to place, significant strain on our management and resources. We cannot assure you that this level of significant growth will be sustainable or achieved at all in the future. We believe that our continued growth will depend on our ability to develop new sources of revenue, increase monetization, attract new users, retain and expand paying users, encourage additional purchases by our paying users, continue developing innovative technologies in response to user demand, increase brand awareness through marketing and promotional activities, react to changes in user access to and use of the internet, expand into new market segments, integrate new devices, platforms and operating systems, attract new advertisers and retain existing advertisers and take advantage of any growth in the relevant markets. We cannot assure you that we will achieve any of the above.

To manage our growth and attain and maintain profitability, we anticipate that we will need to implement a variety of new and upgraded operational and financial systems, procedures and controls, including the improvement of our accounting and other internal management systems. We will also need to further expand, train, manage and motivate our workforce and manage our relationships with users, third party game developers and advertisers. All of these endeavors involve risks and will require substantial management efforts and skills and significant additional expenditures. We cannot assure you that we will be able to effectively manage our growth or implement our future business strategies effectively, and failure to do so may materially and adversely affect our business and results of operations.

We have experienced net losses in the past, and you should consider our prospects in light of the risks and uncertainties which early-stage companies in evolving industries in China with limited operating histories may be exposed to or encounter, including possible volatility in the trading prices of ADSs.

We had a net loss of RMB47.1 million, RMB238.9 million and RMB83.2 million (US$13.2 million) in 2009, 2010 and 2011, respectively, and a net income of RMB20.8 million (US$3.3 million) in the six months ended June 30, 2012. Our net losses and income reflect the aggregate impact of non-cash items relating to share-based compensation, amortization of intangible assets and depreciation. In addition to the aggregate impact of these non-cash items, our results of operations for these periods were affected by costs and expenses required to build, operate and expand our platform, grow our user base, develop products and services, license third party products and services and make strategic investments. We expect that we will continue to incur costs and expenses such as research and development costs to launch new services and increasing bandwidth costs to support our video function, grow our user and advertiser base and generally expand our business operations. We have only recently become profitable, and may not generate sufficient revenues to offset such costs to achieve or sustain profitability in the future. In addition, we expect to invest heavily in our operations to support our anticipated future growth and to meet our expanded reporting and compliance obligations as a public company.

Our profitability is also affected by other factors beyond our control. For example, we cannot assure you that advertisers will increase or maintain their spending on game media websites or online social platforms, including our platform. The continued success of YY Client depends on our ability to identify which IVAS will appeal to our user base and to obtain them on commercially acceptable terms. Our ability to finance our planned expansion also depends in part on our ability to attract advertisers and successfully compete in a very competitive market.

We have a limited history operating our business. We only introduced YY Client in July 2008 and have experienced a high growth rate since then. As a result, our historical results of operations may not provide a meaningful basis for evaluating our business, financial performance and future prospects. We may not be able to achieve similar growth rates in future periods. Accordingly, you should not rely on our results of operations for any prior periods as an indication of our future performance. We may again incur net losses in the future and you should consider our prospects in light of the risks and uncertainties which early-stage companies in evolving industries in China with limited operating histories such as ours may be exposed to or encounter, including risks associated with being a public company with business operations located mainly in China. See "—Risks Relating to Our ADSs and This Offering—The trading prices of our ADSs are likely to be volatile, which could result in substantial losses to investors."

We generate a significant portion of our revenues from a limited number of popular online games. If we cannot continue to offer these popular games for any reason, or if we are unable to successfully source new online games, or the terms of the revenue-sharing arrangements become less favorable, our revenues from online games may decrease, and our financial condition and results of operations may be materially and adversely affected.

We generate a significant portion of our revenues from a limited number of popular online games on YY, all of which are web games, primarily through selling of game tokens to users for their purchase of in-game virtual items. For example, Dandan Tang, one of our most popular online games, contributed 62.8%, 46.5% and 18.0% of our online game revenues, 62.0%, 33.3% and 9.9% of our total IVAS revenues as well as 42.3%, 24.2% and 8.4% of our total revenues in 2010, 2011 and the six months ended June 30, 2012, respectively. A majority of our popular online web games are created by third party game developers under revenue-sharing arrangements that typically last one to two years, and which typically provide for automatic extension or renewal. If we fail to maintain or renew these contracts on acceptable terms or at all, we may be unable to continue offering these popular online games, and our operating results will be adversely affected. In addition, if our users decide to access these games through our competitors, or if they prefer other online games hosted by our competitors, our operating results could be materially and adversely affected.

Our revenues from online games accounted for 39.7%, 67.3%, 51.9% and 46.4% of our total revenues in 2009, 2010, 2011 and the six months ended June 30, 2012, respectively. We believe that most online games have a limited commercial lifespan. For instance, we believe that Dandan Tang, launched in March 2009, is in a relatively mature stage of its commercial lifespan, and that the revenues we derive from it may decrease in the future. As a result, we must continually source new online games that appeal to our game players. We had previously developed some of our online games internally but source our new online games primarily through revenue-sharing arrangements with third party game developers. We must maintain good relationships with our third party game developers to have access to new popular games with reasonable revenue-sharing terms. Under our current revenue-sharing arrangements, we retain a majority of the gross revenues generated from each particular game. In the future, we may not be able to achieve similarly attractive revenue-sharing terms, which may adversely affect our net revenues. Additionally, we depend upon these third party game developers to provide the technical support necessary to operate their online games on our platform and to develop updates and expansion packs to sustain player interest in a game. Most of our third party game developers have limited operating histories and financial resources, and the contracts we enter into with them do not clearly provide for remedies to us in the event they fail to deliver the games as scheduled.

If we are not successful in sourcing and providing popular new online games, our revenues from online games under revenue-sharing arrangements and in-game virtual items may decrease. If this were to happen, our financial condition and results of operations may be materially and adversely affected.

We rely on online advertising for a significant proportion of our revenues. If we fail to attract more advertisers to our platform or if advertisers are less willing to advertise with us, our revenues, profitability and prospects may be materially and adversely affected.

In 2009, 2010, 2011 and the six months ended June 30, 2012, online advertising accounted for 57.7%, 31.7%, 27.3% and 15.5%, respectively, of our total revenues. Consequently, our profitability and prospects depend on the continuous development of the online advertising industry in China and advertisers' allocation of budgets to internet advertising. In addition, companies that decide to advertise online may utilize more established methods or channels for online advertising, such as more established Chinese internet portals or search engines, over advertising on our platform. If the online advertising market size does not increase from current levels, or if we are unable to capture and retain a sufficient share of that market, our ability to maintain or increase our current level of online advertising revenues and our profitability and prospects could be materially and adversely affected. These risks may increasingly affect our revenues because we intend to offer new and different forms of online advertising in addition to online game-related advertising on Duowan.com from which we have historically derived the majority of our revenues.

We offer advertising services substantially through contracts entered into with third party advertising agencies. We cannot assure you that we will be able to retain existing direct advertisers or advertising agencies or attract new direct advertisers and advertising agencies. In addition, if any direct advertisers or advertising agencies determine that their expenditures on YY do not generate expected returns, they may allocate a greater portion or all of their advertising budgets to others and reduce or discontinue business with us. Since our arrangements with third party advertising agencies typically involve one-year framework agreements, these advertising arrangements may be easily amended or terminated without incurring liabilities. Failure to retain existing advertisers and advertising agencies or attract new direct advertisers and direct advertising agencies may materially and adversely affect our business, financial condition and results of operations.

We have granted employee stock options and other share-based awards in the past and will continue to do so in the future. We recognize share-based compensation expenses in our consolidated statements of income in accordance with the relevant rules under U.S. GAAP, which have had and may continue to have a material and adverse effect on our results of operations.

We have granted share-based compensation awards, including share options, restricted shares and restricted share units, to various employees, key personnel and other non-employees to incentivize performance and align

their interests with ours. Under our 2009 employee equity incentive scheme, or the 2009 Scheme, we are authorized to grant options or restricted shares to purchase a maximum of 118,166,946 common shares. Under our 2011 share incentive plan, or the 2011 Plan, we are authorized to grant options, restricted shares or restricted share units to purchase a maximum of 43,000,000 common shares. As of September 1, 2012, options to purchase 17,870,425 common shares, 71,055,974 restricted shares and 23,555,621 restricted share units were outstanding under the 2009 Scheme and the 2011 Plan. As of September 1, 2012, 14,839,242 restricted shares were granted to management and were outstanding outside of the 2009 Scheme and the 2011 Plan. As a result of these grants and potential future grants, we had incurred in the past and expect to continue to incur in future periods significant share-based compensation expenses. The amount of these expenses is based on the fair value of the share-based awards. We account for compensation costs for certain share-based compensation awards granted in the past using a graded-vesting method and recognize expenses in our consolidated statements of operations in accordance with the relevant rules under U.S. GAAP. The expenses associated with share-based compensation have materially increased our net losses and may reduce our net income in the future, and any additional securities issued under share-based compensation schemes will dilute the ownership interests of our shareholders, including holders of our ADSs. However, if we limit the scope of the share-based compensation schemes, we may not be able to attract or retain key personnel who expect to be compensated by options, restricted shares or restricted share units.

The rate at which we gain registered user accounts may decline, the number of active users we have may fluctuate and we may fail to attract more paying users. As a result, our revenues may fail to grow and our results of operations and financial condition may suffer.

We had 36.5 million, 124.7 million and 266.2 million registered user accounts as of December 31, 2009, 2010 and 2011, respectively. The number of registered user accounts increased by 88.2 million, representing a 241.6% increase from December 31, 2009 to December 31, 2010 and further increased by 141.5 million, representing a 113.5% increase from December 31, 2010 to December 31, 2011. As of June 30, 2012, our registered user accounts reached 344.6 million, which increased by 145.0 million new registered user accounts or 72.6% from 199.6 million as of June 30, 2011. Although we experienced a larger increase of 145.0 million in registered user accounts for the 12 months ended June 30, 2012, as compared to the 141.5 million increase for the 12 months ended December 31, 2011 or to the 88.2 million increase for the 12 months ended December 31, 2010, the rate at which we gained registered user accounts declined from 241.6% for the 12 months ended December 31, 2010 to 113.5% for the 12 months ended December 31, 2011, and further decreased to 72.6% for the 12 months ended June 30, 2012. We believe that the growth rate declined as our total registered user account base continue to grow significantly.

The number of our monthly active users increased by 18.0 million from 35.4 million as of December 31, 2010 to 53.4 million as of December 31, 2011, representing a 50.8% growth. As of June 30, 2012, the number of our monthly active users increased by 17.5 million to 66.3 million, compared to 48.8 million as of June 30, 2011, representing a 35.9% growth. Although the growth rate declined from 50.8% for the 12 months ended December 31, 2011 to 35.9% for the 12 months ended June 30, 2012, the increase in the number of our monthly active users decreased only slightly for the 12 months ended June 30, 2012, as compared to the increase for the 12 months ended December 31, 2011. We believe that the growth rate declined due to the larger increase in the number of monthly active users, even though we continued to attract similar numbers of new monthly active users during such periods.

However, we may fail to attract new registered user accounts at a similar rate in the future and the number of our monthly active users may substantially fluctuate from time to time. If we are unable to attract new registered users and retain them as active users and convert non-paying active users into paying users, our revenues may fail to grow and our results of operations and financial condition may suffer.

We may not be able to keep our users highly engaged, which may in turn reduce our monetization opportunities and as a result, our revenues, profitability and business prospects may be materially and adversely affected.

Our success depends on our ability to maintain and grow our user base and keep our users highly engaged. In order to attract and retain users and remain competitive, we must continue to innovate our products and services, implement new technologies and functionalities and improve the features of our platform in order to entice users to use our products and services more frequently and for longer durations.

The internet industry is characterized by constant changes, including rapid technological evolution, continual shifts in customer demands, frequent introductions of new products and services and constant emergence of new industry standards and practices. Thus our success will depend, in part, on our ability to respond to these changes on a cost-effective and timely basis; failure to do so may cause our user base to shrink and user engagement level to decline and our results of operations would be materially and adversely affected. For example, our plan to more fully extend online video-enabled services across our rich communication social platform and retain the ability to offer high quality delivery of voice and video data may cause us to incur significant additional costs and may not succeed.

Because of the viral nature of online social interactions, users may leave us for competitors' platforms more quickly than in other online sectors. A decrease in the number of active YY users may reduce the diversity and vibrancy of YY Client's online social ecosystem and affect our user-generated channels, which may in turn reduce our monetization opportunities and have a material and adverse effect on our business, financial condition and results of operations.

We cannot assure you that our platform will continue to be sufficiently popular with our users to offset the costs incurred to operate and expand it. User satisfaction is particularly difficult to predict as internet users in China may not be familiar with the concept of a rich communication social platform such as ours which provides real-time voice, text and video online. We have historically relied on word of mouth referrals to increase user awareness of our products and services and to expand our user base. If we decide to engage in more conventional advertising or marketing campaigns, our sales and marketing expenses will increase, which could have an adverse effect on our results of operations. Failure to maintain or grow our user base in a cost-effective manner, or at all, and keep our users highly engaged would materially and negatively affect our results of operations.

We face competition in several major aspects of our business. If we fail to compete effectively, we may lose users, and make us less attractive to advertisers which could materially and adversely affect our business, financial condition and results of operations.

We face competition in several major aspects of our business, particularly from companies that provide social networking, internet communication services and online games. Some of our competitors may have longer operating histories and significantly greater financial, technical and marketing resources than we do, and in turn may have an advantage in attracting and retaining users and advertisers. In addition, competitors in some areas of our business may have significantly larger user bases and more established brand names than we do and may be able to more effectively leverage their user bases and brand names to provide integrated social networking, internet communication, online games and other products and services, and thereby increase their respective market shares.

We may face potential competition from global online social networking service providers that seek to enter the China market, whether independently or through the formation of alliances with, or acquisition of, PRC domestic internet companies. In relation to voice-enabled technology, several internet voice communication service providers in China, including iSpeak, Tencent's QQtalk and Dudu, and leading international internet voice communication service providers such as Skype are also expanding into the China market, and some other leading Chinese internet companies have announced the launch of internet voice communication services.

Competition in the online game media market in China and the overseas markets is also intense. Duowan.com's primary competitor is 17173.com. Our competitors also include other major platforms that host online games, such as QQ, Renren and Qihoo 360. In addition, we compete with other internet companies that provide voice and video services to Chinese internet users.

If we are not able to effectively compete in any of our lines of business, our overall user base and level of user engagement may decrease, which could reduce our paying users or make us less attractive to advertisers. We may be required to spend additional resources to further increase our brand recognition and promote our products and services, and such additional spending could adversely affect our profitability. Furthermore, if we are involved in disputes with any of our competitors that result in negative publicity to us, such disputes, regardless of their veracity or outcome, may harm our reputation or brand image and in turn lead to reduced number of users and advertisers. Any legal proceedings or measures we take in response to such disputes may be expensive, time-consuming and disruptive to our operations and divert our management's attention.

Our competitors may unilaterally decide to adopt a wide range of measures targeted at us, including possibly designing their products to negatively impact our operations, such as sending virus-like programs to attack elements of our platform. Some competitors may also make their applications incompatible with ours, effectively requiring users to either stop using our competitors' products or uninstall our products, leading to a reduction in our number of users. For example, in a widely publicized dispute between two of the largest companies providing user-end software in China, one of the companies announced that it would disable its own software on computers that had installed its rival's products. As a result, a significant number of users stopped using products from either or both of these companies. Due to the large number of internet users that were affected, the Ministry of Industry and Information Technology of China, or the MIIT, ordered the parties to ensure the compatibility of the relevant products. Similar events may occur in the future between our competitors and us, which may reduce our market share, negatively affect our brand and reputation, and materially and adversely affect our business, financial condition and results of operations.

Spammers and malicious applications may affect user experience, which could reduce our ability to attract users and advertisers and materially and adversely affect our business, financial condition and results of operations.

Spammers may use YY to send targeted and untargeted spam messages to users, which may affect user experience. As a result, our users may use our products and services less or stop using them altogether. In spamming activities, spammers typically create multiple user accounts for the purpose of sending spam messages. Although we attempt to identify and delete accounts created for spamming purposes, we may not be able to effectively eliminate all spam messages from our platform in a timely fashion. Any spamming activities could have a material and adverse effect on our business, financial condition and results of operations.

The revenue model we adopt for online games may not remain effective, causing us to lose game players, which may materially and adversely affect our business, financial condition and results of operations.

We currently operate substantially all of our online games on YY, all of which are web games, using the virtual items-based revenue model, whereby players can play games for free, but have the option of purchasing in-game virtual items, such as items that improve the strength of game characters, and in-game accessories. We have generated, and expect to continue to generate, a substantial majority of our online game revenues using this revenue model. However, we may not be able to continue successfully implementing the virtual items-based revenue model as we may not be able to develop or obtain the rights to host online games that attract game players or cause such game players to increase the amount of time spent playing and the amount of money spent on purchasing in-game virtual items. The sale of virtual items requires us to closely track game players' tastes and preferences and in-game consumption patterns. If we fail to offer popular virtual items, we may not be able to effectively convert our game player base into paying users or encourage existing paying users to spend more on YY.

In addition, PRC regulators have been implementing regulations designed to reduce the amount of time that youths in China spend playing online games. See “PRC Regulation—Anti-fatigue Compliance System and Real-name Registration System.” A revenue model that does not charge for playing time may be viewed by the PRC regulators as inconsistent with this goal. If we were to start charging for playing time, we may lose game players who may choose to play online games from other providers and on other platforms or choose to engage in other alternative forms of entertainment, including traditional offline PC or video games.

We cannot assure you that the revenue model that we have adopted for any of our online games will continue to be suitable for that game, or that we will not in the future need to change our revenue model or introduce a new revenue model for that game. We may change the revenue model for some of our online games if we believe the existing models are not generating adequate revenues. A change in revenue model could result in various adverse consequences, including disruptions of our online games operations, criticism from game players who have invested time and money in a game, decrease in the number of our game players and decrease in the revenues we generate from our online games. Therefore, such a change in revenue model may materially and adversely affect our business, financial condition and results of operations.

The revenue models for each of YY Music and our membership program is relatively new and may not remain effective, which may cause us to lose users and materially and adversely affect our business, financial condition and results of operations.

We operate YY Music using a virtual items-based revenue model whereby YY Music users can listen to music for free, but have the option of purchasing in-channel virtual items. We have generated, and expect to continue to generate, a substantial majority of our YY Music revenues using this revenue model. YY Music has begun to contribute an increasingly larger portion of our total revenues, reaching 28.6% of our total revenues in the six months ended June 30, 2012.

However, we may not be able to continue successfully implementing the virtual items-based revenue model for YY Music, as popular performers may leave YY Music and we may be unable to attract new talents that bring in YY Music users or cause such users to increase the amount of time spent engaging in various activities on our music channels as well as the amount of money spent on purchasing in-channel virtual items.

Furthermore, under our current arrangements with certain popular performers and channel owners, we share with them a portion of the revenues we derive from the sales of in-channel virtual item on YY Music. In the future, the amount we pay to these music channel performers and channel owners may increase or we may fail to reach mutually acceptable terms with respect to these arrangements, which may adversely affect our revenues or cause them to leave our platform. In addition, we are currently a pioneer in offering YY Music performers and YY users an online concert platform. However, if our users decide to access online concert sources or channels offered by our current or future competitors, our operating results could be materially and adversely affected.

Since the launch of YY Music in March 2011, we have conducted marketing campaigns and promotional activities coinciding with popular western or Chinese festivals celebrated by young Chinese people, many of which are in the fourth quarter and ending with the Chinese New Year holidays which typically fall in the first half of the first quarter. These promotions encourage users to purchase virtual items and give them as gifts to performers on YY Music channels as a means of celebration, resulting in a higher number of paying users for YY Music for the fourth quarter. After the Chinese New Year holidays, we launched fewer special events since there are fewer festivals in the rest of the first quarter and the second quarter. As a result, the number of paying users of YY Music increased at a slower pace in the first and second quarters of 2012, from 225,000 in the fourth quarter of 2011 to 230,000 in the first quarter of 2012, and to 232,000 in the second quarter of 2012. In the future, our revenues from YY Music may continue to be affected by such seasonality.

In our membership program, users pay a flat monthly subscription fee in order to become members, and in exchange, we give them access to various privileges and enhanced features on our channels, including additional video usage, priority entrance to certain live performances, and exclusive rights to access VIP avatars, VIP ring-tones, VIP fonts and VIP emoticons. We generated membership subscription fees of RMB25.7 million (US$4.0 million) in the six months ended June 30, 2012. However, we may not be able to further build or maintain our membership base in the future for various reasons; for example, if we fail to continue to provide innovative products and services that are attractive to members. Furthermore, the average revenue per paying user for our membership program is lower than that for our online games and YY Music. In the three months ended June 30, 2012, the average revenue per paying user for our membership program was RMB47, as compared to RMB298 for our online games and RMB254 for YY Music.

We use third party services and technologies in connection with our business, and any disruption to the provision of these services and technologies to us could result in adverse publicity and a slowdown in the growth of our users, which could materially and adversely affect our business and results of operations.

Our business depends upon services provided by, and relationships with, third parties. Substantially all of our online advertising revenues are generated through agreements entered into with various third party advertising agencies that represent advertisers. We do not have long-term cooperation agreements or exclusive arrangements with these agencies and they may elect to direct business opportunities to other advertising service providers. If we fail to retain and enhance our business relationships with these third party advertising agencies, we may suffer from a loss of advertisers and our business and results of operations may be materially and adversely affected.

A significant portion of our IVAS revenues are generated from online games, all of which are web games, and increasingly, from YY Music. If we are unable to obtain or retain rights to host popular online games or popular in-game virtual items, or if we are required to share a bigger portion of our revenues with third party game developers, we could be required to devote greater resources and time to obtain hosting rights for new games and applications from other parties, and our results of operations may be impacted. Furthermore, if we are unable to attract popular talents such as performers, channel managers and hosts for YY Music channels or if these talents cannot draw large numbers of fans or participants, our results of operations may be adversely affected. Also, if channel owners are unable to reach or maintain mutually satisfactory cooperation arrangements with the performers on their channels, we may lose popular performers and our business and operations may be adversely affected. In addition, some third party software we use in our operations are currently publicly available without charge. If the owner of any such software decides to charge users or no longer makes the software publicly available, we may need to incur significant cost to license the software, find replacement software or develop it on our own. If we are unable to find or develop replacement software at a reasonable cost, or at all, our business and operations may be adversely affected.

Some of the games offered on our platform run on a complex network of servers located in and maintained by third party data centers throughout China and our overall network relies on broadband connections provided by third party operators. We expect this dependence on third parties to continue. The networks maintained and services provided by such third parties are vulnerable to damage or interruption, which could impact our results of operations. See "—System failure, interruptions and downtime can result in adverse publicity for our products and result in net revenue losses, a slowdown in the growth of our registered user accounts and a decrease in the number of our active users. If any of these system disruptions occurs, our business, financial condition and results of operations may be materially and adversely affected."

In addition, we sell a significant portion of our products and services through third party online payment systems. If any of these third party online payment systems suffer from security breaches, users may lose confidence in such payment systems and refrain from purchasing our virtual items online, in which case our results of operations would be negatively impacted. See "—The security of operations of, and fees charged by, third party online payment platforms may have material and adverse effects on our business."

We exercise no control over the third parties with whom we have business arrangements. If such third parties increase their prices, fail to provide their services effectively, terminate their service or agreements or discontinue their relationships with us, we could suffer service interruptions, reduced revenues or increased costs, any of which may have a material and adverse effect on our business, financial condition and results of operations.

System failure, interruptions and downtime can result in adverse publicity for our products and result in net revenue losses, a slowdown in the growth of our registered user accounts and a decrease in the number of our active users. If any of these system disruptions occurs, our business, financial condition and results of operations may be materially and adversely affected.

Although we seek to reduce the possibility of disruptions or other outages, our services may be disrupted by problems with our own technology and system, such as malfunctions in our software or other facilities and network overload. Our systems may be vulnerable to damage or interruption from telecommunication failures, power loss, computer attacks or viruses, earthquakes, floods, fires, terrorist attacks and similar events. We have experienced system failures, including a partial system outage in 2009 caused by hackers hired by a competing business intending to maliciously overwhelm and clog our servers and our routing system. Those responsible were subsequently found guilty and penalized by the PRC courts and we have subsequently updated our system to make it more difficult for similar attacks to succeed in the future, but we cannot assure you that there will be no similar failures in the future. Parts of our system are not fully redundant, and our disaster recovery planning is not sufficient for all eventualities. Despite any precaution we may take, the occurrence of a natural disaster or other unanticipated problems at our hosting facilities could result in lengthy interruptions in the availability of our products and services. Any interruption in the ability of our users to use our products and services could reduce our future revenues, harm our future profits, subject us to regulatory scrutiny and lead users to seek alternative forms of online social interactions.

Our servers that process user payments experience some downtime on a regular basis, which may negatively affect our brand and user perception of the reliability of our systems. Any scheduled or unscheduled interruption in the ability of users to use our payment systems could result in an immediate, and possibly substantial, loss of revenues.

Almost all internet access in China is maintained through state-owned telecommunication operators under the control and supervision of the MIIT, and we use a limited number of telecommunication service providers to provide us with data communications capacity through local telecommunications lines and internet data centers to host our servers. Internet data centers in China are generally owned by telecommunication service providers with their own broadband networks and are leased to various customers through third party agents. These third party agents negotiate the terms of the leases, enter into lease agreements with end customers, handle customer interactions and manage the data centers on behalf of the data center owners. In the past, we signed data center lease agreements with multiple third party agents. With the expansion of our business, we may be required to purchase more bandwidth and upgrade our technology and infrastructure to keep up with the increasing traffic on our websites and increasing user levels on our platform overall. We cannot assure you that the telecommunications providers whose networks we lease or the third party agents that operate our data centers would be able to accommodate all of our requests for more bandwidth or upgraded infrastructure or network, or that the internet infrastructure and the fixed telecommunications networks in China will be able to support the demands associated with the continued growth in our internet usage.

Our users may use our products or services for critical transactions and communications, especially business communications. As a result, any system failures could result in damage to such users' businesses. These users could seek significant compensation from us for their losses. Even if unsuccessful, this type of claim likely would be time consuming and costly for us to address.

We have limited control over the prices of the services provided by telecommunication service providers and may have limited access to alternative networks or services. If the prices we pay for telecommunications and internet services rise significantly, our results of operations may be materially and adversely affected. Furthermore, if internet access fees or other charges to internet users increase, our user traffic may decline and our business may be harmed.

The respective number of our registered user accounts, active users, paying users and unique visitors may overstate the number of unique individuals who register to use our products and services, log onto YY Client, purchase virtual items or other products and services on our platform or access Duowan.com, respectively, and may therefore lead to an inaccurate interpretation of our average revenue per paying user metric and of our business operations by our management and by investors, and may affect advertisers, decisions on the amount spent on advertising with us, which may materially and adversely affect our business and results of operations.

We do not operate our platform on a real-name basis and therefore we cannot and do not track the unique paying users. Instead, we track the number of registered user accounts, active users, paying users and unique visitors. We calculate certain operating metrics in the following ways: (a) the number of registered user accounts is the cumulative number of user accounts at the end of the relevant period that have logged onto YY Client at least once after registration, (b) the number of active users is the cumulative number of user accounts at the end of the relevant period that have signed onto YY Client at least once during the relevant period, (c) the number of paying users is the cumulative number of registered user accounts that have purchased virtual items or other products and services on our platform at least once during the relevant period, and (d) the number of unique visitors is the number of visits to Duowan.com from specific IP addresses for the relevant period, with each IP address counting as a separate unique visitor. The actual number of unique individual users, however, is likely to be lower than that of registered user accounts, active users, paying users and unique visitors, potentially significantly, for three primary reasons. First, each individual user may register more than once and therefore have more than one account, and sign onto each of these accounts during a given period. For example, a user may (a) create separate accounts for community and personal use and log onto each account at different times for different activities or (b) if he or she lost his or her original YY Client username or password, he or she can simply register again and create an additional account. Second, we experience irregular registration activities such as the creation of a significant number of improper user accounts by a limited number of individuals, which may be in violation of our policies, including for the purpose of clogging our network or posting spam to our channels. We believe that some of these accounts may also be created for specific purposes such as to increase the number of votes for certain performers in various contests, but the number of registered user accounts, paying users and active users do not exclude user accounts created for such purposes. We have limited ability to validate or confirm the accuracy of information provided during the user registration process to ascertain whether a new user account created was actually created by an existing user who is registering duplicative accounts. Third, each individual user may access Duowan.com from more than one IP address; although subsequent visits from the same IP address do not add to our total unique visitors count, each new IP address used by an individual would be counted as a different unique visitor to Duowan.com. For example, a user would be counted as a unique visitor three times if he or she accessed Duowan.com from the user’s home computer, office computer and mobile phone. Thus, the respective number of our registered user accounts, active users, paying users and unique visitors may overstate the number of unique individuals who register on our platform, sign onto YY Client, purchase virtual items or other products and services on our platform and access Duowan.com, respectively which may lead to an inaccurate interpretation of our average revenue per paying user metric. In addition, we may be unable to track whether we are successfully converting registered users or active users into paying users since we do not track the number of unique individuals or operate our platform on a real-name basis. If the growth in the number of our registered user accounts, active users, paying users or unique visitors is lower than the actual growth in the number of unique individual registered, active or paying users or unique visitors, our user engagement level, sales of IVAS and our business may not grow as quickly as we expect, and advertisers may reduce the amount spent on advertising with us, which may harm our business, financial condition and results of operations. In addition, such overstatement may cause inaccurate evaluation of our business operations

by our management and by investors, which may also materially and adversely affect our business and results of operations.

If we are unable to successfully capture and retain the growing number of users that access internet services through mobile devices or successfully monetize Mobile YY, our business, financial condition and results of operations may be materially and adversely affected.

YY is now available to users from PCs, as well as mobile devices. An increasing number of users are accessing our platform through Mobile YY. For example, there were approximately 0.9 million and approximately 2.2 million activations of Mobile YY in January 2012 and June 2012, respectively. As Mobile YY does not require users to log in to their user accounts, we cannot and do not track how many Mobile YY users also access the YY platform from PCs. An important element of our strategy is to continue to further develop enhanced features for Mobile YY to capture a greater share of the growing number of users that access internet services such as ours through mobile devices.

As new laptops, mobile devices and operating systems are continually being released, it is difficult to predict the problems we may encounter in developing versions of our products and services for use on these devices and operating systems, and we may need to devote significant resources to create, support and maintain these services. Devices providing access to our products and services are not manufactured and sold by us, and we cannot assure you that the companies manufacturing or selling these devices would always ensure that their devices perform reliably and are maximally compatible with our systems. Any faulty connection between these devices and our products and services may result in consumer dissatisfaction with us, which could damage our brand and have a material and adverse effect on our financial results. In addition, the lower resolution, functionality and memory associated with some mobile devices make the use of our products and services through such devices more difficult and the versions of our products and services we develop for these devices may fail to attract users. Manufacturers or distributors may establish unique technical standards for their devices and, as a result, Mobile YY may not work or be viewable on these devices. Furthermore, new social platforms or services may emerge which are specifically created to function on mobile operating systems, as compared to our platform that was originally designed to be accessed from PCs, and such new entrants may operate more effectively on mobile devices than Mobile YY does.

Although we currently do not monetize Mobile YY in any way, if we are unable to attract and retain the increasing number of Mobile YY users, or if we are slower than our competitors in developing attractive services adaptable for mobile devices, we may fail to capture a significant share of an increasingly important portion of the market or may lose existing users. In addition, even if we are able to retain the increasing number of Mobile YY users, we may not be able to successfully monetize them in the future. For example, because of the inherent limitations of mobile devices, such as a smaller display screen space as compared to PCs, we may not be able to provide as many kinds of virtual items on Mobile YY as we can on YY Client, which may limit the monetization potential of Mobile YY. In addition, for the benefit of user experience, we do not currently intend to monetize Mobile YY by placing advertisements on Mobile YY. We believe that advertising on Mobile YY may clutter the user interface and distract users from their in-channel activities. This restriction on advertisements may also limit Mobile YY's ability to generate revenues. Any of the above may have a material and adverse effect on our business, financial condition and results of operations.

Growth in the use of Mobile YY, where our ability to monetize is unproven, as a substitute for the use of YY platform on PCs may negatively affect our revenues and financial results.

Although we believe users are unlikely to migrate to Mobile YY and cease to use YY through PCs, and that most of our Mobile YY users also access our YY platform through PCs, we cannot assure you that the increasing usage of Mobile YY will not cause Mobile YY users to cease accessing the YY platform from PCs. Although we do not currently monetize Mobile YY, we have plans to monetize it by selling virtual items on Mobile YY, but we cannot ensure that such plans will be commercially successful when we launch them in the future. If we are unable to successfully monetize Mobile YY, and if a significant number of users migrate to Mobile YY as a substitute for accessing the YY platform through PCs, our business, results of operations and financial condition would be negatively affected.

Concerns about collection and use of personal data could damage our reputation and deter current and potential users from using our products and services, which could lead to lower advertising revenues or lower IVAS revenues.

Concerns about our practices with regard to the collection, use or disclosure of personal information or other privacy-related matters, even if unfounded, could damage our reputation and operating results. YY Client, launched in July 2008, had attracted 344.6 million registered user accounts as of June 30, 2012 and had approximately 11.6 million channels as of June 30, 2012. We apply strict management and protection for any information provided by users and, under our privacy policy, without our users' prior consent, we will not provide any of our users' personal information to any unrelated third party. While we strive to comply with our privacy guidelines as well as all applicable data protection laws and regulations, any failure or perceived failure to comply may result in proceedings or actions against us by government entities or others, and could damage our reputation. User and regulatory attitudes towards privacy are evolving, and future regulatory or user concerns about the extent to which personal information is used or shared with advertisers or others may adversely affect our ability to share certain data with advertisers, which may limit certain methods of targeted advertising. Concerns about the security of personal data could also lead to a decline in general internet usage, which could lead to lower registered, active or paying user numbers on our platform. For example, if the PRC government authorities require real-name registration for YY Client users, the growth of our user numbers may slow and our business, financial condition and results of operations may be adversely affected. See "—Risks Related to Our Corporate Structure and Our Industry—We may be adversely affected by the complexity, uncertainties and changes in PRC regulations of internet business and companies." A significant reduction in registered, active or paying user numbers could lead to lower advertising revenues or lower IVAS revenues, which could have a material and adverse effect on our business, financial condition and results of operations.

The security of operations of, and fees charged by, third party online payment platforms may have material and adverse effects on our business.

Currently, we sell all of our IVAS to our users through third party online payment systems. In the six months ended June 30, 2012, 84.5% of our total net revenues were derived from IVAS. We expect that an increasing amount of our sales will be conducted over the internet as a result of the growing use of online payment systems. In all these online payment transactions, secured transmission of confidential information such as customers' credit card numbers and personal information over public networks is essential to maintain consumer confidence.

We do not have control over the security measures of our third party online payment vendors, and security breaches of the online payment systems that we use could expose us to litigation and possible liability for failing to secure confidential customer information and could, among other things, damage our reputation and the perceived security of all of the online payment systems that we use. If a well-publicized internet or mobile network security breach were to occur, users concerned about the security of their online financial transactions may become reluctant to purchase our virtual items even if the publicized breach did not involve payment systems or methods used by us. In addition, there may be billing software errors that would damage customer confidence in these online payment systems. If any of the above were to occur and damage our reputation or the perceived security of the online payment systems we use, we may lose paying users and users may be discouraged from purchasing our IVAS, which may have an adverse effect on our business.

In addition, there are currently only a limited number of third party online payment systems in China, such as Alipay and Tenpay. If any of these major payment systems decides to significantly increase the percentage they charge us for using their payment systems for our virtual items and other services, our results of operations may be materially and adversely affected.

Our core values of focusing on user experience and satisfaction first and acting for the long-term may conflict with the short-term operating results of our business, and also negatively impact our relationships with advertisers or other third parties.

One of our core values is to focus on user experience and satisfaction, which we believe is essential to our success and serves the best, long-term interests of our company and our shareholders. Therefore, we have made, and may make in the future, significant investments or changes in strategy that we think will benefit our users, even if our decision negatively impacts our operating results in the short-term. For example, in order to provide users of YY Client with uninterrupted entertainment options, we do not place significant advertising on YY Client. While this decision adversely affects our operating results in the short-term, we believe it enables us to provide higher quality user experience on YY Client, which will help us expand and maintain our current large user base and create better monetizing potential in the long-term. In addition, this philosophy of putting our users first may also negatively impact our relationships with advertisers or other third parties, and may not result in the long-term benefits that we expect, in which case the success of our business and operating results could be harmed.

Trademarks registered, internet search engine keywords purchased and domain names registered by third parties that are similar to our trademarks, brands or websites could cause confusion to our users, divert online customers away from our products and services or harm our reputation.

Competitors and other third parties may purchase (a) trademarks that are similar to our trademarks and (b) keywords that are confusingly similar to our brands or websites in internet search engine advertising programs and in the header and text of the resulting sponsored links or advertisements in order to divert potential customers from us to their websites. Preventing such unauthorized use is inherently difficult. If we are unable to prevent such unauthorized use, competitors and other third parties may continue to drive potential online customers away from our platform to competing, irrelevant or potentially offensive platforms, which could harm our reputation and cause us to lose revenue.

We may be held liable for information or content displayed on, retrieved from or linked to our platform, or distributed to our users, and PRC authorities may impose legal sanctions on us, including, in serious cases, suspending or revoking the licenses necessary to operate our platform.

Our rich communication social platform enables users to exchange information, generate content, advertise products and services, conduct business and engage in various other online activities. However, our platform does not require real-name registration by our users and because a majority of the communications on our platform is conducted in real time, we are unable to verify the sources of all information posted thereon or examine the content generated by users before they are posted. Therefore, it is possible that users may engage in illegal, obscene or incendiary conversations or activities, including the publishing of inappropriate or illegal content, that may be deemed unlawful under PRC laws and regulations on our platform. If any content on our platform is deemed illegal, obscene or incendiary, or if appropriate licenses and third party consents have not been obtained, claims may be brought against us for defamation, libel, negligence, copyright, patent or trademark infringement, other unlawful activities or other theories and claims based on the nature and content of the information delivered on or otherwise accessed through our platforms. For example, we have occasionally received fines for certain inappropriate materials placed by third parties on our platform, and may be subject to similar fines and penalties in the future. We also may face liability for copyright or trademark infringement, fraud, and other claims based on the nature and content of the materials that are delivered, shared or otherwise accessed through or published on our platform. Defending any such actions could be costly and involve significant time and attention of our management and other resources. In addition, if they find that we have not adequately managed the content on our platform, PRC authorities may impose legal sanctions on us, including, in serious cases, suspending or revoking the licenses necessary to operate our platform. See “PRC Regulation—Information Security and Censorship.”

We may be subject to intellectual property infringement claims or other allegations, which could require us to pay substantial statutory penalties or other damages and fines, remove relevant content from our website or enter into license agreements which may not be available on commercially reasonable terms.

Some of our competitors may own technology patents, copyrights, trademarks, trade secrets and website content, which they may use to assert claims against us. In addition, content generated through YY, including real-time content, may also potentially cause disputes regarding content ownership or intellectual property. We have certain procedures designed to reduce the likelihood that we may use, develop or make available any content or applications without the proper licenses or necessary third party consents. However, these procedures may not be effective in completely preventing the unauthorized posting or use of copyrighted material or the infringement of other rights of third parties.

The validity, enforceability and scope of protection of intellectual property rights in internet-related industries, particularly in China, are uncertain and still evolving. As we face increasing competition and as litigation becomes a more common way to resolve disputes in China, we face a higher risk of being the subject of intellectual property infringement claims. Pursuant to relevant laws and regulations, online service providers that provide information storage space for users to upload works or link services may be held liable for damages if such providers have reasons to know that the works uploaded or linked infringe the copyrights of others. In cases involving the unauthorized posting of copyrighted content by users on websites in China, there have been court proceedings but no settled court practice that provides clear guidance as to under what circumstances hosting providers and administrators of a platform such as ours can be held liable for the unauthorized posting by users of copyrighted material. See “PRC Regulation—Intellectual Property Rights.” Any such proceeding could result in significant costs to us and divert our management’s time and attention from the operation of our business, as well as potentially adversely impact our reputation, even if we are ultimately absolved of all liability.

In addition, although we have not been subject to claims or lawsuits outside China, we cannot assure you that we will not become subject to intellectual property laws in other jurisdictions, such as the United States, by virtue of our ADSs being listed on the Nasdaq Global Market, the ability of users to access our videos in the United States and other jurisdictions, the ownership of our ADSs by investors in the United States and other jurisdictions, or the extraterritorial application of foreign law by foreign courts or otherwise. In addition, as a publicly listed company, we may be exposed to increased risk of litigation. If a claim of infringement brought against us in the United States or other jurisdictions is successful, we may be required to pay substantial statutory penalties or other damages and fines, remove relevant content from our website or enter into license agreements which may not be available on commercially reasonable terms or at all.

We may not be able to successfully halt the operations of platforms that aggregate our data as well as data from other companies, including social networks, or “copycat” platforms that have misappropriated our data in the past or may misappropriate our data in the future. Those platforms may also lure away some of our users or advertisers or reduce our market share, causing material and adverse effects on our business operations.

From time to time, third parties have misappropriated our data through scraping our platform, robots or other means and aggregated this data on their platforms with data from other companies. In addition, “copycat” platforms or client applications have misappropriated data on our platform, implanted Trojan viruses in user PCs to steal user data from YY Client and attempted to imitate our brand or the functionality of our platform. When we became aware of such platforms, we employed technological and legal measures in an attempt to halt their operations. However, we may not be able to detect all such platforms in a timely manner and, even if we could, technological and legal measures may be insufficient to stop their operations. In those cases, our available remedies may not be adequate to protect us against such platforms. Regardless of whether we can successfully enforce our rights against these platforms, any measures that we may take could require significant financial or other resources from us. Those platforms may also lure away some of our users or advertisers or reduce our market share, causing material and adverse effects to our business operations.

We may not be able to prevent others from unauthorized use of our intellectual property, which could harm our business and competitive position.

We regard our trademarks, service marks, patents, domain names, trade secrets, proprietary technologies and similar intellectual property as critical to our success, and we rely on trademark and patent law, trade secret protection and confidentiality and license agreements with our employees and others to protect our proprietary rights. As of August 14, 2012, we had registered 31 domain names, including YY.com, Duowan.com and Chinaduo.com, 41 software copyrights, three patents and 39 trademarks and service marks in China. In addition, we have filed 22 patent applications covering certain of our proprietary technologies and 111 trademark applications in China.

It is often difficult to create and enforce intellectual property rights in China. Patents, trademarks and service marks may also be invalidated, circumvented, or challenged. Trade secrets are difficult to protect, and our trade secrets may be leaked or otherwise become known or be independently discovered by others. Confidentiality agreements may be breached, and we may not have adequate remedies for any breach. Even where adequate, relevant laws exist in China, it may not be possible to obtain swift and equitable enforcement of such laws, or to obtain enforcement of a court judgment or an arbitration award delivered in another jurisdiction, and accordingly, we may not be able to effectively protect our intellectual property rights or enforce agreements in China. Policing any unauthorized use of our intellectual property is difficult and costly and the steps we have taken may be inadequate to prevent the misappropriation of our technologies. Given the potential cost, effort, risks and downsides of obtaining patent protection, in some cases we have not and do not plan to apply for patents or other forms of formal intellectual property protection for certain key technologies. If some of these technologies are later proven to be important to our business and are used by third parties without our authorization, especially for commercial purposes, our business and competitive position may be harmed.

As our patents may expire and may not be extended, our patent applications may not be granted and our patent rights may be contested, circumvented, invalidated or limited in scope, our patent rights may not protect us effectively. In particular, we may not be able to prevent others from developing or exploiting competing technologies, which could have material and adverse effects on our business operations, financial condition and results of operations.

In China, the valid period of utility model patent right or design patent right is ten years and is not extendable. Currently, we have patent applications pending in China, but we cannot assure you that we will be granted patents pursuant to our pending applications. Even if our patent applications succeed and we are issued patents in accordance with them, it is still uncertain whether these patents will be contested, circumvented or invalidated in the future. The rights granted under any issued patents may not provide us with proprietary protection or competitive advantages. Further, the claims under any patents that issue from our patent applications may not be broad enough to prevent others from developing technologies that are similar or that achieve results similar to ours. It is also possible that the intellectual property rights of others will bar us from licensing and from exploiting any patents that issue from our pending applications. Numerous U.S. and foreign issued patents and pending patent applications owned by others exist in the fields in which we have developed and are developing our technology. These patents and patent applications might have priority over our patent applications and could subject our patent applications to invalidation. Finally, in addition to those who may claim priority, any of our existing or pending patents may also be challenged by others on the basis that they are otherwise invalid or unenforceable.

If we fail to maintain and enhance our brands, or if we incur excessive expenses in this effort, our business, results of operations and prospects may be materially and adversely affected.

We believe that maintaining and enhancing our brands is of significant importance to the success of our business. Well-recognized brands are important to increasing the number of users and the level of engagement of our users and enhancing our attractiveness to advertisers. Since we operate in a highly competitive market, brand maintenance and enhancement directly affect our ability to maintain our market position.

Although we have developed YY mostly through word of mouth referrals, as we expand, we may conduct various marketing and brand promotion activities using various methods to continue promoting our brands. We cannot assure you, however, that these activities will be successful or that we will be able to achieve the brand promotion effect we expect. In addition, any negative publicity in relation to our products or services, regardless of its veracity, could harm our brands and reputation.

We have sometimes received, and expect to continue to receive, complaints from users regarding the quality of the products and services we offer. If our users' complaints are not addressed to their satisfaction, our reputation and our market position could be significantly harmed, which may materially and adversely affect our business and prospects.

Our business depends substantially on the continuing efforts of our executive officers and key employees, and our business operations may be severely disrupted if we lose their services.

Our future success depends substantially on the continued efforts of our executive officers and key employees. If one or more of our executive officers or key employees were unable or unwilling to continue their services with us, we might not be able to replace them easily, in a timely manner, or at all. In addition, our executive officers and key employees hold the equity interests in Beijing Tuda and Guangzhou Huaduo, our PRC consolidated affiliated entities. In particular, Mr. David Xueling Li, our co-founder, chief executive officer and director, Mr. Tony Bin Zhao, our director and chief technology officer, and Mr. Jin Cao, the general manager of our website department, own 97.7%, 1.5% and 0.8% of Beijing Tuda's equity interests, respectively. Messrs. Li, Zhao and Cao and Beijing Tuda also own approximately 1.7%, 0.1%, 0.1% and 96.6% of Guangzhou Huaduo's equity interests, respectively, with the remaining 1.5% owned by Mr. Jun Lei, our co-founder and chairman. If any of these executive officers and key employees terminate their services with us, we have the contractual right to appoint designees to hold the PRC consolidated affiliated entities' equity interests. However, our business may be severely disrupted, our financial condition and results of operations may be materially and adversely affected and we may incur additional expenses to recruit, train and retain personnel. If any of our executive officers or key employees joins a competitor or forms a competing company, we may lose customers, know-how and key professionals and staff members. Each of our executive officers and key employees has entered into an employment agreement and a non-compete agreement with us. However, as advised by our PRC counsel, Zhong Lun Law Firm, certain provisions under the non-compete agreement may not be deemed valid or enforceable under PRC laws, if any dispute arises between our executive officers and key employees and us, we cannot assure you that we would be able to enforce these non-compete agreements in China, where these executive officers reside, in light of uncertainties with China's legal system. See "—Risks Relating to Doing Business in China—Uncertainties in the interpretation and enforcement of Chinese laws and regulations could limit the legal protections available to you and us."

If we are unable to attract, train and retain qualified personnel, our business may be materially and adversely affected.

Our future success depends, to a significant extent, on our ability to attract, train and retain qualified personnel, particularly management, technical and marketing personnel with expertise in the internet industry; inability to do so may materially and adversely affect our business. Since the internet industry is characterized by high demand and intense competition for talent, we cannot assure you that we will be able to attract or retain qualified staff or other highly skilled employees. As our company is relatively young, our ability to train and integrate new employees into our operations may not meet the growing demands of our business which may materially and adversely affect our ability to grow our business and hence our results of operations.

Our results of operations are subject to substantial quarterly and annual fluctuations due to a number of factors that could adversely affect our business and the trading price of our ADSs.

We experience seasonality in our business, reflecting seasonal fluctuations in internet usage. As a result, comparing our operating results on a period-to-period basis may not be meaningful. For example, online user numbers tend to be lower during school holidays and certain parts of the school year, and advertising revenues tend to be lower during the Chinese New Year season, which negatively affects our cash flow for those periods. We may also experience a reduction in active users in the third quarter of each year because a significant portion of our users are students, and as the new school year begins, student access to computers and the internet are affected. Internet usage and the rate of internet growth may also be expected to decline during the summer school holidays as some students lose regular internet access. Furthermore, the number of paying users of YY Music correlates with the marketing campaigns and promotional activities we conduct which coincide with popular western or Chinese festivals celebrated by young Chinese people, many of which are in the fourth quarter and ending with the Chinese New Year holidays which typically fall in the first half of the first quarter.

Due to the foregoing factors, our operating results in one or more future quarters or years may fall below the expectations of securities analysts and investors. In such event, the trading price of our ADSs would likely be materially and adversely affected. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Seasonality” for additional details regarding the effects of seasonality on our cash flow, operating performance and financial results.

Our business, financial condition and results of operations, as well as our ability to obtain financing, 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 such disruptions has persisted. 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. We derived approximately 97.4%, 99.0%, 79.2% and 61.9% of our net revenues in 2009, 2010, 2011 and the six months ended June 30, 2012 from the online gaming and online advertising industries. In addition, we derived approximately 16.5% and 28.6% of our net revenues in 2011 and the six months ended June 30, 2012 from YY Music. The online gaming and online advertising industries, along with YY Music, may be affected by economic downturns. Thus, our business and prospects may be affected by the macroeconomic environment in China. A prolonged slowdown in China’s economy may lead to a reduced amount of online advertising, which could materially and adversely affect our business, financial condition and results of operations. In addition, our products and services may be viewed as discretionary by our users, who may choose to discontinue or reduce spending on such products and services during an economic downturn. In such an event, our ability to retain existing users and increase new users will be adversely affected, which would in turn negatively impact our business and results of operations.

Moreover, a slowdown or disruption in the global or China’s economy may have a material and adverse impact on financings available to us. The weakness in the economy could erode investors’ confidence, which constitutes the basis of the credit market. The recent financial turmoil affecting the financial markets and banking system may significantly restrict our ability to obtain financing in the capital markets or from financial institutions on commercially reasonable terms, or at all. Although we are uncertain about the extent to which the recent global financial and economic crisis and slowdown of China’s economy may impact our business in the short-term and long-term, there is a risk that our business, results of operations and prospects would be materially and adversely affected by any global economic downturn or disruption or slowdown of China’s economy.

Future strategic alliances or acquisitions may have a material and adverse effect on our business, reputation and results of operations.

We may enter into strategic alliances, including joint ventures or minority equity investments, with various third parties to further our business purpose from time to time. These alliances could subject us to a number of risks, including risks associated with sharing proprietary information, non-performance by the third party and increased expenses in establishing new strategic alliances, any of which may materially and adversely affect our business. We may have limited ability to monitor or control the actions of these third parties and, to the extent

any of these strategic third parties suffers negative publicity or harm to their reputation from events relating to their business, we may also suffer negative publicity or harm to our reputation by virtue of our association with any such third party.

In addition, although we have no current acquisition plans, if appropriate opportunities arise, we may acquire additional assets, products, technologies or businesses that are complementary to our existing business. Future acquisitions and the subsequent integration of new assets and businesses into our own would require significant attention from our management and could result in a diversion of resources from our existing business, which in turn could have an adverse effect on our business operations. Acquired assets or businesses may not generate the financial results we expect. Acquisitions could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities, the occurrence of significant goodwill impairment charges, amortization expenses for other intangible assets and exposure to potential unknown liabilities of the acquired business. Moreover, the costs of identifying and consummating acquisitions may be significant. In addition to possible shareholders' approval, we may also have to obtain approvals and licenses from relevant government authorities for the acquisitions and to comply with any applicable PRC laws and regulations, which could result in increased delay and costs.

If we fail to implement and maintain an effective system of internal controls, we may be unable to accurately report our results of operations or prevent fraud or fail to meet our reporting obligations, and investor confidence and the market price of our ADSs may be materially and adversely affected.

Prior to this offering, we were a private company with limited accounting personnel and other resources with which to address our internal controls and procedures. Our independent registered public accounting firm has not conducted an audit of our internal control over financial reporting. However, in connection with the audit of our consolidated financial statements as of and for the three years ended December 31, 2011 and the review of our consolidated financial statements as of and for the three months ended March 31, 2012, we and our independent registered public accounting firm identified two material weaknesses in our internal control over financial reporting, as defined in the standards established by the Public Company Accounting Oversight Board of the United States. We have implemented and are continuing to implement a number of measures to address the material weaknesses identified. As a result of such efforts, subsequently, in connection with the review of our consolidated financial statements as of and for the three months ended June 30, 2012, we and our independent registered public accounting firm identified only one significant deficiency. For details, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Internal Control Over Financial Reporting." However, although we have remediated one material weakness and reduced the other material weakness to a significant deficiency through our efforts, we cannot assure you that we will be able to continue implementing these measures in the future, or that we will not identify additional material weaknesses or significant deficiencies in the future.

Furthermore, it is possible that, had our independent registered public accounting firm conducted an audit of our internal control over financial reporting, such firm might have identified additional material weaknesses and deficiencies. Upon the completion of this offering, we will become a public company in the United States subject to the Sarbanes-Oxley Act of 2002. Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, will require that we include a report of management on 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, 2013. In addition, once we cease to be an "emerging growth company" as such term is defined in the JOBS Act, our independent registered public accounting firm must attest to and report on the effectiveness of our internal control over financial reporting. Our management may conclude that our internal control over financial reporting is not effective. Moreover, even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm, after conducting its own independent testing, may issue a report that is qualified if it is not satisfied with our internal controls or the level at which our controls are documented, designed, operated or reviewed, or if it interprets the relevant requirements differently from us. In addition, after we become a public company, our reporting obligations may place a significant strain on our management,

operational and financial resources and systems for the foreseeable future. We may be unable to timely complete our evaluation testing and any required remediation.

During the course of documenting and testing our internal control procedures, in order to satisfy the requirements of Section 404, we may identify other weaknesses and deficiencies in our internal control over financial reporting. In addition, if we fail to maintain the adequacy of our internal control over financial reporting, as these standards are modified, supplemented or amended from time to time, we may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404. If we fail to achieve and maintain an effective internal control environment, we could suffer material misstatements in our financial statements and fail to meet our reporting obligations, which would likely cause investors to lose confidence in our reported financial information. This could in turn limit our access to capital markets, harm our results of operations, and lead to a decline in the trading price of our ADSs. Additionally, ineffective internal control over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to potential delisting from the stock exchange on which we list, regulatory investigations and civil or criminal sanctions. We may also be required to restate our financial statements from prior periods.

Some of our users may make sales or purchases through unauthorized third party platforms of virtual items we offer for free on our platform, which may affect our revenue-generating opportunities and exert downward pressure on the prices we charge for our virtual items.

We, from time to time, offer virtual items free of charge to attract users or encourage user participation in channels. Some of our users may sell or purchase such free virtual items through unauthorized third party sellers in exchange for real currency. For example, fans of a performer may pay other users to send flowers or gifts the latter have accumulated on YY Client to the performer, in order to show support and raise the popularity ranking of the performer of their choice. These unauthorized transactions are usually arranged on third party platforms which we do not and are unable to track or monitor. Accordingly, these unauthorized purchases and sales from third party sellers may affect our revenue-generating opportunities and may impede our revenue and profit growth by, among other things, reducing the revenues we could have generated and exerting downward pressure on the prices we charge for our virtual items.

We have limited business insurance coverage, so that any uninsured occurrence of business disruption may result in substantial costs to us and the diversion of our resources, which could have an adverse effect on our results of operations and financial condition.

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 may disrupt our business operations, require us to incur substantial costs and divert our resources, which could have an adverse effect on our results of operations and financial condition.

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Risks Relating to Our Corporate Structure and Our Industry

If the PRC government finds that the structure we have adopted for our business operations does not comply with PRC laws and regulations, or if these laws or regulations or interpretations of existing laws or regulations change in the future, we could be subject to severe penalties, including the shutting down of our platform and our business operations.

Foreign ownership of internet-based businesses is subject to significant restrictions under current PRC laws and regulations. The PRC government regulates internet access, the distribution of online information and the conduct of online commerce through strict business licensing requirements and other government regulations. These laws and regulations also limit foreign ownership in PRC companies that provide internet information distribution services. Specifically, foreign ownership in an internet information provider or other value-added telecommunication service providers may not exceed 50%. In addition, according to the Several Opinions on the Introduction of Foreign Investment in the Cultural Industry promulgated by the Ministry of Culture, or the MOC, the State Administration of Radio, Film and Television, or the SARFT, the General Administration of Press and Publication, or the GAPP, the National Development and Reform Commission and the Ministry of Commerce, or the MOFCOM, in June 2005, foreign investors are prohibited from investing in or operating, among others, any internet cultural operating entities and from engaging in the business of transmitting audio-visual programs through information networks.

We are a Cayman Islands company and our PRC subsidiaries, Zhuhai Duowan Technology Company Limited, or Zhuhai Duowan Technology, and Huanju Shidai Technology (Beijing) Co. Ltd., or Huanju Shidai, are each considered a wholly foreign owned enterprise. We conduct our operations in China through a series of contractual arrangements entered into among our PRC subsidiary, Huanju Shidai, our PRC consolidated affiliated entities, Guangzhou Huaduo Network Technology Limited, or Guangzhou Huaduo, and Beijing Tuda Science and Technology Company Limited, or Beijing Tuda, and Guangzhou Huaduo and Beijing Tuda's shareholders. As a result of these contractual arrangements, we exert control over our PRC consolidated affiliated entities and consolidate each of their operating results in our financial statements under U.S. GAAP. For a detailed description of these contractual arrangements, see "Corporate History and Structure."

On September 28, 2009, the GAPP, the National Copyright Administration and the National Office of Combating Pornography and Illegal Publications, jointly issued a Notice on Further Strengthening the Administration of Pre-examination and Approval of Online Games and the Examination and Approval of Imported Online Games, or Circular 13. Circular 13 restates that foreign investors are not permitted to invest in online game-operating businesses in China via wholly owned, equity joint venture or cooperative joint venture investments and expressly prohibits foreign investors from gaining control over or participating in domestic online game operators through indirect ways such as establishing other joint venture companies or entering into contractual or technical arrangements such as the variable interest entity structural arrangements we adopted. We are not aware of any companies that have adopted a corporate structure that is the same as or similar to ours having been penalized or terminated under Circular 13 since the effective date of the circular. Furthermore, we are advised by our PRC counsel, Zhong Lun Law Firm, that the enforcement of Circular 13 is still subject to substantial uncertainty, including possible subsequent joint actions by relevant authorities in charge, such as the MOC. The Regulation on Three Provisions stipulates that the MOC is authorized to regulate the online game industry, while the GAPP is authorized to approve the publication of online games before their launch on the internet. The Interpretation on Three Provisions further provides that once an online game is launched on the internet, it will be completely under the regulation of the MOC, and that if an online game is launched on the internet without obtaining prior approval from the GAPP, the MOC, instead of the GAPP, is directly responsible for investigating the game. In the event that we, our PRC subsidiaries or PRC consolidated affiliated entities are found to be in violation of the prohibition under Circular 13, the GAPP, in conjunction with the relevant regulatory authorities in charge, may impose applicable penalties, which in the most serious cases may include suspension or revocation of relevant licenses and registrations. In addition, various media sources have recently reported that the CSRC prepared a report proposing pre-approval by a competent central government authority of offshore listings by China-based companies with variable interest entity structures, such as ours, that operate in

industry sectors subject to foreign investment restrictions. However, it is unclear whether the CSRC officially issued or submitted such a report to a higher level government authority or what any such report provides, or whether any new PRC laws or regulations relating to variable interest entity structures will be adopted or what they would provide.

Based on understanding of current PRC laws, rules and regulations of our PRC legal counsel, Zhong Lun Law Firm, our current ownership structure for our business operations, the ownership structure of our PRC subsidiaries and our PRC consolidated affiliated entities, the contractual arrangements among our PRC subsidiaries, our PRC consolidated affiliated entities and their shareholders, as described in this prospectus, are in compliance with existing PRC laws, rules and regulations. However, we were further advised by Zhong Lun Law Firm that there is substantial uncertainty regarding the interpretation and application of current or future PRC laws and regulations and these laws or regulations or interpretations of these laws or regulations may change in the future. Furthermore, the relevant government authorities have broad discretion in interpreting these laws and regulations. Accordingly, we cannot assure you that PRC government authorities will not ultimately take a view contrary to the opinion of our PRC legal counsel.

If our ownership structure, contractual arrangements and businesses of our company, our PRC subsidiaries or our PRC consolidated affiliated entities are found to be in violation of any existing or future PRC laws or regulations, the relevant governmental authorities would have broad discretion in dealing with such violation, including levying fines, confiscating our income or the income of our PRC subsidiaries or PRC consolidated affiliated entities, revoking or suspending the business licenses or operating licenses of our PRC subsidiaries or PRC consolidated affiliated entities, shutting down our servers or blocking our platform, discontinuing or placing restrictions or onerous conditions on our operations, requiring us to discontinue our operations, requiring us to undergo a costly and disruptive restructuring, restricting or prohibiting our use of proceeds from this offering to finance our business and operations in China, and taking other regulatory or enforcement actions that could be harmful to our business. Any of these actions could cause significant disruption to our business operations and severely damage our reputation, which would in turn materially and adversely affect our business, financial condition and results of operations. In addition, if the imposition of any of these penalties causes us to lose the rights to direct the activities of our PRC consolidated affiliated entities or our right to receive their economic benefits, we would no longer be able to consolidate such entities. Our PRC consolidated affiliated entities contributed substantially all of our consolidated net revenues in the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012.

We rely on contractual arrangements with our PRC consolidated affiliated entities and their shareholders for the operation of our business, which may not be as effective as direct ownership. If our PRC consolidated affiliated entities and their shareholders fail to perform their obligations under these contractual arrangements, we may have to resort to litigation to enforce our rights, which may be time-consuming, unpredictable, expensive and damaging to our operations and reputation.

Because of PRC restrictions on foreign ownership of internet-based businesses in China, we depend on contractual arrangements with our PRC consolidated affiliated entities in which we have no ownership interest to conduct our business. These contractual arrangements are intended to provide us with effective control over these entities and allow us to obtain economic benefits from them. Our PRC consolidated affiliated entities are owned directly by our directors, key executive officers and employees, namely Messrs. David Xueling Li, Jun Lei, Tony Bin Zhao and Jin Cao. For additional details on these ownership interests, see "—Risks Relating to Our Business—Our business depends substantially on the continuing efforts of our executive officers and key employees, and our business operations may be severely disrupted if we lose their services" and "Corporate History and Structure." However, these contractual arrangements may not be as effective in providing control as direct ownership. For example, each of our PRC consolidated affiliated entities and their shareholders could breach their contractual arrangements with us by, among other things, failing to operate our business in an acceptable manner or taking other actions that are detrimental to our interests. If we were the controlling shareholder of these PRC consolidated affiliated entities with direct ownership, we would be able to exercise our

rights as shareholders to effect changes to their board of directors, which in turn could implement changes at the management and operational level. However, under the current contractual arrangements, as a legal matter, if our PRC consolidated affiliated entities or their shareholders fail to perform their obligations under these contractual arrangements, we may have to incur substantial costs to enforce such arrangements, and rely on legal remedies under PRC law, including contract remedies, which may not be sufficient or effective. If we are unable to enforce these contractual arrangements, or if we suffer significant delay or other obstacles in the process of enforcing these contractual arrangements, our business and operations could be severely disrupted, which could materially and adversely affect our results of operations and damage our reputation. See "—Risks Relating to Doing Business in China—Uncertainties in the interpretation and enforcement of Chinese laws and regulations could limit the legal protections available to you and us."

Our existing shareholders have substantial influence over our company and their interests may not be aligned with the interests of our other shareholders, which may discourage, delay or prevent a change in control of our company, which could deprive our shareholders of an opportunity to receive a premium for their securities.

Currently, our management group, including Mr. David Xueling Li, our co-founder, chief executive officer and director, Mr. Tony Bin Zhao, our director and chief technology officer, Mr. Rongjie Dong, the general manager of our online games department, and Mr. Jin Cao, the general manager of our website department and others beneficially own an aggregate of 26.7% of our outstanding shares. Upon the completion of this offering, they will beneficially own an aggregate of % of our outstanding shares, assuming the underwriters do not exercise their over-allotment option to purchase additional ADSs. Messrs. Li, Zhao, Dong and Cao together hold 100% of the equity interest in each of our PRC consolidated affiliated entities, Guangzhou Huaduo and Beijing Tuda. Our management group has substantial influence over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of directors and other significant corporate actions. This concentration of ownership may discourage, delay or prevent a change in control of our company, which could deprive our shareholders of an opportunity to receive a premium for their shares as part of any contemplated sale of our company and may reduce the price of our ADSs. In addition, Messrs. Li, Zhao, Dong and Cao could violate the terms of their non-compete or employment agreements with us or their legal duties by diverting business opportunities from us, resulting in our loss of corporate opportunities. These actions may take place even if they are opposed by our other shareholders, including those who purchase ADSs in this offering. Additionally, Mr. Jun Lei, our co-founder, chairman and shareholder who will own % of our outstanding shares after the completion of this offering, is in the business of making investments in internet companies in China. Mr. Lei currently holds direct and indirect interests in our direct competitor, iSpeak, and other entities which may have businesses that compete with us. iSpeak is owned by Mr. Lei in part through Kingsoft Corporation Limited, or Kingsoft, which is engaged in the research, development operation and distribution of online games, mobile games, casual game services and internet software. He may, in the future, acquire additional interests in businesses that directly or indirectly compete with some of our lines of business or that are our suppliers or customers. Furthermore, Mr. Lei, whether through Kingsoft or otherwise, may pursue acquisitions or make further investments in our industries which may conflict with our interests. Although after the completion of this offering, we will adopt a code of business conduct and ethics to help restrict conflicts of interest involving directors and officers, any violation of this code by our existing officers or directors such as Mr. Lei may materially and adversely affect our business operations. For more information regarding the beneficial ownership of our company by our principal shareholders, see "Principal [and Selling] Shareholders."

We may lose the ability to use and enjoy assets held by our PRC consolidated affiliated entities that are important to the operation of our business if such entities go bankrupt or become subject to a dissolution or liquidation proceeding.

As part of our contractual arrangements with our PRC consolidated affiliated entities, Guangzhou Huaduo and Beijing Tuda, such entities hold certain assets, such as patents for the proprietary technology that are

essential to the operations of our platform and important to the operation of our business. If either Guangzhou Huaduo or Beijing Tuda goes bankrupt and all or part of its assets become subject to liens or rights of third party creditors, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations. If Guangzhou Huaduo or Beijing Tuda undergoes a voluntary or involuntary liquidation proceeding, the unrelated third party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could materially and adversely affect our business, financial condition and results of operations.

Our contractual arrangements with our PRC consolidated affiliated entities may result in adverse tax consequences to us.

As a result of our corporate structure and the contractual arrangements among our PRC subsidiaries, our PRC consolidated affiliated entities and their shareholders, we are effectively subject to the 5% PRC business tax and related surcharges on revenues generated by our subsidiaries from our contractual arrangements with our PRC consolidated affiliated entities. The PRC enterprise income tax law requires every enterprise in China to submit its annual enterprise income tax return together with a report on transactions with its affiliates or related parties to the relevant tax authorities. These transactions may be subject to audit or challenge by the PRC tax authorities within ten years after the taxable year during which the transactions are conducted. We may be subject to adverse tax consequences if the PRC tax authorities were to determine that the contracts between us and our PRC consolidated affiliated entities were not on an arm’s length basis and therefore constitute a favorable transfer pricing arrangements. If this occurs, the PRC tax authorities could request that either of our PRC consolidated affiliated entities adjust its taxable income upward for PRC tax purposes. Such a pricing adjustment could adversely affect us by reducing expense deductions recorded by either PRC consolidated affiliated entities and thereby increasing these entities’ tax liabilities, which could subject these entities to late payment fees and other penalties for the underpayment of taxes. Our consolidated net income may be materially and adversely affected if our PRC consolidated affiliated entities’ tax liabilities increase or if it becomes subject to late payment fees or other penalties.

If our PRC consolidated affiliated entities fail to obtain and maintain the requisite licenses and approvals required under the complex regulatory environment for internet-based businesses in China, our business, financial condition and results of operations may be materially and adversely affected.

The internet industry in China is highly regulated. See “PRC Regulation.” Guangzhou Huaduo, as our PRC consolidated affiliated entity, is required to obtain and maintain applicable licenses or approvals from different regulatory authorities in order to provide its current services. For example, an internet information service provider shall obtain an operating license, or the ICP License, from MIIT or its local counterparts before engaging in any commercial internet information services. An online game operator must also obtain an Internet Culture Operation License from the MOC and an Internet Publishing License from the GAPP to distribute online games, in addition to filing its online games with the GAPP and the MOC. Prior to July 2010, specific approvals on online bulletin board services were also required for the provision of BBS services. Guangzhou Huaduo has obtained a valid ICP License for provision of internet and mobile network information services, an Internet Culture Operation License for online games and music products, and an Internet Publishing License for publication of online games and mobile phone games. In addition, Guangzhou Huaduo holds a valid License for Online Transmission of Audio-Visual Programs under the business classification of converging and play-on-demand service for certain kinds of internet audio-visual programs—literary, artistic and entertaining—as prescribed in the newly issued provisional categories. On October 8, 2011, Guangzhou Huaduo was granted a License for Production and Operation of Radio and TV Programs, covering the production, reproduction and publication of broadcasting plays, TV dramas, cartoons (excluding production), special subjects, special columns (excluding current political news category) and entertainment programs. These licenses are essential to the operation of our business and are generally subject to annual government review. However, we cannot assure you that we can successfully renew these licenses annually or that these licenses are sufficient to conduct all of our present or future business. For example, Guangzhou Huaduo’s Internet Culture Operation License does not

include license to conduct comic-related business; as a result, we were fined approximately RMB30,000 when comics were posted onto and accessible through our platform.

As we further develop and expand our video capabilities and functions, we will need to obtain additional qualifications, permits, approvals or licenses. In addition, with respect to specific services offered online, we or the service or content providers may be subject to additional separate qualifications, permits, approvals or licenses. For example, while launching a variety of online education services on our platform, we are working closely with relevant local authorities in charge, for completion of statutorily required procedures such as approvals, if any. For financial-related content offered on our channels, we are tightening our internal review of the relevant qualifications of the content providers as instructed by the competent authorities, while complying with other statutory requirements. We cannot assure you that we or the service or content providers will be granted such qualifications, permits, approvals or licenses in a timely manner or at all. Prior to the receipt of such qualifications, permits, approvals or licenses, we may be deemed as being in violation of relevant laws or regulations and be subject to penalties.

As the internet industry in China is still at an early stage of development, new laws and regulations may be adopted from time to time to address new issues that come to the authorities' attention. In the interpretation and implementation of existing and future laws and regulations governing our business activities, considerable uncertainties still exist. We cannot assure you that we will not be found in violation of any future laws and regulations or any of the laws and regulations currently in effect due to changes in the relevant authorities' interpretation of these laws and regulations. In addition, we may be required to obtain additional license or approvals, and we cannot assure you that we will be able to timely obtain or maintain all the required licenses or approvals or make all the necessary filings in the future. If we fail to obtain or maintain any of the required licenses or approvals or make the necessary filings, we may be subject to various penalties, such as confiscation of the net revenues that were generated through the unlicensed internet activities, the imposition of fines and the discontinuation or restriction of our operations. Any such penalties may disrupt our business operations and materially and adversely affect our business, financial condition and results of operations.

Implementation of the new labor laws and regulations in China may adversely affect our business and results of operations.

Pursuant to a new labor contract law that became effective in January 2008 and its implementation rules that became effective in September 2008, employers are subject to stricter requirements in terms of signing labor contracts, minimum wages, paying remuneration, determining the term of employees' probation and unilaterally terminating labor contracts. Due to the limited period since its effectiveness, and lack of detailed interpretation rules and uniform implementation practice and possible penalties, it is uncertain as to how they it would affect our current employment policies and practices. Our employment policies and practices may violate the labor contract law or its implementation rules, and we may thus be subject to related penalties, fines or legal fees. Compliance with the labor contract law and its implementation rules may increase our operating expenses, in particular our personnel expenses. In the event that we decide to terminate some of our employees or otherwise change our employment or labor practices, the labor contract law and its implementation rules may also limit our ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations. On October 28, 2010, the Standing Committee of the National People's Congress promulgated the PRC Social Insurance Law, or the Social Insurance Law, which became effective on July 1, 2011. According to the Social Insurance Law, employees must participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance and the employers must, together with their employees or separately, pay the social insurance premiums for such employees.

We expect our labor costs to increase due to the implementation of these new laws and regulations. As the interpretation and implementation of these new laws and regulations are still evolving, we cannot assure you that our employment practice will at all times be deemed in full compliance with labor-related laws and regulations in China, which may subject us to labor disputes or government investigations. If we are deemed to have violated

relevant labor laws and regulations, we could be required to provide additional compensation to our employees and our business, financial condition and results of operations could be materially and adversely affected.

Further, labor disputes, work stoppages or slowdowns at our laboratories, patient service centers or any of our clients or suppliers could significantly disrupt our daily operation or our expansion plans and have material adverse effects on our business.

Currently there is no law or regulation specifically governing virtual asset property rights and therefore it is not clear what liabilities, if any, online game operators may have for virtual assets.

While playing online games or participating on YY Client activities, players acquire and accumulate some virtual assets, such as special equipment and other accessories. Such virtual assets can be important to online game players and have monetary value and, in some cases, are sold for actual money. In practice, virtual assets can be lost for various reasons, often through unauthorized use of the game account of one user by other users and occasionally through data loss caused by a delay of network service, a network crash or hacking activities. Currently, there is no PRC law or regulation specifically governing virtual asset property rights. As a result, there is uncertainty as to who the legal owner of virtual assets is, whether and how the ownership of virtual assets is protected by law, and whether an operator of online games such as us would have any liability to game players or other interested parties (whether in contract, tort or otherwise) for loss of such virtual assets. Based on recent PRC court judgments, the courts have typically held online game operators liable for losses of virtual assets by game players, and ordered online game operators to return the lost virtual items to game players or pay damages and losses. In case of a loss of virtual assets, we may be sued by our game players or users and held liable for damages, which may negatively affect our reputation and business, financial condition and results of operations.

Compliance with the laws or regulations governing virtual currency may result in us having to obtain additional approvals or licenses or change our current business model.

The issuance and use of “virtual currency” in the PRC has been regulated since 2007 in response to the growth of the online games industry in China. In January 2007, the Ministry of Public Security, the MOC, the MIIT and the GAPP jointly issued a circular regarding online gambling which has implications for the use of virtual currency. To curtail online games that involve online gambling, as well as address concerns that virtual currency could be used for money laundering or illicit trade, the circular (a) prohibits online game operators from charging commissions in the form of virtual currency in relation to winning or losing of games; (b) requires online game operators to impose limits on use of virtual currency in guessing and betting games; (c) bans the conversion of virtual currency into real currency or property; and (d) prohibits services that enable game players to transfer virtual currency to other players. On June 4, 2009, the MOC and the MOFCOM jointly issued a notice regarding strengthening the administration of online game virtual currency, or the Virtual Currency Notice. The MOC issued the Provisional Administrative Measures of Online Games, or the Online Game Measures, in June 2010, which provides, among other things, that virtual currency issued by online game operators may be only used to exchange its own online game products and services and may not be used to pay for the products and services of other entities.

We issue virtual currency and prepaid game tokens to game players on YY Client for them to purchase various items to be used in online games and channels, including music channels. We are in the process of adjusting the content of our platform but we cannot assure you that our adjustments will be sufficient to comply with the Virtual Currency Notice. Moreover, although we believe we do not offer online game virtual currency transaction services, we cannot assure you that the PRC regulatory authorities will not take a view contrary to ours. For example, certain virtual items we issue to users based on in-game milestones they achieve or time spent playing games are transferable and exchangeable for our virtual currency or the other virtual items we issue to users. If the PRC regulatory authorities deem such transfer or exchange to be a virtual currency transaction, then in addition to being deemed to be engaging in the issuance of virtual currency, we may also be deemed to be providing transaction platform services that enable the trading of such virtual currency. Simultaneously engaging

in both of these activities is prohibited under the Virtual Currency Notice. In that event, we may be required to cease either our virtual currency issuance activities or such deemed “transaction service” activities and may be subject to certain penalties, including mandatory corrective measures and fines. The occurrence of any of the foregoing could have a material adverse effect on our business and results of operations.

In addition, the Virtual Currency Notice prohibits online game operators from setting game features that involve the direct payment of cash or virtual currency by players for the chance to win virtual items or virtual currency based on random selection through a lucky draw, wager or lottery. The notice also prohibits game operators from issuing currency to game players through means other than purchases with legal currency. It is unclear whether these restrictions would apply to certain aspects of our online games. Although we believe that we have rectified and ceased such prohibited activities and have taken adequate measures to prevent any of the above-mentioned prohibited activities, we cannot assure you that the PRC regulatory authorities will not take a view contrary to ours and deem such feature as prohibited by the Virtual Currency Notice, thereby subjecting us to penalties, including mandatory corrective measures and fines. For example, we were previously fined approximately RMB20,000 when a local authority in Guangzhou found that one of our games contained a lucky draw. The occurrence of any of the foregoing could materially and adversely affect our business and results of operations.

Non-compliance on the part of third parties with which we conduct business could restrict our ability to maintain or increase our number of users or the level of traffic to our YY platform.

Our third party game developers or other business partners may be subject to regulatory penalties or punishments because of their regulatory compliance failures, which may disrupt our business. Although we conduct a rigid review of legal formalities and certifications before entering into contractual relationship with other businesses such as third party game developers and landlords, we cannot be certain whether such third party has or will infringe any third parties’ legal rights or violate any regulatory requirements. We regularly identify irregularities or noncompliance in the business practices of any parties with whom we pursue existing or future cooperation and we cannot assure you that any of these irregularities will be corrected in a prompt and proper manner. The legal liabilities and regulatory actions on our commercial partners may affect our business activities and reputation and in turn, our results of operations. For example, according to PRC regulations, all lease agreements are required to be registered with the local housing authorities. We presently lease properties at 10 different locations in China, and the landlords of some of these properties are still completing the registration of their ownership rights or the registration of our leases with the relevant authorities. Failure to complete these required registrations may expose our landlords, lessors and us to potential monetary fines. Some of our lessors have not provided us with appropriate title certificates, which may adversely affect the validity of the leases if the lessors do not have proper title. We cannot assure you that such certificates or registration will be obtained in a timely manner or at all, and in case of failures, we may be subject to monetary fines, have to relocate our offices and suffer economic losses.

We are now allowing providers of some online services such as online education and financial services, to establish channels on YY Client. We plan to encourage more service providers, such as recruiting agents, to establish YY channels in the future. In addition, we plan to establish a search, classification and ranking system and post advertisements relating to such service providers in the near future and derive related revenues under the relevant arrangements. These areas are all highly regulated, and the online service providers and the producers of content on YY Client are required to meet specific qualifying standards, evidenced by approvals, permits or certificates, and to comply with various requirements when conducting business. For example, financial service providers must be securities consulting institutions approved by the China Securities Regulatory Commission, or CSRC. We cannot predict if any noncompliance on the part of such commercial partners may cause potential liabilities to us and in turn disrupt our operations.

Intensified government regulation of the internet industry in China could restrict our ability to maintain or increase our user level or the level of user traffic to our YY platform.

The PRC government has, in recent years, intensified regulation on various aspects of the internet industry in China. For example, the PRC government recently adopted more stringent policies to monitor the online games industry due to adverse public reaction to perceived addiction to online games, particularly in children and minors. On April 15, 2007, eight PRC government authorities, including the GAPP, the Ministry of Education, the Ministry of Public Security and the MIIT issued a notice requiring all Chinese online game operators to adopt an "anti-fatigue system" in an effort to curb addiction to online games by minors. To help game operators identify which game players are minors, online game players in China are now required to register their names and identity card numbers before playing an online game, which information is to be submitted to and verified by the National Citizen Identity Information Center, a subordinate public institution of the Ministry of Public Security, as of October 1, 2011. These restrictions could limit our ability to increase our online game business among minors. See "PRC Regulation—Anti-fatigue Compliance System and Real-name Registration System." In order to comply with these anti-fatigue rules, we set up our system so that after three hours of playing our online games, minors only receive half of the virtual items or other in-game benefits they would otherwise earn, and after playing for more than five hours, receive no in-game benefits. Failure to implement these restrictions, if detected by the relevant government agencies, may result in fines and other penalties for us, including the shutting down of our online games operations and license revocation. Furthermore, if these restrictions were expanded to apply to adult game players in the future, our online games business could be materially and adversely affected.

In addition, in February 2007, 14 PRC regulatory authorities jointly promulgated a circular to further strengthen the oversight of internet cafes, one of the primary venues from which our platform is accessed. In recent years, a large number of unlicensed internet cafes have been closed, and the PRC government has imposed higher capital and facility requirements for the establishment of internet cafes. Governmental authorities may from time to time impose stricter requirements on internet cafes, such as customer age limits and regulated hours of operation. Since a substantial portion of our users access our platform from internet cafes, any reduction in the number, or slowdown in the growth, of internet cafes in China, or any new regulatory restrictions on their operations, could limit our ability to maintain or increase our revenues.

More stringent governmental regulations such as the ones outlined above may discourage game players from playing our games and have a material effect on our business operations.

Risks Relating to Doing Business in China

Uncertainties in the interpretation and enforcement of Chinese laws and regulations could limit the legal protections available to you and us.

The PRC legal system is based on written statutes and prior court decisions have limited value as precedents. Each of our PRC subsidiaries, Huanju Shidai and Zhuhai Duowan Technology, is a foreign-invested enterprise and is subject to laws and regulations applicable to foreign-invested enterprises as well as various Chinese laws and regulations generally applicable to companies incorporated in China. However, since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. However, since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. Furthermore, the PRC legal system is based in part on government policies and internal rules (some of which are not published in a timely manner or at all) that may have retroactive effect. As a result, we may not be aware of

our violation of these policies and rules until some time after the violation. Such uncertainties, including uncertainty over the scope and effect of our contractual, property (including intellectual property) and procedural rights, could materially and adversely affect our business and impede our ability to continue our operations.

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 almost all of our customers 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 since the late 1970s 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 Chinese 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 the Chinese economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, and providing preferential treatment to particular industries or companies.

While the Chinese economy has 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 benefit the overall Chinese economy, but may also have a negative effect on us. 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 could in turn reduce the demand for our products and services and adversely affect our results of operations and financial condition.

We may be adversely affected by the complexity, uncertainties and changes in PRC regulation of internet 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 platform. Guangzhou Huaduo, our PRC consolidated affiliated entity, owns our platform due to the restriction of foreign investment in businesses providing value-added telecommunication services in China, including internet content provision services. If Guangzhou Huaduo breaches its contractual arrangements with us and no longer remains under our control, 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 and the requirement for real-name registrations. Permits, licenses or operations at some of our subsidiaries and PRC consolidated affiliated entities levels 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. See "—Risks Relating to Our Corporate

Structure and Our Industry—If our PRC consolidated affiliated entities fail to obtain and maintain the requisite licenses and approvals required under the complex regulatory environment for internet-based businesses in China, our business, financial condition and results of operations may be materially and adversely affected" and "PRC Regulation." In addition, although we currently have a real-name registration system in place for our online games in strict compliance with the relevant PRC regulations, we are currently not required by PRC law to ask users for their real name and personal information when they register for a YY user account. We cannot assure you that PRC regulators would not require us to implement compulsory real-name registration on our platform in the future. In late 2011, for example, the Beijing municipal government required microbloggers in China to implement real-name registration for all of their registered users. If we were required to implement real-name registration on YY, we may lose large numbers of registered user accounts for various reasons, because users may no longer maintain multiple accounts and users who dislike giving out their private information may cease to use our products and services altogether.

- The evolving PRC regulatory system for the internet industry may lead to the establishment of new regulatory agencies. For example, in May 2011, the State Council announced the establishment of a new department, the State Internet Information Office (with the involvement of the State Council Information Office, or the SCIO, the MIIT and the Ministry of Public Security). The primary role of this new agency is to facilitate the policy-making and legislative development in this field to direct and coordinate with the relevant departments in connection with online content administration and to deal with cross-ministry regulatory matters in relation to the internet industry. We are unable to determine what policies this new agency or any new agencies to be established in the future may have or how they may interpret existing laws, regulations and policies and how they may affect us. Further, new laws, regulations or policies may be promulgated or announced that will regulate internet activities, including online video and online advertising businesses. If these new laws, regulations or policies 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.

In July 2006, the MIIT issued the Notice of the Ministry of Information Industry on Intensifying the Administration of Foreign Investment in Value-added Telecommunications Services. This notice prohibits domestic telecommunication service providers from leasing, transferring or selling telecommunication business operating licenses to any foreign investor in any form, or providing any resources, sites or facilities to any foreign investor for their illegal operation of a telecommunication business in China. According to this notice, either the holder of a value-added telecommunication business operating license or its shareholders must directly own the domain names and trademarks used by such license holders in their provision of value-added telecommunication services. The notice also requires each license holder to have the necessary facilities, including servers, for its approved business operations and to maintain such facilities in the regions covered by its license. Currently, all contracts with telecommunication carriers and other service providers to host the servers used in our business were entered into by Guangzhou Huaduo, our PRC consolidated affiliated entity, and such arrangements are in compliance with this notice. Guangzhou Huaduo also owns the related domain names and trademarks, and holds the ICP License necessary to conduct our operations in China.

In June 2010, the MOC promulgated the Provisional Administration Measures of Online Games, or the Online Game Measures, which became effective on August 1, 2010. The Online Game Measures provide that any entity engaging in online game operation activities shall obtain the Internet Culture Operation License and must meet certain requirements such as minimum registered capital. Online game developers are generally involved in the purchase of servers and bandwidth, the control and management of game data, the maintenance of game systems and certain other maintenance tasks in our operation of online games. The Guangzhou branch of the MOC has confirmed that such outsourcing and cooperation activities are not considered conducting online game operation activities, and that online game developers do not have to obtain the Internet Culture Operation License in accordance with the Online Game Measures. However, because of the limited time in which these

measures have been in effect, there are still uncertainties on the MOC's interpretation and implementation of these measures. If the MOC determines in the future that such qualifications or requirements apply to the online game developers for their involvement in the online game operations, we may have to terminate our revenue-sharing arrangements with certain unqualified online game developers and may even be subject to various penalties, which may negatively impact our results of operations and financial condition.

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. 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.

Content posted or displayed on our platform may be found objectionable by PRC regulatory authorities and may subject us to penalties and other severe consequences.

The PRC government has adopted regulations governing internet access and the distribution of information over the internet. Under these regulations, internet content providers and internet publishers are prohibited from posting or displaying over the internet content that, among other things, violates PRC laws and regulations, impairs the national dignity of China or the public interest, or is obscene, superstitious, fraudulent or defamatory. Furthermore, internet content providers are also prohibited from displaying content that may be deemed by relevant government authorities as "socially destabilizing" or leaking "state secrets" of the PRC. Failure to comply with these requirements may result in the revocation of licenses to provide internet content and other licenses, the closure of the concerned platforms and reputational harm. The operator may also be held liable for such censored information displayed on or linked to their platform. For a detailed discussion, see "PRC Regulation."

We allow visitors to our portal websites to upload written materials, images, pictures, and other content on the forums on our websites, and also allow users to share, link to and otherwise access audio, video, games and other content from third parties through our platform. For a description of how content can be accessed on or through our rich communication social platform, and what measures we take to lessen the likelihood that we will be held liable for the nature of such content, see "Business—Our Technology," "Business—Intellectual Property," and "—Risks Relating to Our Business—We may be subject to intellectual property infringement claims or other allegations, which could require us to pay substantial statutory penalties or other damages and fines, remove relevant content from our website or enter into license agreements which may not be available on commercially reasonable terms."

Since our inception, we have worked closely with relevant government authorities to monitor the content on our platform and to make the utmost effort in complying with relevant laws and regulations. However, it may not be possible to determine in all cases the types of content that could result in our liability as an internet operator, and if any of our internet content is deemed by the PRC government to violate any content restrictions, we would not be able to continue to display such content and could become subject to penalties, including confiscation of income, fines, suspension of business and revocation of required licenses, which could materially and adversely affect our business, financial condition and results of operations. We may also be subject to potential liability for any unlawful actions of our users or third party service providers on our platform or for content we distribute that is deemed inappropriate. For example, from September 2011 through June 2012, we were subject to a few warnings or fines of RMB90,000 or less for having inappropriate content on our platform. Although we corrected these non-compliances and undertook measures to prevent the recurrence of such instances, it may be difficult to determine the type of content or actions that may result in liability to us, and if we are found to be liable, we may be prevented from operating our business in China. Moreover, the costs of compliance with these regulations may continue to increase as a result of more content being uploaded or made available by an increasing number of users and third party partners and developers, which may adversely affect our results of operations.

Advertisements shown on our platform may subject us to penalties and other administrative actions.

Under PRC advertising laws and regulations, we are obligated to monitor the advertising content shown on our platform to ensure that such content is true and accurate and in full compliance with applicable laws and regulations. In addition, where a special government review is required for specific types of advertisements prior to internet posting, such as advertisements relating to pharmaceuticals, medical instruments, agrochemicals and veterinary pharmaceuticals, we are obligated to confirm that such review has been performed and approval has been obtained. Violation of these laws and regulations may subject us to penalties, including fines, confiscation of our advertising income, orders to cease dissemination of the advertisements and orders to publish an announcement correcting the misleading information. In circumstances involving serious violations by us, PRC governmental authorities may force us to terminate our advertising operations or revoke our licenses.

While we have made significant efforts to ensure that the advertisements shown on our platform are in full compliance with applicable PRC laws and regulations, we cannot assure you that all the content contained in such advertisements or offers is true and accurate as required by the advertising laws and regulations, especially given the uncertainty in the interpretation of these PRC laws and regulations. If we are found to be in violation of applicable PRC advertising laws and regulations, 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, results of operations and prospects.

Under the PRC enterprise income tax law, we may be classified as a PRC "resident enterprise," which could result in unfavorable tax consequences to us and our shareholders and have a material adverse effect on our results of operations and the value of your investment.

Under the PRC enterprise income tax law that became effective on January 1, 2008, an enterprise established outside the PRC with "de facto management bodies" within the PRC is considered a "resident enterprise" for PRC enterprise income tax purposes and is generally subject to a uniform 25% enterprise income tax rate on its worldwide income. On April 22, 2009, the State Administration of Taxation, or the SAT, issued the Notice Regarding the Determination of Chinese-Controlled Overseas Incorporated Enterprises as PRC Tax Resident Enterprise on the Basis of De Facto Management Bodies, 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. Further to SAT Circular 82, on August 3, 2011, the SAT recently issued the Administrative Measures of Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial), or SAT Bulletin 45, to provide more guidance on the implementation of SAT Circular 82; the bulletin became effective on September 1, 2011. SAT Bulletin 45 clarified certain issues in the areas of resident status determination, post-determination administration and competent tax authorities.

According to SAT Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be considered as a PRC tax resident enterprise 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 are met: (a) the senior management and core management departments in charge of its daily operations function have their presence mainly in the PRC; (b) its financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (c) its major assets, accounting books, company seals, and minutes and files of its board and shareholders' meetings are located or kept in the PRC; and (d) more than half of the enterprise's directors or senior management with voting rights habitually reside in the PRC. SAT Bulletin 45 further clarifies the resident status determination, post-determination administration, as well as competent tax authorities. It also specifies that when provided with a copy of Chinese tax resident determination certificate from a resident Chinese controlled offshore incorporated enterprise, the payer should not withhold 10% income tax when paying the Chinese-sourced dividends, interest, royalties, etc. to the Chinese controlled offshore incorporated enterprise.

Although SAT Circular 82 and SAT Bulletin 45 only apply to offshore incorporated enterprises controlled by PRC enterprises or PRC enterprise group instead of those controlled by PRC individuals or foreigners, the determination criteria set forth therein may reflect SAT's general position on how the term "de facto management body" could be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises, individuals or foreigners.

We do not meet all of the conditions above; therefore, we believe that we should not be treated as a "resident enterprise" for PRC tax purposes even if the standards for "de facto management body" prescribed in the SAT Circular 82 are applicable to us. For example, our minutes and files of the resolutions of our board of directors and the resolutions of our shareholders are maintained outside the PRC. In addition, we are not aware of any offshore holding companies with a corporate structure similar to ours ever having been deemed to be a PRC "resident enterprise" by the PRC tax authorities.

However, it is possible that the PRC tax authorities may take a different view. If the PRC tax authorities determine that our Cayman Islands holding company is a PRC resident enterprise for PRC enterprise income tax purposes, then our world-wide income could be subject to PRC tax at a rate of 25%, which could materially reduce our net income. In addition, we will also be subject to PRC enterprise income tax reporting obligations.

Although dividends paid by one PRC tax resident to another PRC tax resident should qualify as "tax-exempt income" under the enterprise income tax law, we cannot assure you that dividends by our PRC subsidiaries to our Cayman Islands holding company will not be subject to a 10% withholding tax, as the PRC foreign exchange control authorities, which enforce the withholding tax on dividends, and the PRC tax authorities have not yet issued guidance with respect to the processing of outbound remittances to entities that are treated as resident enterprises for PRC enterprise income tax purposes.

Foreign ADS holders may also be subject to PRC withholding tax on dividends payable by us and gains realized on the sale or other disposition of ADSs or common shares, if such income is sourced from within the PRC. Although our holding company is incorporated in the Cayman Islands, it remains unclear whether dividends received and gains realized by our foreign ADS holders will be regarded as income from sources within the PRC if we are classified as a PRC resident enterprise. Any such tax will reduce the returns on your investment in our ADSs.

Finally, we face uncertainties on the reporting and consequences on private equity financing transactions and share exchange involving the transfer of shares in our company by non-resident investors. According to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises issued by the PRC State Administration of Taxation on December 10, 2009, with retroactive effect from January 1, 2008, or SAT Circular 698, where a non-resident enterprise transfers the equity interests in a PRC resident enterprise indirectly through a disposition of equity interests in an overseas holding company, or an Indirect Transfer, and such overseas holding company is located in a tax jurisdiction that: (a) has an effective tax rate less than 12.5% or (b) does not tax foreign income of its residents, the a non-resident enterprise, as the seller, shall report such Indirect Transfer to the competent tax authority of the PRC resident enterprise within 30 days of execution of the equity transfer agreement for such Indirect Transfer. The PRC tax authority will examine the true nature of the Indirect Transfer, and if the tax authority considers that the foreign investor has adopted an abusive arrangement without reasonable commercial purposes and for the purpose of avoiding or reducing PRC tax, they will disregard the existence of the overseas holding company that is used for tax planning purposes and re-characterize the Indirect Transfer. As a result, gains derived from such Indirect Transfer may be subject to PRC withholding tax at the rate of up to 10%. SAT Circular 698 also points out that when a non-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 competent tax authorities have the power to make a reasonable adjustment on the taxable income of the transaction.

If our preferential tax treatments are revoked, become unavailable or if the calculation of our tax liability is successfully challenged by the PRC tax authorities, we may be required to pay tax, interest and penalties in excess of our tax provisions, and our results of operations could be materially and adversely affected.

The Chinese government has provided various tax incentives to our subsidiaries in China. These incentives include reduced enterprise income tax rates. For example, under the PRC Enterprise Income Tax Law, or the New EIT Law, which became effective on January 1, 2008, the statutory enterprise income tax rate is 25%. However, Guangzhou Huaduo, our PRC consolidated affiliated entity in the PRC, was recognized as a high and new technology enterprise as of September 26, 2010 and, subject to the approval of and annual review by competent tax authorities in Guangdong, would be entitled to enjoy a preferential enterprise income tax rate of 15% for two years, from 2011 through 2012. Guangzhou Huaduo recorded losses in 2010 and has not benefited from such preferential tax rate. Guangzhou Huaduo has applied for and obtained the preferential tax treatment with Guangzhou State Tax Bureau, but the high and new technology enterprise qualification is only effective until September 26, 2012, and there is no guarantee that it can be successfully renewed. If Guangzhou Huaduo fails to maintain its status as a high and new technology enterprise or is not granted the renewal of its preferential tax treatment, Guangzhou Huaduo will be subject to a higher enterprise income tax rate of 25%. Any increase in the enterprise income tax rate applicable to our PRC subsidiaries or PRC consolidated affiliated entities in China, or any discontinuation or retroactive or future reduction of any of the preferential tax treatments currently enjoyed by our PRC subsidiaries or PRC consolidated affiliated entities in China, could adversely affect our business, operating results and financial condition. In addition, in the ordinary course of our business, we are subject to complex income tax and other tax regulations and significant judgment is required in the determination of a provision for income taxes. Although we believe our tax provisions are reasonable, if the PRC tax authorities successfully challenge our position and we are required to pay tax, interest and penalties in excess of our tax provisions, our results of operations and financial condition would be materially and adversely affected.

China's M&A Rules establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

Six PRC regulatory agencies promulgated regulations effective on September 8, 2006, subsequently amended, that are commonly referred to as the M&A Rules. See "PRC Regulation—New M&A Regulations and Overseas Listings." The M&A Rules establish procedures and requirements that could make some acquisitions of Chinese companies by foreign investors more time-consuming and complex, including requirements in some instances that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a Chinese domestic enterprise. We may expand our business in part by acquiring complementary businesses. Complying with the requirements of the M&A Rules to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the MOFCOM, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

PRC regulations relating to offshore investment activities by PRC residents may limit our PRC subsidiaries' ability to increase their registered capital or distribute profits to us or otherwise expose us to liability and penalties under PRC law.

The PRC State Administration of Foreign Exchange, or SAFE, promulgated regulations in October 2005 that require PRC citizens or residents to register with SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas equity financing involving a roundtrip investment whereby the offshore entity acquires or controls onshore assets or equity interests held by the PRC citizens or residents. In addition, such PRC citizens or residents must update their SAFE registrations when the offshore special purpose vehicle undergoes material events relating to increases or decreases in investment amount, transfers or exchanges of shares, mergers or divisions, long-term equity or debt investments, external guarantees, or other material events that do not involve roundtrip investments. Subsequent regulations further clarified that PRC subsidiaries of an offshore company governed by the SAFE regulations are required to

coordinate and supervise the filing of SAFE registrations in a timely manner by the offshore holding company's shareholders who are PRC citizens or residents. If these shareholders fail to comply, the PRC subsidiaries are required to report to the local SAFE branches. If our shareholders who are PRC citizens or residents do not complete their registration with the local SAFE branches, our PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to us, and we may be restricted in our ability to contribute additional capital to our PRC subsidiaries. Moreover, failure to comply with the SAFE registration and amendment requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

Our PRC resident shareholders, Messrs. David Xueling Li, Tony Bin Zhao, Jin Cao and Jun Lei, had registered with the local SAFE branch in relation to our existing private placement financings by the end of 2011 as required by the SAFE regulations. However, because of uncertainty over how the SAFE regulations will be interpreted and implemented and applied to us, we cannot predict how it will affect our business operations. For example, our present and prospective PRC subsidiaries' ability to conduct foreign exchange activities, such as the remittance of dividends and foreign currency-denominated borrowings, may be subject to compliance with the SAFE regulations by our PRC resident shareholders. In addition, in some cases, we may have little control over either our present or prospective direct or indirect PRC resident shareholders or the outcome of such registration procedures. A failure by our current or future PRC resident shareholders to comply with the SAFE regulations could subject us to fines or other legal sanctions, restrict our cross-border investment activities, limit our subsidiary's ability to make distributions or pay dividends or affect our ownership structure, which could adversely affect our business and prospects.

On February 15, 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies, or the Stock Option Rules, which replaced the Application Procedures of Foreign Exchange Administration for Domestic Individuals Participating in Employee Stock Ownership Plans or Stock Option Plans of Overseas Publicly-Listed Companies issued by SAFE on March 28, 2007. Under the Stock Option Rules and other relevant rules and regulations, PRC residents who participate in stock incentive plan in an overseas publicly-listed company are required to register with SAFE or its local branches and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of such overseas publicly listed company or another qualified institution selected by such PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. We and our PRC employees who have been granted stock options, restricted shares and restricted share units will be subject to these regulations upon the completion of this offering. Failure of our PRC stock option holders, restricted shareholders or restricted share units holders to complete their SAFE registrations may subject these PRC residents to fines and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiaries, limited our PRC subsidiaries' ability to distribute dividends to us, or otherwise materially adversely affect our business.

PRC regulation of direct investment and loans by offshore holding companies to PRC entities may delay or limit us from using the proceeds of this offering to make additional capital contributions or loans to our PRC subsidiaries.

Any capital contributions or loans that we, as an offshore entity, make to our PRC subsidiaries, including from the proceeds of this offering, are subject to PRC regulations. For example, none of our loans to a PRC subsidiary can exceed the difference between its total amount of investment and its registered capital approved under relevant PRC laws, and the loans must be registered with the local branch of SAFE. Our capital contributions to our PRC subsidiaries must be approved by the MOFCOM or its local counterpart. We cannot assure you that we will be able to complete the

necessary registration or obtain the necessary approval on a timely basis, or at all. If we fail to complete the necessary registration or obtain the necessary approval, our ability to make loans or equity contributions to our PRC subsidiaries may be negatively affected, which could adversely affect our PRC subsidiaries' liquidity and their ability to fund their working capital and expansion projects and meet their obligations and commitments.

Our PRC subsidiaries and PRC consolidated affiliated entities are subject to restrictions on paying dividends or making other payments to us, which may restrict our ability to satisfy our liquidity requirements.

We are a holding company incorporated in the Cayman Islands. We rely on dividends from our PRC subsidiaries as well as consulting and other fees paid to us by our PRC consolidated affiliated entities for our cash and financing requirements, such as the funds necessary to pay dividends and other cash distributions to our shareholders, including holders of our ADSs, and service any debt we may incur. Current PRC regulations permit our PRC subsidiaries to pay dividends to us only out of their accumulated profits, if any, determined in accordance with Chinese accounting standards and regulations. In addition, each of our PRC subsidiaries is required to set aside at least 10% of its accumulated profits each year, if any, to fund certain reserve funds until the total amount set aside reaches 50% of its registered capital. These reserves are not distributable as cash dividends. Since we have not achieved profitability, we are not yet required to allocate funds for such reserve funds. Furthermore, if our PRC subsidiaries and PRC consolidated affiliated entities incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments to us, which may restrict our ability to satisfy our liquidity requirements.

In addition, the New EIT Law, and its implementation rules provide that withholding tax rate of 10% will be applicable to dividends payable by Chinese companies to non-PRC-resident enterprises unless otherwise exempted or reduced according to treaties or arrangements between the PRC central government and governments of other countries or regions where the non-PRC-resident enterprises are incorporated.

Fluctuations in exchange rates could have a material adverse effect on our results of operations and the value of your investment.

The value of the Renminbi against the U.S. dollar and other currencies is affected by, among other things, changes in China's political and economic conditions and China's foreign exchange policies. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar, and the Renminbi appreciated more than 20% against the U.S. dollar over the following three years. However, the People's Bank of China regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rates and achieve policy goals. During the period between July 2008 and June 2010, the exchange rate between the RMB and the U.S. dollar had been stable and traded within a narrow band. However, the Renminbi fluctuated significantly during that period against other freely traded currencies, in tandem with the U.S. dollar. Since June 2010, the Renminbi has started to slowly appreciate against the U.S. dollar, though there have been periods recently when the U.S. dollar has appreciated against the Renminbi. It is difficult to predict how long the current situation may last and when and how this relationship between the Renminbi and the U.S. dollar may change again.

There remains significant international pressure on the Chinese government to adopt a flexible currency policy to allow the Renminbi to appreciate against the U.S. dollar. Significant revaluation of the Renminbi may have a material adverse effect on your investment. Substantially all of our revenues and costs are denominated in Renminbi. Any significant revaluation of Renminbi may materially and adversely affect our revenues, earnings and financial position, and the value of, and any dividends payable on, our ADSs in U.S. dollars. For example, to the extent that we need to convert U.S. dollars we receive from this initial public offering into Renminbi to pay our operating expenses, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we would receive from the conversion. Conversely, a significant depreciation of the Renminbi against the U.S. dollar may significantly reduce the U.S. dollar equivalent of our earnings, which in turn could adversely affect the price of our ADSs.

Very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency 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 adequately hedge our exposure or 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. As a result, fluctuations in exchange rates may have a material adverse effect on your investment.

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 control 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 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. Therefore, our PRC subsidiaries are able to pay dividends in foreign currencies to us without prior approval from SAFE. However, approval from or registration with appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access 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.

Recently enacted regulations in the PRC may make it more difficult for us to pursue growth through acquisitions, adversely affecting our plans to expand our business or maintain our market share.

Among other things, the M&A Rules 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 MOFCOM 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, are 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 MOFCOM, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

If the custodians or authorized users of controlling non-tangible assets of our company, including our corporate chops and seals, fail to fulfill their responsibilities, or misappropriate or misuse these assets, our business and operations could be materially and adversely affected.

Under PRC law, legal documents for corporate transactions, including contracts such as revenue-sharing contracts with online game developers which are important to our business, are executed using the chops or seal of the signing entity or with the signature of a legal representative whose designation is registered and filed with the relevant branch of the Administration of Industry and Commerce.

Although we usually utilize chops to enter into contracts, the designated legal representatives of each of our PRC subsidiaries and consolidated affiliated entities have the apparent authority to enter into contracts on behalf of such entities without chops and bind such entities. All designated legal representatives of our PRC subsidiaries

and consolidated affiliated entities are members of our senior management team who have signed employment agreements with us or our PRC subsidiaries and consolidated affiliated entities under which they agree to abide by various duties they owe to us. In order to maintain the physical security of our chops and chops of our PRC entities, we generally store these items in secured locations accessible only by the authorized personnel in the legal or finance department of each of our subsidiaries and consolidated affiliated entities. Although we monitor such authorized personnel, there is no assurance such procedures will prevent all instances of abuse or negligence. Accordingly, if any of our authorized personnel misuse or misappropriate our corporate chops or seals, we could encounter difficulties in maintaining control over the relevant entities and experience significant disruption to our operations. If a designated legal representative obtains control of the chops in an effort to obtain control over any of our PRC subsidiaries or consolidated affiliated entities, we or our PRC subsidiary and consolidated affiliated entity would need to pass a new shareholder or board resolution to designate a new legal representative and we would need to take legal action to seek the return of the chops, apply for new chops with the relevant authorities, or otherwise seek legal redress for the violation of the representative's fiduciary duties to us, which could involve significant time and resources and divert management attention away from our regular business. In addition, the affected entity may not be able to recover corporate assets that are sold or transferred out of our control in the event of such a misappropriation if a transferee relies on the apparent authority of the representative and acts in good faith.

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

Our independent registered public accounting firm that issues the audit reports included in this prospectus filed with the SEC, as an auditor of companies that are traded publicly in the United States and a firm registered with the Public Company Accounting Oversight Board (United States), or PCAOB, is required by the laws of the United States to undergo regular inspections by PCAOB to assess its compliance with the laws of the United States and professional standards. Because our auditor is located in China, a jurisdiction where PCAOB is currently unable to conduct inspections without the approval of the PRC authorities, our auditor, like other independent registered public accounting firms operating in China, is currently not inspected by PCAOB.

Inspections of other firms that PCAOB has conducted outside of China have identified deficiencies in those firms' audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. The inability of PCAOB to conduct inspections of independent registered public accounting firms operating in China makes it more difficult to evaluate the effectiveness of our auditor's audit procedures or quality control procedures. As a result, investors may be deprived of the benefits of PCAOB inspections.

Risks Relating to Our ADSs and This Offering

An active trading market for our shares or our ADSs may not develop and the trading price for our ADSs may fluctuate significantly.

We have applied to list our ADSs on the Nasdaq Global Market. Prior to the completion of this offering, there has been no public market for our ADSs or our Class A common shares underlying the ADSs, and we cannot assure you that a liquid public market for our ADSs will develop. If an active public market for our ADSs does not develop following the completion of this offering, the market price and liquidity of our ADSs may be materially and adversely affected. Even if an active public market for our common shares or ADSs develops, we cannot assure you that it will continue. The initial public offering price for our ADSs will be determined by negotiation between us and the underwriters based upon several factors, and we can provide no assurance that the trading price of our ADSs after this offering will not decline below the initial public offering price. As a result, investors in our securities may experience a significant decrease in the value of their ADSs.

The trading prices of our ADSs are likely to be volatile, which could result in substantial losses to investors.

The trading prices of our ADSs are likely to be volatile and could fluctuate widely due to factors beyond our control. This may happen because of broad market and industry factors, like the performance and fluctuation in the market prices or the underperformance or deteriorating financial results of other similarly situated companies in China that have listed their securities in the United States in recent years. The securities of some of these companies have experienced significant volatility since their initial public offerings, including, in some cases, substantial price declines in the trading prices of their securities. The trading performances of these Chinese companies' securities after their offerings, including companies in internet and social networking businesses, may affect the attitudes of investors toward Chinese companies listed in the United States, which consequently may impact the trading performance of our ADSs, regardless of our actual operating performance. In addition, any negative news or perceptions about inadequate corporate governance practices or fraudulent accounting or other practices at other Chinese companies may also negatively affect the attitudes of investors towards Chinese companies in general, including us, regardless of whether we have engaged in such practices. In addition, securities markets may from time to time experience significant price and volume fluctuations that are not related to our operating performance, such as the large decline in share prices in the United States, China and other jurisdictions in late 2008, early 2009, the third quarter of 2011 and the second quarter of 2012, which may have a material adverse effect on the market price of our ADSs.

In addition to market and industry factors, the price and trading volume for our ADSs may be highly volatile for factors specific to our own operations, including the following:

- variations in our net revenues, earnings and cash flow;
- announcements of new investments, acquisitions, strategic partnerships, or joint ventures;
- announcements of new services and expansions by us or our competitors;
- changes in financial estimates by securities analysts;
- changes in the number of our registered or active users;
- failure on our part to realize monetization opportunities as expected;
- additions or departures of key personnel;
- release of lock-up or other transfer restrictions on our outstanding equity securities or sales of additional equity securities; and
- potential litigation or regulatory investigations.

Any of these factors may result in large and sudden changes in the volume and price at which our ADSs will trade.

The approval of the China Securities Regulatory Commission may be required in connection with this offering 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 CSRC, promulgated the M&A Rules, 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 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, Zhong Lun Law Firm, 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
- 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 Market, considering that (a) our PRC subsidiaries, Huanju Shidai and

Zhuhai Duowan Technology, are foreign-invested enterprises established by foreign enterprises, (b) we did not acquire any equity interest or assets of a PRC domestic company owned by PRC companies or individuals as defined under the M&A Rules and (c) there is no provision that clearly classifies the contractual arrangements among our PRC subsidiary, Huanju Shidai, our PRC consolidated affiliated entities and their respective shareholders as a transaction regulated by the M&A Rules.

However, our PRC legal counsel, Zhong Lun Law Firm, further advised us that because there has been no official interpretation or clarification of this regulation, 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 subsidiaries, or other actions that may have a material adverse effect on our business and 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.

We are an emerging growth company within the meaning of the Securities Act and may take advantage of certain reduced reporting requirements.

We are an “emerging growth company,” as defined in the JOBS Act, and we may take advantage of certain exemptions from various requirements applicable to other public companies that are not emerging growth companies including, most significantly, not being required to comply with the auditor attestation requirements of Section 404 for so long as we are an emerging growth company. As a result, if we elect not to comply with such auditor attestation requirements, our investors may not have access to certain information they may deem important.

The JOBS Act also provides that an emerging growth company does not need to comply with any new or revised financial accounting standards until such date that a private company is otherwise required to comply with such new or revised accounting standards. However, we have elected to “opt out” of this provision and, as a result, we will comply with new or revised accounting standards as required when they are adopted for public companies. This decision to opt out of the extended transition period under the JOBS Act is irrevocable.

If securities or industry analysts do not publish research or reports about our business, or if they adversely change their recommendations regarding our ADSs, the market price for our ADSs and trading volume could decline.

The trading market for our ADSs will be influenced by research or reports that industry or securities analysts publish about our business. If one or more analysts who cover us downgrade our ADSs, the market price for our ADSs would likely decline. If one or more of these analysts cease to cover us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which, in turn, could cause the market price or trading volume for our ADSs to decline.

The sale or availability for sale, or perceived sale or availability for sale, of substantial amounts of our ADSs could adversely affect their market price.

Sales of substantial amounts of our ADSs in the public market after the completion of this offering, or the perception that these sales could occur, could adversely affect the market price of our ADSs and could materially impair our ability to raise capital through equity offerings in the future. There will be
ADSs (equivalent

to Class A common shares) outstanding immediately after this offering, or ADSs (equivalent to Class A common shares) if the underwriters exercise their options to purchase additional ADSs in full. The ADSs sold in this offering will be freely tradable without restriction or further registration under the Securities Act of 1933, as amended, or the Securities Act, and shares held by our existing shareholders may also be sold in the public market in the future subject to the restrictions in Rule 144 and Rule 701 under the Securities Act and the applicable lock-up agreements. In connection with this offering, we and our officers, directors and certain of our shareholders have agreed not to sell any shares or ADSs for 180 days after the date of this prospectus without the prior written consent of the underwriters. However, the underwriters may release the securities subject to lock-up agreements from the lock-up restrictions at any time, subject to applicable regulations of the Financial Industry Regulatory Authority, Inc. In addition, common shares subject to our outstanding options as of the closing of this offering will become eligible for sale in the public market to the extent permitted by the provisions of various vesting agreements, the lock-up agreements and Rules 144 and 701 under the Securities Act. We may also issue additional options in the future which may be exercised for additional common shares. We cannot predict what effect, if any, market sales of securities held by our significant shareholders or any other shareholder or the availability of these securities for future sale will have on the market price of our ADSs. See "Underwriting" and "Shares Eligible for Future Sale" for a more detailed description of the restrictions on selling our securities after this offering.

Because the initial public offering price is substantially higher than the pro forma 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 each ADS than the corresponding amount paid by existing shareholders for their common shares. As a result, you will experience immediate and substantial dilution of approximately US$ per ADS (assuming that no outstanding options to acquire common shares are exercised). This number represents the difference between our pro forma net tangible book value per ADS of US$ as of June 30, 2012, after giving effect to this offering and the assumed initial public offering price of US$ per ADS, the midpoint of the estimated initial public offering price range set forth on the front cover of this prospectus. See "Dilution" for a more complete description of how the value of your investment in our ADSs will be diluted upon the completion of this offering.

We may be classified as a passive foreign investment company, or PFIC, for United States federal income tax purposes, which could subject United States investors in our ADSs or common shares to significant adverse United States income tax consequences.

We will be classified as a "passive foreign investment company," or "PFIC" if, in the case of any particular taxable year, either (a) 75% or more of our gross income for such year consists of certain types of "passive" income or (b) 50% or more of the average quarterly value of our assets (as determined on the basis of fair market value) during such year produce or are held for the production of passive income (the "asset test"). Although the law in this regard is unclear, we treat Guangzhou Huaduo and Beijing Tuda as being owned by us for United States federal income tax purposes, not only because we exercise effective control over the operation of such entities but also because we are entitled to substantially all of their economic benefits, and, as a result, we consolidate their operating results in our consolidated financial statements. Assuming that we are the owner of Guangzhou Huaduo and Beijing Tuda for United States federal income tax purposes, and based upon our current income and assets (taking into account the proceeds from this offering) and projections as to the value of our ADSs and common shares following the offering, we do not presently expect to be classified as a PFIC for the current taxable year or the foreseeable future.

While we do not expect to become a PFIC, because the value of our assets for purposes of the asset test will generally be determined by reference to the market price of our ADSs or common shares, fluctuations in the market price of our ADSs or common shares may cause us to become a PFIC for the current or subsequent taxable years. The determination of whether we will be or become a PFIC will also depend, in part, on the composition of our income and assets, which will be affected by how, and how quickly, we use our liquid assets

and the cash raised in this offering. Under circumstances where we determine not to deploy significant amounts of cash for active purposes or not to treat Guangzhou Huaduo or Beijing Tuda as owned by us for United States federal income tax purposes, our risk of being classified as a PFIC may substantially increase. Because there are uncertainties in the application of the relevant rules and PFIC status is a factual determination made annually after the close of each taxable year, there can be no assurance that we will not be a PFIC for the current taxable year or any future taxable year.

If we are classified as a PFIC in any taxable year, a U.S. holder (as defined in "Taxation—Material United States Federal Income Tax Considerations") may incur significantly increased United States income tax on gain recognized on the sale or other disposition of the ADSs or common shares and on the receipt of distributions on the ADSs or common shares to the extent such gain or distribution is treated as an "excess distribution" under the United States federal income tax rules and such holders may be subject to burdensome reporting requirements. Further, if we are classified as a PFIC for any year during which a U.S. holder holds our ADSs or common shares, we generally will continue to be treated as a PFIC for all succeeding years during which such U.S. holder holds our ADSs or common shares. For more information see "Taxation—Material United States Federal Income Tax Considerations—Passive Foreign Investment Company Rules."

Our dual class common share structure with different voting rights will limit your ability to influence corporate matters and could discourage others from pursuing any change of control transactions that holders of our Class A common shares and ADSs may view as beneficial.

Upon the completion of this offering, our common shares will be divided into Class A common shares and Class B common shares. 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, voting together as one class on all matters requiring a shareholders' vote. We will issue Class A common shares represented by our ADSs in this offering. All of our outstanding common shares prior to this offering will be redesignated as Class B common shares and all of our outstanding preferred shares will be automatically converted into Class B common shares on a one-for-one basis immediately upon the completion of this offering. Due to the disparate voting powers attached to these two classes of common shares, we anticipate that our existing shareholders will collectively hold approximately % of our outstanding common shares immediately after this offering, representing % of our total voting power, assuming the underwriters do not exercise their over-allotment option to purchase additional ADSs, and will have considerable influence over all matters requiring a shareholders' vote, including election of directors and significant corporate transactions, such as a merger or sale of our company or our assets. In particular, our founders, Messrs. David Xueling Li, Jun Lei, Tony Bin Zhao, Jin Cao and Rongjie Dong and their affiliates will beneficially own approximately % of our outstanding common shares immediately after this offering, representing % of our total voting power, assuming the underwriters do not exercise their over-allotment option to purchase additional ADSs. This concentrated control will limit your ability to influence corporate matters and could discourage others from pursuing any potential merger, takeover or other change of control transactions that holders of Class A common shares and ADSs may view as beneficial.

Our articles of association contain anti-takeover provisions that could have a material adverse effect on the rights of holders of our common shares and ADSs.

We will adopt our second amended and restated articles of association that will become effective immediately upon completion of this offering. Our new articles of association contain provisions to limit the ability of others to acquire control of our company or cause us to engage in change-of-control transactions. These provisions could have the effect of depriving our shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transaction. For example, our board of directors has the authority, without further action by our shareholders, to issue preferred shares in one or more series and to fix their designations, powers, preferences, privileges, and relative participating, optional or special rights and the qualifications, limitations or restrictions, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation

preferences, any or all of which may be greater than the rights associated with our common shares, in the form of ADS or otherwise. Preferred shares could be issued quickly with terms calculated to delay or prevent a change in control of our company or make removal of management more difficult. If our board of directors decides to issue preferred shares, the price of our ADSs may fall and the voting and other rights of the holders of our common shares and ADSs may be materially and adversely affected.

You may face difficulties in protecting your interests, and your ability to protect your rights through U.S. courts may be limited, because we are incorporated under Cayman Islands law.

We are a company limited by shares incorporated under the laws of the Cayman Islands. Our corporate affairs are governed by our memorandum and articles of association, the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and the common law of the Cayman Islands. The rights of shareholders to take action against the directors, actions by minority shareholders and the fiduciary responsibilities of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from the common law of England, the decisions of whose courts are of persuasive authority, but are not binding, on a court in the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities laws than the United States. Some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action in a federal court of the United States.

Unlike many jurisdictions in the United States, Cayman Islands law does not generally provide for shareholder appraisal rights on an approved arrangement and reconstruction of a company. For a discussion of significant differences between the provisions of the Corporate Law of the Cayman Islands and the law applicable to companies incorporated in the United States and their shareholders, see “Description of Share Capital—Differences in Corporate Law.” This may make it more difficult for you to assess the value of any consideration you may receive in a merger or consolidation or to require that the offeror give you additional consideration if you believe the consideration offered is insufficient. Moreover, holders of our ADSs are not entitled to appraisal rights under Cayman Islands law. ADS holders that wish to exercise their appraisal rights must convert their ADSs into our Class A common shares by surrendering their ADSs to the depositary and paying the ADS depositary fee. See “Description of Share Capital—Differences in Corporate Law—Mergers and Similar Arrangements” for additional details.

Shareholders of Cayman Islands exempted companies like us have no general rights under Cayman Islands law to inspect corporate records or to obtain copies of lists of shareholders of these companies. Our directors have discretion under our existing articles of association to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

As a result of all of the above, public shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of the board of directors or controlling shareholders than they would as public shareholders of a company incorporated in the United States. For a discussion of significant differences between the provisions of the Companies Law of the Cayman Islands and the laws applicable to companies incorporated in the United States and their shareholders, see “Description of Share Capital—Differences in Corporate Law.”

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

We are a Cayman Islands company and all of our assets are located outside of the United States. Substantially all of our current operations are conducted in China. In addition, a significant majority of our current directors and officers are nationals and residents of countries other than the United States and a substantial portion of their assets are located outside the United States. Substantially all of the assets of these persons are located outside the United States. As a result, it may be difficult or impossible for you to bring an action against us or against these individuals in the United States in the event that you believe that your rights have been infringed under the United States federal securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against our assets or the assets of our directors and officers.

There are uncertainties as to whether Cayman Islands courts would:

- recognize or enforce against us judgments of courts of the United States based on certain civil liability provisions of U.S. securities laws; and
- impose liabilities against us, in original actions brought in the Cayman Islands, based on certain civil liability provisions of U.S. securities laws that are penal in nature.

There is no statutory recognition in the Cayman Islands of judgments obtained in the United States, although the courts of the Cayman Islands will in certain circumstances recognize and enforce a non-penal judgment of a foreign court of competent jurisdiction without retrial on the merits. For more information regarding the relevant laws of the Cayman Islands and China, see “Enforceability of Civil Liabilities.”

We have not determined a specific use for a portion of the net proceeds from this offering, and we may use these proceeds in ways with which you may not agree and such use may not produce income on increase our ADS price.

We have not determined a specific use for a portion of the net proceeds of this offering, and our management will have considerable discretion in deciding how to apply these proceeds. You will not have the opportunity to assess whether the proceeds are being used appropriately before you make your investment decision. You must rely on the judgment of our management regarding the application of the net proceeds of this offering. We cannot assure you that the net proceeds will be used in a manner that would improve our results of operations or increase our ADS price, or that these net proceeds will be placed only in investments that generate income or appreciate in value.

The voting rights of holders of ADSs are limited by the terms of the deposit agreement, and you may not be able to exercise your right to vote your Class A common shares.

As a holder of our ADSs, you will only be able to exercise the voting rights with respect to the underlying Class A common shares in accordance with the provisions of the deposit agreement. Under the deposit agreement, you must vote by giving voting instructions to the depositary. Upon receipt of your voting instructions, the depositary will vote the underlying Class A common shares in accordance with these instructions. You will not be able to directly exercise your right to vote with respect to the underlying shares unless you withdraw the shares. Under our second amended and restated memorandum and articles of association, the minimum notice period required for convening a general meeting is five days. When a general meeting is convened, you may not receive sufficient advance notice to withdraw the shares underlying your ADSs to allow you to vote with respect to any specific matter. If we ask for your instructions, the depositary will notify you of the upcoming vote and will arrange to deliver our voting materials to you. We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote your shares. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for their manner of carrying out your voting instructions. This means that you may not be able to exercise your

right to vote and you may have no legal remedy if the shares underlying your ADSs are not voted as you requested.

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

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

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

The effect of this discretionary proxy is that if you do not vote at shareholders' meetings, you cannot prevent our Class A common shares underlying your ADSs from being voted, except under the circumstances described above. This may make it more difficult for shareholders to influence the management of our company. Holders of our common shares are not subject to this discretionary proxy.

Because we do not expect to pay dividends in the foreseeable future after this offering, you must rely on price appreciation of our ADSs for return on your investment.

We currently intend to retain most, if not all, of our available funds and any future earnings after this offering to fund the development and growth of our business. As a result, we do not expect to pay any cash dividends in the foreseeable future. Therefore, you should not rely on an investment in our ADSs as a source for any future dividend income.

Our board of directors has complete discretion as to whether to distribute dividends. Even if our board of directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiary, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, the return on your investment in our ADSs will likely depend entirely upon any future price appreciation of our ADSs. There is no guarantee that our ADSs will appreciate in value after this offering or even maintain the price at which you purchased the ADSs. You may not realize a return on your investment in our ADSs and you may even lose your entire investment in our ADSs.

You may not receive dividends or other distributions on our common shares and you may not receive any value for them, if it is illegal or impractical to make them available to you.

The depositary of our ADSs has agreed to pay to you the cash dividends or other distributions it or the custodian receives on Class A common shares or other deposited securities underlying our ADSs, after deducting its fees and expenses. You will receive these distributions in proportion to the number of Class A common shares your ADSs represent. However, the depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any holders of ADSs. For example, it would be unlawful to make a distribution to a holder of ADSs if it consists of securities that require registration under the Securities Act but that are not properly registered or distributed under an applicable exemption from registration. The depositary may also

determine that it is not feasible to distribute certain property through the mail. Additionally, the value of certain distributions may be less than the cost of mailing them. In these cases, the depositary may determine not to distribute such property. We have no obligation to register under U.S. securities laws any ADSs, common shares, rights or other securities received through such distributions. We also have no obligation to take any other action to permit the distribution of ADSs, common shares, rights or anything else to holders of ADSs. This means that you may not receive distributions we make on our common shares or any value for them if it is illegal or impractical for us to make them available to you. These restrictions may cause a material decline in the value of our ADSs.

You may not be able to participate in rights offerings and may experience dilution of your holdings.

We may, from time to time, distribute rights to our shareholders, including rights to acquire securities. Under the deposit agreement, the depositary will not distribute rights to holders of ADSs unless the distribution and sale of rights and the securities to which these rights relate are either exempt from registration under the Securities Act with respect to all holders of ADSs, or are registered under the provisions of the Securities Act. The depositary may, but is not required to, attempt to sell these undistributed rights to third parties, and may allow the rights to lapse. We may be unable to establish an exemption from registration under the Securities Act, and we are under no obligation to file a registration statement with respect to these rights or underlying securities or to endeavor to have a registration statement declared effective. Accordingly, holders of ADSs may be unable to participate in our rights offerings and may experience dilution of their holdings as a result.

You may be subject to limitations on transfer of your ADSs.

Your ADSs are transferable on the books of the depositary. However, the depositary may close its books at any time or from time to time when it deems expedient in connection with the performance of its duties. The depositary may close its books from time to time for a number of reasons, including in connection with corporate events such as a rights offering, during which time the depositary needs to maintain an exact number of ADS holders on its books for a specified period. The depositary may also close its books in emergencies, and on weekends and public holidays. The depositary may refuse to deliver, transfer or register transfers of our ADSs generally when our share register or the books of the depositary are closed, or at any time if we or the depositary thinks that it is advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason in accordance with the terms of the deposit agreement. As a result, you may be unable to transfer your ADSs when you wish to.

We will incur increased costs as a result of being a public company, particularly after we cease to qualify as an "emerging growth company".

Upon completion of this offering, we will become a public company and expect to incur significant legal, accounting and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the Securities and Exchange Commission, or the SEC, and the Nasdaq Global Market, impose various requirements on the corporate governance practices of public companies. As a company with less than US$1.0 billion in revenues for our last fiscal year, we qualify as an "emerging growth company" pursuant to the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include exemption from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, in the assessment of the emerging growth company's internal control over financial reporting and permission to delay adopting new or revised accounting standards until such time as those standards apply to private companies. However, we have elected to "opt out" of this provision and, as a result, we will comply with new or revised accounting standards as required when they are adopted for public companies. This decision to opt out of the extended transition period under the JOBS Act is irrevocable.

We expect these rules and regulations to increase our legal and financial compliance costs and to make some corporate activities more time-consuming and costly. After we are no longer an "emerging growth

company," we expect to incur significant expenses and devote substantial management effort toward ensuring compliance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 and the other rules and regulations of the SEC. For example, as a result of becoming a public company, we will need to increase the number of independent directors and adopt policies regarding internal controls and disclosure controls and procedures. We also expect that operating as a public company will make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. In addition, we will incur additional costs associated with our public company reporting requirements. It may also be more difficult for us to find qualified persons to serve on our board of directors or as executive officers. We are currently evaluating and monitoring developments with respect to these rules and regulations, and we cannot predict or estimate with any degree of certainty the amount of additional costs we may incur or the timing of such costs.

In the past, shareholders of a public company often brought securities class action suits against the company following periods of instability in the market price of that company's securities. If we were involved in a class action suit, it could divert a significant amount of our management's attention and other resources from our business and operations, which could harm our results of operations and require us to incur significant expenses to defend the suit. Any such class action suit, whether or not successful, could harm our reputation and restrict our ability to raise capital in the future. In addition, if a claim is successfully made against us, we may be required to pay significant damages, which could have a material adverse effect on our financial condition and results of operations.

CONVENTIONS WHICH APPLY TO THIS PROSPECTUS

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

- "we," "us," "our company" and "our" refer to YY Inc., a Cayman Islands company, its offshore subsidiaries, Duowan Entertainment Corp., NeoTasks Inc. and NeoTasks Limited, and its PRC direct and indirect subsidiaries, Huanju Shidai Technology (Beijing) Company Limited, Zhuhai Duowan Technology Company Limited and Zhuhai Duowan Information Technology Company Limited, and, in the context of describing our operations and consolidated financial information, also include YY Inc.'s PRC consolidated affiliated entities, Beijing Tuda Science and Technology Company Limited and Guangzhou Huaduo Network Technology Company Limited;
- "active user" for any period means a registered user account that has logged onto YY Client at least once during such relevant period. Active users do not include users of YY.com, Duowan.com and Mobile YY because we cannot track the numbers of active users of YY.com, Duowan.com, and Mobile YY, which, unlike on YY Client, do not require users to log in;
- "concurrent users" for any point in time means the total number of YY users that are simultaneously logged onto YY Client at such point in time;
- "paying user" for any period means a registered user account that has purchased virtual items or other products and services on our platform at least once during the relevant period. A paying user is not necessarily a unique user, however, as a unique user may set up multiple paying user accounts on our platform; thus, the number of paying users referred to in this prospectus may be higher than the number of unique users who are purchasing virtual items or other products and services. Please see "Risk Factors—Risks Relating to Our Business—The respective number of our registered user accounts, active users, paying users and unique visitors may overstate the number of unique individuals who register to use our products and services, log onto YY Client, purchase virtual items or other products and services on our platform or access Duowan.com, respectively, and may therefore lead to an inaccurate interpretation of our average revenue per paying user metric and of our business operations by our management and by investors, and may affect advertisers' decision on the amount spent on advertising with us, which may materially and adversely affect our business and results of operations;"
- "registered user account" means a user account that has downloaded, registered and logged onto YY Client at least once since registration. We calculate registered user accounts as the cumulative number of user accounts at the end of the relevant period that have logged onto YY Client at least once after registration. Each individual user may have more than one registered user account, and consequently, the number of registered user accounts we present in this prospectus may overstate the number of unique individuals who are our registered users. Please see "Risk Factors—Risks Relating to Our Business—The respective number of our registered user accounts, active users, paying users and unique visitors may overstate the numbers of unique individuals who register to use our products and services, log onto YY Client, purchase virtual items or other products and services on our platform or access Duowan.com, respectively, and may therefore lead to an inaccurate interpretation of our average revenue per paying user metric and of our business operations by our management and by investors, and may affect advertisers' decision on the amount spent on advertising with us, which may materially and adversely affect our business and results of operations;"
- "unique visitor" to Duowan.com means a visitor to Duowan.com from a specific IP address. We limit the definition to Duowan.com visitors because the unique visitor metric is meaningful only for those seeking to advertise on Duowan.com by allowing them to evaluate the costs and benefits of advertising on Duowan.com. No subsequent visits from the same IP address during a relevant period are added to our total unique visitors count for that period. An individual who accesses Duowan.com from more

than one IP address is counted as a unique visitor for each IP address he or she uses. Please see "Risk Factors—Risks Relating to Our Business—The respective number of our registered user accounts, active users, paying users and unique visitors may overstate the number of unique individuals who register to use our products and services, log onto YY Client, purchase virtual items or other products and services on our platform or access Duowan.com, respectively, and may therefore lead to an inaccurate interpretation of our average revenue per paying user metric and of our business operations by our management and by investors, and may affect advertisers' decision on the amount spent on advertising with us, which may materially and adversely affect our business and results of operations;" and

- "voice minute" means a minute in which a user is using our voice- or video-enabled services, such as listening to or talking on YY channels.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND INDUSTRY DATA

This prospectus contains forward-looking statements that involve risks and uncertainties. All statements other than statements of historical facts are forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements.

You can identify these forward-looking statements by words or phrases such as “may,” “will,” “expect,” “anticipate,” “aim,” “estimate,” “intend,” “plan,” “believe,” “likely to” or other similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, but are not limited to, statements about:

- our growth strategies;
- our ability to retain and increase our user base and expand our product and service offerings;
- our ability to monetize our platform;
- our future business development, results of operations and financial condition;
- competition from companies in a number of industries including internet companies that provide online voice and video communications services and social networking companies;
- expected changes in our revenues and certain cost or expense items;
- our expectation regarding the use of proceeds from this offering;
- general economic and business condition in China; and
- assumptions underlying or related to any of the foregoing.

You should read thoroughly this prospectus and the documents that we refer to in this prospectus with the understanding that our actual future results may be materially different from and worse than what we expect. Other sections of this prospectus include additional factors which could adversely impact our business and financial performance. Moreover, we operate in an evolving environment. New risk factors and uncertainties emerge from time to time and it is not possible for our management to predict all risk factors and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We qualify all of our forward-looking statements by these cautionary statements.

You should not rely upon forward-looking statements as predictions of future events. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

This prospectus also contains statistical data and estimates that we obtained from industry publications and reports generated by third party providers of market intelligence, including the iResearch Report that we commissioned for the purposes of this offering. These industry publications and reports generally indicate that the information contained therein was obtained from sources believed to be reliable, but do not guarantee the accuracy and completeness of such information. Although we believe that the publications and reports are reliable, we make no representation as to the accuracy of such data.

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USE OF PROCEEDS

We estimate that we will receive net proceeds from this offering of approximately US$ million, or approximately US$ million if the underwriters exercise their option to purchase additional ADSs in full, after deducting underwriting discounts and commissions and the estimated offering expenses payable by us. These estimates are based upon an assumed initial offering price of US$ per ADS, the mid-point of the range shown on the front cover page of this prospectus. A US$1.00 change in the assumed initial public offering price of US$ per ADS would, in the case of an increase, increase and, in the case of a decrease, decrease the net proceeds of this offering by US$ million, or approximately US$ million if the underwriters exercise their option to purchase additional ADSs in full, after deducting underwriting discounts and commissions and the estimated offering expenses payable by us.

The primary purposes of this offering are to create a public market for our shares for the benefit of all shareholders, retain talented employees by providing them with equity incentives and obtain additional capital. We intend to use the net proceeds received by us from this offering for the following purposes:

- US$ million to invest in our voice and video technology and infrastructure, including purchasing servers and leasing more bandwidth to support our expanding user base and further enhancing user experience;
- US$ million to expand our product development and services offerings, including through the hiring of additional research and development personnel and the further development of Mobile YY;
- US$ million to expand our sales and marketing activities, including the hiring of additional sales and marketing personnel; and
- the balance for other general corporate purposes, including working capital needs, potential acquisitions, partnerships, alliances and licensing opportunities.

[We will not receive any of the proceeds from the sale of ADSs by the selling shareholders.]

The amounts and timing of any expenditures will vary depending on the amount of cash generated by our operations, and the rate of growth, if any, of our business. Accordingly, our management will have significant flexibility in applying the net proceeds of the offering. If an unforeseen event occurs or business conditions change, we may use the proceeds of this offering differently than as described in this prospectus.

In utilizing the proceeds from this offering, we are permitted under PRC laws and regulations to provide funding to our PRC subsidiaries only through loans or capital contributions, and only if we satisfy the applicable government registration and approval requirements. We cannot assure you that we will be able to meet these requirements on a timely basis, if at all. See “Risk Factors—Risks Relating to Doing Business in China—PRC regulation of direct investment and loans by offshore holding companies to PRC entities may delay or limit us from using the proceeds of this offering to make additional capital contributions or loans to our PRC subsidiaries.”

Pending use of the net proceeds, we intend to hold our net proceeds in demand deposits or invest them in interest-bearing government securities.

DIVIDEND POLICY

We have not previously declared or paid cash dividends and we have no plan to declare or pay any dividends in the near future on our shares or ADSs. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

We are a holding company incorporated in the Cayman Islands. We rely principally on dividends from our PRC subsidiaries for our cash requirements, including any payment of dividends to our shareholders. PRC regulations may restrict the ability of our PRC subsidiaries to pay dividends to us. See "Risk Factors—Risks Relating to Our Corporate Structure and Our Industry—Our PRC subsidiaries and PRC consolidated affiliated entities are subject to restrictions on paying dividends or making other payments to us, which may restrict our ability to satisfy our liquidity requirements." and "PRC Regulation—Regulation of Foreign Currency Exchange and Dividend Distribution."

Our board of directors has discretion as to whether to distribute dividends, subject to the approval of our shareholders and applicable laws. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant. If we pay any dividends, we will pay our ADS holders to the same extent as holders of our Class A common shares, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. See "Description of American Depositary Shares." Cash dividends on our Class A common shares, if any, will be paid in U.S. dollars.

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CAPITALIZATION

The following table sets forth our capitalization as of June 30, 2012:

- on an actual basis;
- on a pro forma basis to reflect the automatic conversion of all of our outstanding series A, B, C-1 and C-2 preferred shares into 359,424,310 Class B common shares immediately prior to the completion of this offering; and
- on a pro forma as adjusted basis to reflect (a) the automatic conversion of all of our outstanding series A, B, C-1 and C-2 preferred shares into 359,424,310 Class B common shares immediately upon the completion of this offering and (b) the 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$ 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 (assuming the over-allotment option is not exercised).

You should read this table together with our consolidated financial statements and the related notes included elsewhere in this prospectus and the information under "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	As of June 30, 2012					
	Actual		Pro forma (Unaudited)		Pro forma as adjusted[1] (Unaudited)	
	RMB	US$	RMB	US$	RMB	US$
			(in thousands)			
Mezzanine equity:						
Series A preferred shares (US$0.00001 par value; 136,100,930 shares authorized, issued and outstanding on an actual basis; and none outstanding on a pro forma or pro forma as adjusted basis as of June 30, 2012)	983,057	154,739	—	—		
Series B preferred shares (US$0.00001 par value; 102,073,860 shares authorized, issued and outstanding on an actual basis; and none outstanding on a pro forma or pro forma as adjusted basis as of June 30, 2012)	739,903	116,465	—	—		
Series C-1 preferred shares (US$0.00001 par value; 16,249,870 shares authorized, issued and outstanding on an actual basis; and none outstanding on a pro forma or pro forma as adjusted basis as of June 30, 2012)	118,276	18,617	—	—		
Series C-2 preferred shares (US$0.00001 par value; 104,999,650 shares authorized, issued and outstanding on an actual basis; and none outstanding on a pro forma or pro forma as adjusted basis as of June 30, 2012)	766,319	120,623	—	—		
Shareholders' (deficits) equity:						
Common shares (US$0.00001 par value; 1,022,785,225 shares authorized, 543,340,914 shares issued and outstanding on an actual basis; Class A common shares and 902,765,224 Class B common shares issued and outstanding on a pro forma basis and Class A common shares and Class B common shares issued and outstanding on a pro forma as adjusted basis)	37	6	61	9		
Additional paid-in capital[2]	511,732	80,550	3,119,263	490,991		
Accumulated deficits	(2,412,788)	(379,787)	(2,412,788)	(379,787)		
Accumulated other comprehensive losses	(10,328)	(1,626)	(10,328)	(1,626)		
Total shareholders' (deficits) equity[2]	(1,911,347)	(300,857)	696,208	109,587		
Total capitalization[2]						

(1) The pro forma as adjusted information discussed above is illustrative only. Our additional paid-in capital, total shareholders' deficit and total capitalization following the completion of this offering are subject to adjustment based on the actual initial public offering price and other terms of this offering determined at pricing.

(2) Assuming the number of ADSs offered by us as set forth on the cover page of this prospectus remains the same, and after deduction of underwriting discounts and commissions and the estimated offering expenses payable by us, a US$1.00 change in the assumed initial public offering price of US$ per ADS would, in the case of an increase, increase and, in the case of a decrease, decrease each of additional paid-in capital, total shareholders' deficit and total capitalization by US$ million.

DILUTION

If you invest in our ADSs, your interest will be diluted to the extent of the difference between the initial public offering price per ADS and our net tangible book value per ADS after this offering. Dilution results from the fact that the initial public offering price per Class A common share is substantially in excess of the book value per common share attributable to the existing shareholders for our presently outstanding common shares and holders of our outstanding series A, B, C-1 and C-2 preferred shares which will automatically convert into our Class B common shares upon the completion of this offering.

Our net tangible book value as of June 30, 2012 was approximately US$ per common share and US$ per ADS. Net tangible book value per common share represents the amount of total tangible assets, minus the amount of total liabilities, divided by the total number of common shares outstanding. Dilution is determined by subtracting net tangible book value per common share from the assumed public offering price per Class A common share, after giving effect to the conversion of all outstanding preferred shares into Class B common shares immediately upon the completion of this offering and the net proceeds we will receive from this offering, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

Without taking into account any other changes in such net tangible book value after June 30, 2012, other than to give effect to (1) the conversion of all of our series A, B, C-1 and C-2 preferred shares into Class B common shares, which will occur automatically upon the completion of this offering, and (3) our issuance and sale of ADSs in this offering, at an assumed initial public offering price of US$ per ADS, the mid-point of the estimated public offering price range, and after deduction of underwriting discounts and commissions and estimated offering expenses payable by us (assuming the over-allotment option is not exercised), our pro forma net tangible book value at June 30, 2012 would have been US$ per outstanding common share, including Class A common shares underlying our outstanding ADSs, or US$ per ADS. This represents an immediate increase in net tangible book value of US$ per common share, or US$ per ADS, to existing shareholders and an immediate dilution in net tangible book value of US$ per common share, or US$ per ADS, to purchasers of ADSs in this offering.

The following table illustrates the dilution on a per common share basis assuming that the initial public offering price per Class A common share is US$ and all ADSs are exchanged for Class A common shares:

Assumed initial public offering price per Class A common share	US$
Net tangible book value per common share as of June 30, 2012	US$
Pro forma net tangible book value per common share after giving effect to the automatic conversion of all of our outstanding preferred shares as of June 30, 2012	US$
Pro forma net tangible book value per common share as adjusted to give effect to the automatic conversion of all of our outstanding preferred shares and this offering as of June 30, 2012	US$
Amount of dilution in net tangible book value per common share to new investors in the offering	US$
Amount of dilution in net tangible book value per ADS to new investors in the offering	US$

A US$1.00 change in the assumed public offering price of US$ per ADS would, in the case of an increase, increase and, in the case of a decrease, decrease our pro forma net tangible book value after giving effect to the offering by US$ million, the pro forma net tangible book value per Class A common share and per ADS after giving effect to this offering by US$ per Class A common share and per ADS and the dilution in pro forma net tangible book value per common share and per ADS to new investors in this offering by US$ per Class A common share and per ADS, assuming no change to the number of ADSs offered by us

as set forth on the cover page of this prospectus, and after deducting underwriting discounts and commissions and estimated offering expenses. The pro forma information discussed above is illustrative only. Our net tangible book value following the completion of this offering is subject to adjustment based on the actual initial public offering price of our ADSs and other terms of this offering determined at pricing.

The following table summarizes, on a pro forma basis as of June 30, 2012, the differences between the shareholders as of June 30, 2012, including holders of our preferred shares that will be automatically converted into Class B common shares upon the completion of this offering, and the new investors with respect to the number of Class A common shares purchased from us, the total consideration paid and the average price per Class A common share paid at an assumed initial public offering price of US$ per ADS before deducting estimated underwriting discounts and commissions and estimated offering expenses. The total number of common shares does not include Class A common shares underlying the ADSs issuable upon the exercise of the option to purchase additional ADSs granted to the underwriters.

	Common Shares Purchased		Total Consideration		Average Price Per Common Share	Average Price Per ADS
	Number	Percent	Amount	Percent		
Existing shareholders						
New investors						
Total		100%		100%		

If the underwriters were to fully exercise the over-allotment option to purchase additional Class A common shares from us, the percentage of our common shares held by existing shareholders who are directors, officers or affiliated persons would be %, and the percentage of our common shares held by new investors would be %.

A US$1.00 change in the assumed public offering price of US$ per ADS would, in the case of an increase, increase and, in the case of a decrease, decrease total consideration paid by new investors, total consideration paid by all shareholders, average price per Class A common share and average price per ADS paid by all shareholders by US$, US$, US$ and US$, respectively, assuming the sale of ADSs at US$, the mid-point of the range set forth on the cover page of this prospectus, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

The discussion and tables above also assume no exercise of any outstanding stock options outstanding as of the date of this prospectus. As of the date of this prospectus, there were Class A common shares issuable upon exercise of outstanding stock options at a weighted average exercise price of US$ per Class A common share, and there were common shares available for future issuance upon the exercise of future option grants. To the extent that any of these options are exercised, there will be further dilution to new investors. As of the date of this prospectus, there were issued but unvested common shares. To the extent that any of these options are exercised and the unvested common shares become vested, there will be further dilution to new investors.

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EXCHANGE RATE INFORMATION

Our reporting currency is the Renminbi because our business is primarily conducted in China and substantially all of our revenues are denominated in Renminbi. This prospectus contains translations of Renminbi amounts into U.S. dollars at specific rates solely for the convenience of the reader. The conversion of Renminbi into U.S. dollars in this prospectus is based on the rate certified for customs purposes by the Federal Reserve Bank of New York. Unless otherwise noted, all translations from Renminbi to U.S. dollars and from U.S. dollars to Renminbi in this prospectus were made at a rate of RMB6.3530 to US$1.00, the rate in effect as of June 29, 2012. We make no representation that any Renminbi or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or Renminbi, as the case may be, at any particular rate, the rates stated below, or at all. The PRC government imposes control over its foreign currency reserves in part through direct regulation of the conversion of Renminbi into foreign exchange and through restrictions on foreign trade. On September 14, 2012, the rate was RMB6.3145 to US$1.00.

The following table sets forth information concerning exchange rates between the Renminbi and the U.S. dollar for the periods indicated. These rates are provided solely for your convenience and are not necessarily the exchange rates that we used in this prospectus or will use in the preparation of our periodic reports or any other information to be provided to you.

	Certified Exchange Rate			
Period	Period End	Average[1]	Low	High
	(RMB per US$1.00)			
2007	7.2946	7.5806	7.8127	7.2946
2008	6.8225	6.9193	7.2946	6.7800
2009	6.8259	6.8295	6.8470	6.8176
2010	6.6000	6.7603	6.8102	6.6000
2011	6.2939	6.4475	6.6364	6.2939
2012				
March	6.2975	6.3125	6.3315	6.2975
April	6.2790	6.3043	6.3150	6.2790
May	6.3684	6.3242	6.3684	6.3052
June	6.3530	6.3633	6.3703	6.3530
July	6.3610	6.3717	6.3879	6.3487
August	6.3484	6.3593	6.3738	6.3484
September (through September 14)	6.3145	6.3359	6.3489	6.3145

Source: Federal Reserve Statistical Release

(1) Annual averages were calculated by using the average of the exchange rates on the last day of each month during the relevant year. Monthly averages are calculated by using the average of the daily rates during the relevant month.

ENFORCEABILITY OF CIVIL LIABILITIES

We were incorporated in the Cayman Islands in order to enjoy the following benefits:

- political and economic stability;
- a favorable tax system;
- the absence of exchange control or currency restrictions; and
- the availability of professional and support services.

However, certain disadvantages accompany incorporation in the Cayman Islands. These disadvantages include, but are not limited to, the following:

- the Cayman Islands has a less developed body of securities laws as compared to the United States and these securities laws provide significantly less protection to investors; and
- Cayman Islands companies may not have standing to sue before the federal courts of the United States.

Our constituent documents do not contain provisions requiring that disputes, including those arising under the securities laws of the United States, between us, our officers, directors and shareholders, be arbitrated. Under the deposit agreement with our depositary, , [any disputes arising from the deposit agreement that cannot be resolved through friendly negotiations will be resolved through arbitration at]. Moreover, under the contractual arrangements that we entered into with Beijing Tuda and Guangzhou Huaduo, any disputes arising from those contracts that cannot be resolved through friendly negotiations will be resolved through arbitration conducted through the China International Economic and Trade Arbitration Commission in Beijing or Shanghai.

Our PRC legal counsel, Zhong Lun Law Firm, has advised us that in the event that a shareholder originates an action against a company in China for disputes related to contracts or other property interests, the PRC court may accept a course of action based on the laws or the parties' express mutual agreement in contracts choosing PRC courts for dispute resolution if (a) the contract is signed and/or performed within the PRC, (b) the subject of the action is located within the PRC, (c) the company (as defendant) has seizable properties within the PRC, (d) the company has a representative organization within the PRC, or (e) other circumstances prescribed under the PRC law. The action may be initiated by a shareholder through filing a complaint with the PRC court. The PRC court will determine whether to accept the complaint in accordance with the PRC Civil Procedures Law. The shareholder may participate in the action by itself or entrust any other person or PRC legal counsel to participate on its behalf. Foreign citizens and companies will have the same rights as PRC citizens and companies in an action unless the home jurisdiction of such foreign citizens or companies restricts the rights of PRC citizens and companies.

Conyers Dill & Pearman, our legal counsel as to Cayman Islands law, has also advised us that a shareholder may commence an action against persons who have allegedly wronged the company, where the company itself has failed to enforce such claim against such persons directly. Such action is brought on the basis of a primary right of the corporation, but is asserted by a shareholder on behalf of the company commonly known as a "derivative action." Generally, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's articles of association. Civil proceedings are generally commenced by originating process (by writ or originating summons). A shareholder may commence proceedings in the Cayman Islands and instruct an attorney to act on the shareholder's behalf. Service of proceedings on the company is effected through the delivery of the originating process at the registered office of the company. There are no particular formalities that a non-resident shareholder must comply with to initiate and commence proceedings in the Cayman Islands.

All of our operations are conducted outside the United States, and substantially all of our assets are located outside the United States. A significant majority of our directors and officers are nationals or residents of

jurisdictions other than the United States and a substantial portion of their assets are located outside the United States. As a result, it may be difficult for a shareholder to effect service of process within the United States upon these persons, or to enforce against us or them judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States. It may also be difficult for you to enforce in Cayman Islands courts judgments obtained in United States courts based on the civil liability provisions of the United States federal securities laws against us and our officers and directors.

We have appointed as our agent upon whom process may be served in any action brought against us under the securities laws of the United States.

Conyers Dill & Pearman, our legal counsel as to Cayman Islands law, and Zhong Lun Law Firm, our legal counsel as to PRC law, have advised us, respectively, that there is uncertainty as to whether the courts of the Cayman Islands and China, respectively, would:

- recognize or enforce judgments of United States courts obtained against us or our directors or officers predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States; or
- entertain original actions brought in each respective jurisdiction against us or our directors or officers predicated upon the securities laws of the United States or any state in the United States.

There is uncertainty with regard to Cayman Islands law relates to whether a judgment obtained from the United States courts under civil liability provisions of the securities laws will be determined by the courts of the Cayman Islands as penal or punitive in nature. If such a determination is made, the courts of the Cayman Islands will not recognize or enforce the judgment against a Cayman company. Because the courts of the Cayman Islands have yet to rule on whether such judgments are penal or punitive in nature, it is uncertain whether they would be enforceable in the Cayman Islands. Conyers Dill & Pearman has advised us that the courts of the Cayman Islands would recognize as a valid judgment, a final and conclusive judgment *in personam* obtained in the federal or state courts of the United States against us under which a sum of money is payable (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty) or, in certain circumstances, an *in personam* judgment for non-monetary relief, and would give a judgment based thereon provided that (a) such courts had proper jurisdiction over the parties subject to such judgment; (b) such courts did not contravene the rules of natural justice of the Cayman Islands; (c) such judgment was not obtained by fraud; (d) the enforcement of the judgment would not be contrary to the public policy of the Cayman Islands; (e) no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of the Cayman Islands; and (f) there is due compliance with the correct procedures under the laws of the Cayman Islands.

Zhong Lun Law Firm has further advised us that the recognition and enforcement of foreign judgments are provided for under PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of PRC Civil Procedures Law based either on treaties between China and the country where the judgment is rendered or on reciprocity between the jurisdictions. China does not have any treaties or other form of reciprocity with the United States or the Cayman Islands that provide for the reciprocal recognition and enforcement of foreign judgments. In addition, according to the PRC Civil Procedures Law, courts in the PRC will not enforce a foreign judgment against us or our directors and officers if they decide that the judgment violates the basic principles of PRC law or national sovereignty, security or public interest. A judgment that does not violate the basic principles of PRC law or national sovereignty, security or public interest may be recognized and enforced by a PRC court base on treaties between China and the country where the judgment is made or on principles of reciprocity between jurisdictions. However, as of the date of this prospectus, no treaty or other form of reciprocity exists between China and the United States or the Cayman Islands governing the recognition and enforcement of judgments. As a result, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered by a court in the United States or the Cayman Islands.

CORPORATE HISTORY AND STRUCTURE

We commenced operations in April 2005 with the establishment of Guangzhou Huaduo Network Technology Company Limited, or Guangzhou Huaduo, in China. Guangzhou Huaduo later became one of our PRC consolidated affiliated entities through the contractual arrangements described below.

We established Dokhi Investments Limited in the British Virgin Islands, or BVI, in July 2006 and changed its name to Duowan Limited in September 2006. In August 2006, we established Double Top Limited, which is wholly owned by Dokhi Investments Limited, in Hong Kong and changed its name to Duowan (Hong Kong) Limited in September 2006. In April 2007, we established Guangzhou Duowan Information Technology Company Limited, or Guangzhou Duowan, which was wholly owned by Duowan (Hong Kong) Limited. Guangzhou Duowan entered into a series of contractual arrangements with Guangzhou Huaduo and its shareholders, which were subsequently amended solely to reflect updated shareholder equity interests in Guangzhou Huaduo, through which Guangzhou Duowan exercised effective control over the operations of Guangzhou Huaduo.

In November 2007, we established Duowan Entertainment Corp., or Duowan BVI, in the BVI. In March 2008, we established Huanju Shidai Technology (Beijing) Company Limited, formerly known as Duowan Entertainment Information Technology (Beijing) Company Limited, or Huanju Shidai, which is wholly owned by Duowan BVI. Huanju Shidai purchased all the equity interests in Guangzhou Duowan from Duowan (Hong Kong) Limited in August 2008, and entered into a series of contractual arrangements with Guangzhou Huaduo and its shareholders through which Huanju Shidai exercises effective control over the operations of Guangzhou Huaduo. Duowan (Hong Kong) Limited was deregistered as a company and ceased to operate in May 2010.

In December 2008, Duowan BVI entered into an agreement with Morningside Technology Investments Limited and two individuals, through which Duowan BVI purchased all the equity interests in NeoTasks Inc. from Morningside Technology Investments Limited.

In March 2009, Huanju Shidai entered into an agreement with NeoTasks New Age International Media Technology (Beijing) Company Limited, or NeoTasks Beijing, through which NeoTasks Beijing was merged into Huanju Shidai. After the merger and additional capital contribution, Huanju Shidai became 96.5% held by Duowan BVI, and 3.5% held by NeoTasks Limited (formerly known as Enlight Online Entertainment Limited), a Hong Kong company, which in turn was the shareholder of NeoTasks Beijing before the merger. NeoTasks Limited is 100% owned by NeoTasks Inc., a Cayman Islands Company. In August 2009, Guangzhou Duowan was renamed Zhuhai Duowan Information Technology Company Limited.

In December 2009, Huanju Shidai entered into a series of contractual agreements with Beijing Tuda and its shareholders, which were subsequently amended solely to reflect updated shareholder equity interests in Beijing Tuda, through which agreements Huanju Shidai exercises effective control over the operations of Beijing Tuda.

In December 2010, we established Zhuhai Duowan Technology, which is 100% directly owned by Duowan BVI.

Guangzhou Huaduo currently owns the domain names of YY.com and Duowan.com. Our YY platform, including YY.com, is jointly operated by personnel from Guangzhou Huaduo and Zhuhai Duowan.

Our current holding company, YY Inc., was incorporated in July 2011 as a limited liability company in the Cayman Islands. Through a share exchange on September 6, 2011, the shareholders of Duowan BVI exchanged all of their outstanding common and preferred shares in Duowan BVI for common and preferred shares of YY Inc. on a pro rata basis. No additional consideration was paid in connection with the share exchange. As a result, Duowan BVI became a wholly owned subsidiary of YY Inc.

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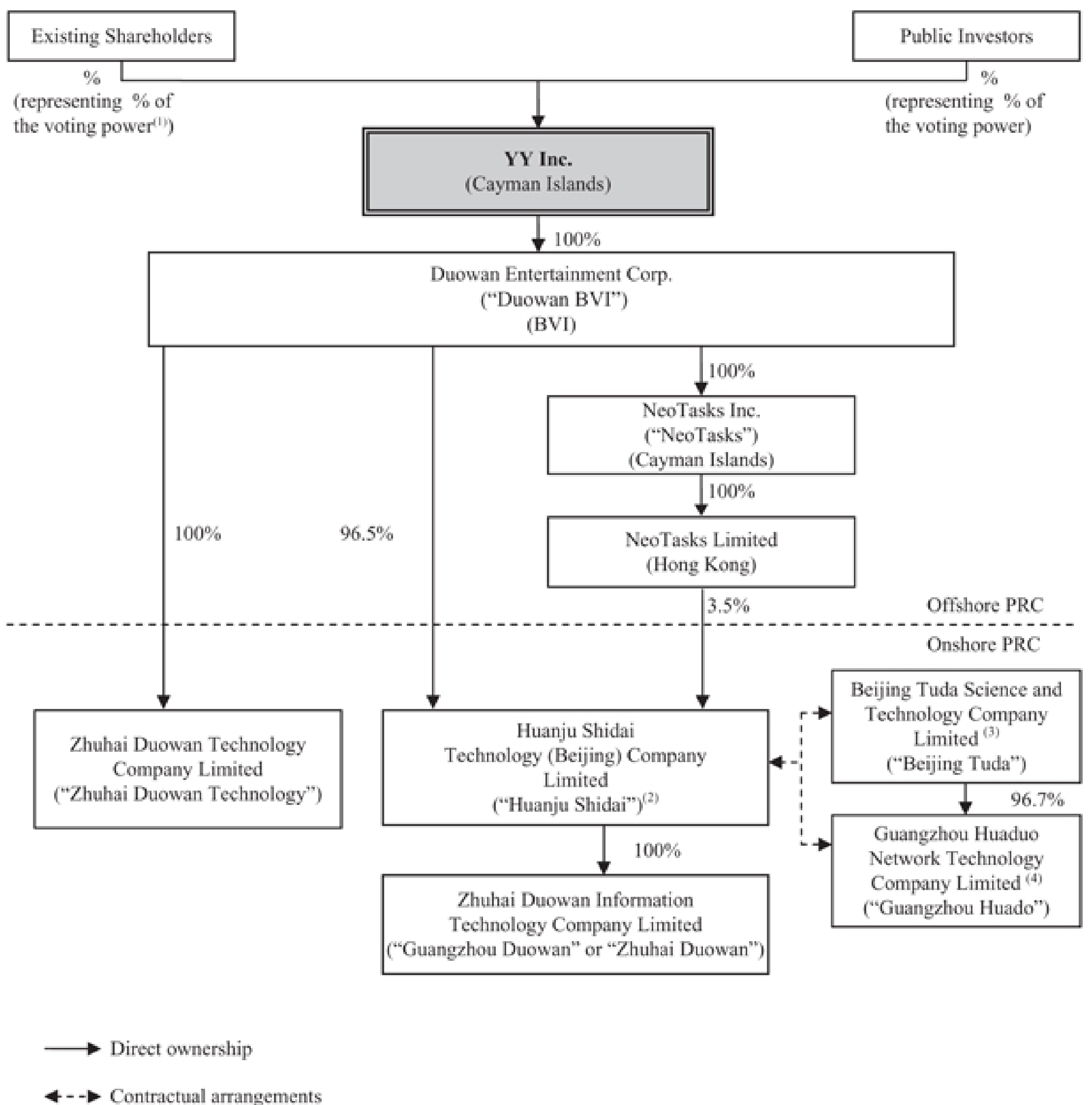
The following diagram illustrates our corporate structure upon the completion of this offering, assuming that the underwriters do not exercise their option to purchase additional shares:



(1) Upon the completion of this offering, our senior management and existing shareholders holding more than 5% of our outstanding shares will own an aggregate of % of the total voting power of our outstanding shares.

(2) Formerly known as Duowan Entertainment Information Technology (Beijing) Company Limited.

(3) Beijing Tuda is our PRC consolidated affiliated entity. Mr. David Xueling Li, our co-founder, chief executive officer and director, Mr. Tony Bin Zhao, our chief technology officer, and Mr. Jin Cao, the general manager of our website department, own 97.7%, 1.5% and 0.8% of Beijing Tuda's equity interests, respectively.

(4) Guangzhou Huaduo is our PRC consolidated affiliated entity. Mr. David Xueling Li, Mr. Jun Lei, our co-founder and chairman, Mr. Tony Bin Zhao, Mr. Jin Cao and Beijing Tuda own approximately 1.7%, 1.5%, 0.1%, 0.1% and 96.6% of Guangzhou Huaduo's equity interests, respectively.

Contractual Arrangements with Beijing Tuda

The following is a summary of the currently effective contracts among our subsidiary, Huanju Shidai, our PRC consolidated affiliated entity, Beijing Tuda, and the shareholders of Beijing Tuda.

Agreements that transfer economic benefits to us

Exclusive Business Cooperation Agreement

Under the exclusive business cooperation agreement between Huanju Shidai and Beijing Tuda, as amended, Huanju Shidai has the exclusive right to provide to Beijing Tuda technology support, business support and consulting services related to Beijing Tuda's business, the scope of which is to be determined by Huanju Shidai from time to time. Huanju Shidai owns the exclusive intellectual property rights created as a result of the performance of this agreement. The service fee payable by Beijing Tuda to Huanju Shidai is up to 100% of the net profit of Beijing Tuda, and the timing and amount of the fee payments shall be determined at the sole discretion of Huanju Shidai. The term of this agreement will expire in 2039 and may be extended with Huanju Shidai's written confirmation prior to the expiration date. Huanju Shidai has sole discretion to terminate the agreement at any time by providing 30 days' prior written notice to Beijing Tuda, while neither Beijing Tuda nor its shareholders are entitled to terminate the agreement.

Exclusive Technology Support and Technology Services Agreement

Under the exclusive technology support and technology services agreement between Huanju Shidai and Beijing Tuda, as amended, Huanju Shidai has the exclusive right to provide to Beijing Tuda technology support and technology services related to all technologies needed for its business. Huanju Shidai owns the exclusive intellectual property rights created as a result of the performance of this agreement. The service fee payable by Beijing Tuda to Huanju Shidai is 10% of Beijing Tuda's gross revenues. The term of this agreement will expire in 2029 and may be extended with Huanju Shidai's written confirmation prior to the expiration date. Huanju Shidai has sole discretion to terminate the agreement at any time by providing 30 days' prior written notice to Beijing Tuda, while neither Beijing Tuda nor its shareholders are entitled to terminate the agreement.

Agreements that provide us effective control over Beijing Tuda

Powers of Attorney

Under the irrevocable powers of attorney executed by each shareholder of Beijing Tuda, each such shareholder appointed Huanju Shidai as its attorney-in-fact to exercise such shareholders' rights in Beijing Tuda, including, without limitation, the power to vote on its behalf on all matters of Beijing Tuda requiring shareholder approval under PRC laws and regulations and the articles of association of Beijing Tuda. Each power of attorney will remain in force until the shareholder ceases to hold any equity interest in Beijing Tuda.

Exclusive Option Agreement

Under the exclusive option agreement between Huanju Shidai, each of the shareholders of Beijing Tuda and Beijing Tuda, each of the shareholders irrevocably granted Huanju Shidai or its designated representative(s) an exclusive option to purchase, to the extent permitted under PRC law, all or part of his or its equity interests in Beijing Tuda. Huanju Shidai or its designated representative(s) have sole discretion as to when to exercise such options, either in part or in full. Without Huanju Shidai's prior written consent, Beijing Tuda's shareholders shall not sell, transfer, mortgage or otherwise dispose their equity interests in Beijing Tuda. The term of this agreement is ten years and may be extended at Huanju Shidai's sole discretion.

Equity Interest Pledge Agreement

Under the equity interest pledge agreement between Huanju Shidai and the shareholders of Beijing Tuda, the shareholders of Beijing Tuda have pledged all of their equity interests in Beijing Tuda to Huanju Shidai to guarantee the performance by Beijing Tuda and its shareholders' performance of their respective obligations under the exclusive business cooperation agreement, exclusive option agreement, exclusive technology support and technology services agreement and powers of attorney. If Beijing Tuda or its shareholders breach their contractual obligations under those agreements, Huanju Shidai, as the pledgee, will be entitled to certain rights, including the right to sell the pledged equity interests. This pledge became effective on the date the pledged equity interests were registered with the competent administration for industry and commerce and will remain effective until the pledgors are no longer the shareholders of Beijing Tuda.

Contractual Arrangements with Guangzhou Huaduo

The following is a summary of the currently effective contracts among Huanju Shidai, Guangzhou Huaduo and the shareholders of Guangzhou Huaduo.

Agreements that transfer economic benefits to us

Exclusive Business Cooperation Agreement

Under the exclusive business cooperation agreement between Huanju Shidai and Guangzhou Huaduo, as amended, Huanju Shidai has the exclusive right to provide to Guangzhou Huaduo technology support, business support and consulting services related to Guangzhou Huaduo's business, the scope of which is to be determined by Huanju Shidai from time to time. Huanju Shidai owns the exclusive intellectual property rights created as a result of the performance of this agreement. The service fee payable by Guangzhou Huaduo to Huanju Shidai is up to 100% of the net profit of Guangzhou Huaduo, and the timing and amount of the fee payments will be determined at the sole discretion of Huanju Shidai. The term of this agreement will expire in 2038 and may be extended with Huanju Shidai's written confirmation prior to the expiration date. Huanju Shidai has sole discretion to terminate the agreement at any time by providing 30 days' prior written notice to Guangzhou Huaduo, while neither Guangzhou Huaduo nor its shareholders are entitled to terminate the agreement.

Exclusive Technology Support and Technology Services Agreement

Under the exclusive technology support and technology services agreement between Huanju Shidai and Guangzhou Huaduo, as amended, Huanju Shidai has the exclusive right to provide to Guangzhou Huaduo technology support and technology services related to all technologies needed for its business. Huanju Shidai owns the exclusive intellectual property rights created as a result of the performance of this agreement. The service fee payable by Guangzhou Huaduo to Huanju Shidai is 10% of Guangzhou Huaduo's gross revenues. The term of this agreement will expire in 2028 and may be extended with Huanju Shidai's written confirmation prior to the expiration date. Huanju Shidai has sole discretion to terminate the agreement at any time by providing 30 days' prior written notice to Guangzhou Huaduo, while neither Guangzhou Huaduo nor its shareholders are entitled to terminate the agreement.

Agreements that provide us effective control over Guangzhou Huaduo

Powers of Attorney

Under the irrevocable powers of attorney executed by each shareholder of Guangzhou Huaduo, each such shareholder appointed Huanju Shidai as its attorney-in-fact to exercise such shareholders' rights in Guangzhou Huaduo, including, without limitation, the power to vote on its behalf on all matters of Guangzhou Huaduo requiring shareholder approval under PRC laws and regulations and the articles of association of Guangzhou Huaduo. Each power of attorney will remain in force until the shareholder ceases to hold any equity interest in Guangzhou Huaduo.

Exclusive Option Agreement

Under the exclusive option agreement between Huanju Shidai, each of the shareholders of Guangzhou Huaduo and Guangzhou Huaduo, each of the shareholders irrevocably granted Huanju Shidai or its designated representative(s) an exclusive option to purchase, to the extent permitted under PRC law, all or part of his or its equity interests in Guangzhou Huaduo. Huanju Shidai or its designated representative(s) have sole discretion as to when to exercise such options, either in part or in full. Without Huanju Shidai's prior written consent, Guangzhou Huaduo's shareholders shall not sell, transfer, mortgage or otherwise dispose their equity interests in Guangzhou Huaduo. The term of this agreement is ten years and may be extended at Huanju Shidai's sole discretion.

Equity Interest Pledge Agreement

Under the equity interest pledge agreement between Huanju Shidai and the shareholders of Guangzhou Huaduo, the shareholders of Guangzhou Huaduo have pledged all of their equity interests in Guangzhou Huaduo to Huanju Shidai to guarantee the performance by Guangzhou Huaduo and its shareholders' performance of their respective obligations under the exclusive business cooperation agreement, exclusive option agreement, exclusive technology support and technology services agreement and powers of attorney. If Guangzhou Huaduo and/or its shareholders breach their contractual obligations under those agreements, Huanju Shidai, as the pledgee, will be entitled to certain rights, including the right to sell the pledged equity interests. The pledge became effective on the date the pledged equity interests were registered with the competent administration for industry and commerce and will remain effective until the pledgors are no longer the shareholders of Guangzhou Huaduo.

In the opinion of our PRC legal counsel:

- the ownership structures of our PRC consolidated affiliated entities and our PRC subsidiaries in China, both currently and after giving effect to this offering, comply with all existing PRC laws and regulations; and
- the contractual arrangements among Huanju Shidai, Guangzhou Huaduo and its shareholders and the contractual arrangements among Huanju Shidai, Beijing Tuda and its shareholders governed by PRC law are valid, binding and enforceable, and will not result in any violation of PRC laws or regulations currently in effect.
- each of our PRC subsidiaries and each of our PRC consolidated affiliated entities has all necessary corporate power and authority to conduct its business as described in its business scope under its business license. The business licenses of each of our PRC subsidiaries and each of our PRC consolidated affiliated entities are in full force and effect. Each of our PRC subsidiaries and each of our PRC consolidated affiliated entities is capable of suing and being sued and may be the subject of any legal proceedings in PRC courts. To the best of our PRC legal counsel's knowledge after due inquiries, none of our PRC subsidiaries, PRC consolidated affiliated entities or their respective assets is entitled to any immunity, on the grounds of sovereignty, from any action, suit or other legal proceedings; or from enforcement, execution or attachment.

We have been advised by our PRC legal counsel, however, that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules. Accordingly, the PRC regulatory authorities may take a view that is contrary to the above opinion of our PRC legal counsel. We have been further advised by our PRC legal counsel that if the PRC government finds that the agreements that establish the structure for operating our internet-based business do not comply with PRC government restrictions on foreign investment in the aforesaid business we engage in, we could be subject to severe penalties including being prohibited from continuing operations. See "Risk Factors—Risks Relating to Our Corporate Structure and Our Industry—If the PRC government finds that the structure we have adopted for our business operations does not comply with PRC laws and regulations, or if these laws or regulations or interpretations of existing laws or regulations change in the future, we could be subject to severe penalties, including the shutting down of our platform and our business operations."

SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated statements of operations data for the years ended December 31, 2009, 2010 and 2011 and the selected balance sheet data as of December 31, 2010 and 2011 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. Our consolidated financial statements are prepared and presented in accordance with U.S. GAAP. The selected consolidated statements of operations data for the six months ended June 30, 2011 and 2012 and the selected consolidated balance sheet data as of June 30, 2012 have been derived from our unaudited consolidated financial statements included elsewhere in this prospectus. The unaudited consolidated financial statements have been prepared 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 historical results for any period are not necessarily indicative of results to be expected for any future period. You should read the following selected 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.

	For the Year Ended December 31,				For the Six Months Ended June 30,		
	2009	2010	2011		2011	2012	
	RMB	RMB	RMB	US$	RMB	RMB (Unaudited)	US$
	(in thousands, except for share, per share and per ADS data)						
Selected Consolidated Statements of Operations Data:							
Internet value-added service							
—Online game	12,976	86,316	165,933	26,380	71,679	150,398	23,674
—YY Music	—	—	52,854	8,403	9,645	92,721	14,595
—Others	853	1,282	13,589	2,161	1,969	30,961	4,873
Online advertising	18,881	40,740	87,279	13,876	35,467	50,370	7,929
Total net revenues	32,710	128,338	319,665	50,820	118,760	324,450	51,071
Cost of revenues[1]	(28,849)	(110,062)	(182,699)	(29,046)	(78,349)	(164,138)	(25,836)
Gross profit	3,861	18,276	136,956	21,774	40,411	160,312	25,235
Operating expenses[1]:							
Research and development expenses	(12,597)	(49,219)	(106,804)	(16,980)	(43,215)	(77,809)	(12,248)
Sales and marketing expenses	(4,951)	(12,363)	(13,381)	(2,127)	(7,917)	(4,862)	(765)
General and administrative expenses	(32,878)	(192,222)	(118,241)	(18,798)	(59,165)	(50,170)	(7,897)
Total operating expenses	(50,426)	(253,804)	(238,426)	(37,905)	(110,297)	(132,841)	(20,910)
Operating (loss) income	(46,565)	(235,528)	(99,488)	(15,816)	(69,886)	28,142	4,431
(Loss) income before income tax expenses	(46,534)	(236,023)	(80,455)	(12,791)	(64,524)	32,342	5,092
Net (loss) income attributable to YY Inc.	(47,116)	(238,857)	(83,156)	(13,221)	(68,635)	20,816	3,277
Amortization of beneficial conversion feature	(237)	—	—	—	—	—	—
Accretion to convertible redeemable preferred shares redemption value	(283,179)	(1,808,853)	(223,663)	(35,559)	(157,859)	(126,621)	(19,931)
Deemed dividend to series A preferred shareholders	(19)	—	—	—	—	—	—
Deemed dividend to series B preferred shareholders	(176)	—	—	—	—	—	—
Net loss attributable to common shareholders	(330,727)	(2,047,710)	(306,819)	(48,780)	(226,494)	(105,805)	(16,654)
Weighted average number of common shares used in calculating:							
Basic	407,613,328	406,304,672	485,883,845	485,883,845	467,627,928	537,420,517	537,420,517
Diluted	407,613,328	406,304,672	485,883,845	485,883,845	467,627,928	537,420,517	537,420,517
Net loss per share:							
Basic	(0.81)	(5.04)	(0.63)	(0.10)	(0.48)	(0.20)	(0.03)
Diluted	(0.81)	(5.04)	(0.63)	(0.10)	(0.48)	(0.20)	(0.03)
Loss per ADS[2]:							
Basic							
Diluted							

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(1) Share-based compensation was allocated in cost of revenues and operating expenses as follows:

	For the Year Ended December 31,				For the Six Months Ended June 30,		
	2009	2010	2011		2011	2012	
	RMB	RMB	RMB	US$	RMB	RMB (Unaudited)	US$
	(in thousands)						
Cost of revenues	5,269	31,709	15,449	2,456	9,240	4,386	690
Research and development expenses	2,475	21,627	31,672	5,035	13,887	19,731	3,106
Sales and marketing expenses	194	1,499	1,336	212	660	500	79
General and administrative expenses	28,544	182,101	86,544	13,759	48,181	29,643	4,666
Total	36,482	236,936	135,001	21,462	71,968	54,260	8,541

(2) Each ADS represents Class A common shares.

	As of December 31,				As of June 30,					
	2009	2010	2011		2012					
	RMB	RMB	RMB	US$	RMB	US$	RMB	US$	RMB	US$
	Actual	Actual	Actual	Actual	Actual	Actual	Pro forma(1) (Unaudited)	Pro forma(1) (Unaudited)	Pro forma as adjusted(2) (Unaudited)	Pro forma as adjusted(2) (Unaudited)
	(in thousands)									
Selected Consolidated Balance Sheet Data:										
Cash and cash equivalents	106,427	83,683	128,891	20,491	187,934	29,582	187,934	29,582		
Total assets	131,003	158,767	745,426	118,510	903,152	142,161	903,152	142,161		
Total current liabilities	52,757	253,001	125,737	19,990	205,689	32,376	205,689	32,376		
Total mezzanine equity	448,418	2,257,271	2,480,934	394,425	2,607,555	410,444	—	—		
Accumulated deficits	(370,045)	(2,350,448)	(2,433,604)	(386,900)	(2,412,788)	(379,787)	(2,412,788)	(379,787)		
Total shareholders' (deficits) equity	(370,172)	(2,351,505)	(1,861,693)	(295,976)	(1,911,347)	(300,857)	696,208	109,587		

(1) The unaudited consolidated balance sheet data as of June 30, 2012 on a pro forma basis reflect the automatic conversion of all of our outstanding series A, B, C-1 and C-2 preferred shares into 359,424,310 Class B common shares immediately upon the completion of this offering.

(2) The unaudited consolidated balance sheet data as of June 30, 2012 on a pro forma as adjusted basis reflect (a) the automatic conversion of all of our outstanding series A, B, C-1 and C-2 preferred shares into 359,424,310 Class B common shares immediately upon the completion of this offering; and (b) the 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$ 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.

Non-GAAP Financial Measure

Adjusted Net Loss or Income

To provide investors with additional information about our financial results, we disclose within this prospectus adjusted net loss or income, a non-GAAP financial measure. We have provided below a reconciliation between adjusted net loss or income and net loss or income, the most directly comparable GAAP financial measure.

We have included adjusted net loss or income in this prospectus because it is a key measure we use to evaluate our operating performance, generate future operating plans and make strategic decisions for the allocation of capital. Accordingly, we believe that adjusted net loss or income provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our

management and board of directors. While we believe that this non-GAAP financial measure is useful in evaluating our business, this information should be considered as supplemental in nature and is not meant as a substitute for the related financial information prepared in accordance with GAAP.

The following table presents a reconciliation between adjusted net loss or income and net (loss)/income, the most directly comparable GAAP financial measure.

	For the year Ended December 31,				For the Six Months Ended June 30,		
	2009	2010	2011		2011	2012	
	RMB	RMB	RMB	US$	RMB	RMB (Unaudited)	US$
				(in thousands)			
Reconciliation of Net (Loss) Income to Adjusted Net (Loss) Income:							
Net (loss) income	(47,116)	(238,857)	(83,156)	(13,221)	(68,635)	20,816	3,277
Share-based compensation	(36,482)	(236,936)	(135,001)	(21,462)	(71,968)	(54,260)	(8,541)
Adjusted net (loss) income	(10,634)	(1,921)	51,845	8,241	3,333	75,076	11,818

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the section headed "Selected Consolidated Financial Data" and our consolidated financial statements and the related notes included elsewhere in this prospectus. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this prospectus.

Overview

YY is a revolutionary rich communication social platform. YY Client, our core product launched in China in July 2008, has attracted 344.6 million registered user accounts as of June 30, 2012, and had 66.3 million monthly active users in June 2012. YY recorded a maximum of 10.0 million peak concurrent users in August 2012. Users spent an aggregate of 260.9 billion voice minutes on YY Client in the first six months of 2012.

We derive our revenues primarily from IVAS and online advertising. We derived 42.3%, 68.3%, 72.7% and 84.5% of our total net revenues from IVAS in 2009, 2010, 2011 and the six months ended June 30, 2012, respectively, with online advertising accounting for the remainder of our revenues. Revenues from IVAS are primarily generated through web games, YY Music and other services on our platform. Online advertising revenues are primarily generated from sales of different forms of advertising on Duowan.com. In 2011 and the six months ended June 30, 2012, revenues generated from advertisements on Duowan.com contributed to 93.8% and 97.8% of our total advertising revenues, respectively. We currently do not allow advertising on YY.com and Mobile YY, and have minimal advertising on YY Client. Although we do not currently derive revenues from Mobile YY, we have plans to monetize it by selling virtual items on Mobile YY in the future. We expect to derive an increasing portion of our revenues from IVAS in the future. This trend may pose new challenges to us, including, for example, the need to develop more popular products and services in response to user demand and the need to recruit and retain talented personnel for technology and product development purposes. IVAS revenues depend on the popularity of the online games on our platform and the growth of other types of channels or activities for which IVAS are available, such as YY Music.

We began our operations in 2005 by launching Duowan.com, a popular online web portal hosting game media content. We have grown significantly in recent years, developing and introducing YY Client in 2008 and making YY Client available for mobile users through Mobile YY in September 2010. YY Client's average daily active users increased from 10.3 million in December 2010 to 13.5 million in December 2011. In June 2012, the number of average daily active users for YY Client grew to 16.2 million, compared to 12.8 million in June 2011. We believe that we will be able to further expand our existing user base and to capitalize on our large and highly engaged user base and our open platform by exploring additional monetization opportunities. Our total net revenues increased from RMB32.7 million in 2009 to RMB128.3 million in 2010 and to RMB319.7 million (US$50.8 million) in 2011, representing a CAGR of 212.6% from 2009 to 2011. For the six months ended June 30, 2012, our total net revenues grew to RMB324.5 million (US$51.1 million), representing a 173.2% increase from RMB118.8 million for the six months ended June 30, 2011. We had net losses of RMB47.1 million, RMB238.9 million and RMB83.2 million (US$13.2 million) in 2009, 2010 and 2011, respectively, and in the six months ended June 30, 2012, we had a net income of RMB20.8 million (US$3.3 million). We have issued share incentive awards to motivate our employees, officers and consultants since our inception, and incurred significant share-based compensation expenses in the past. Our share-based compensation expenses increased significantly in 2010, primarily due to a charge caused by a re-measurement of our liability-classified share-based compensation awards. Treatment of our share-based compensation awards has reverted to the equity-based method in late 2011. Our adjusted net loss, a non-GAAP measure that excludes non-cash share-based compensation expenses, decreased from RMB10.6 million in 2009 to RMB1.9 million in 2010, and in 2011, we

had an adjusted net income—also a non-GAAP measure that excludes non-cash share-based compensation—of RMB51.8 million (US$8.2 million). In the six months ended June 30, 2012, our adjusted net income amounted to RMB75.1 million (US$11.8 million) compared to RMB3.3 million in the same period in 2011. For information regarding adjusted net (loss) income and a reconciliation of each to net (loss) net income, see "Prospectus Summary—Our Summary Consolidated Financial Data—Non-GAAP Financial Measure" on page 14.

Our results of operations are subject to certain seasonal fluctuations. For example, the number of online users tend to be lower during school holidays and certain parts of the school year, and advertising revenues tend to be lower during the Chinese New Year season, which negatively affects our cash flow for those periods. However, such seasonal fluctuations are relatively brief and predictable and have not posed any significant operational and financial challenges to our business. See "—Seasonality" for additional details regarding the effects of seasonality on our cash flow, operating performance and financial results.

Selected Statement of Operations and Comprehensive Loss Items

Revenues

In the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, we had derived our revenues primarily from IVAS and online advertising. Our IVAS revenues are primarily comprised of revenues from the paying users of online games, YY Music and, to a lesser degree, our membership subscriptions. The online games we currently offer on YY Client are all web games, which are a type of online games that can be run from an internet browser and requires an internet connection to play. Our online advertising revenues primarily consist of revenues from the sale of online advertising in various formats primarily on our Duowan.com online portal. We expect that from 2012 onward, an increasing portion of our revenues will be derived from non-game IVAS revenues, including revenues from in-channel virtual items sold on YY Client, such as virtual flowers and gifts for use in various channels, as well as other new online products and services that we recently launched or expect to offer in the future. We expect that revenues we receive from the membership program we launched in October 2011, which grants users enhanced privileges for monthly subscription fees, will increase in the future. The following table sets forth the principal components of our total net revenues by amount and as a percentage of our total net revenues for the periods presented.

	For the Year Ended December 31,							For the Six Months Ended June 30,				
	2009		2010		2011			2011		2012		
	RMB	% of total revenues	RMB	% of total revenues	RMB	US$	% of total revenues	RMB	% of total revenues	RMB	US$	% of total revenues
	(in thousands, except for percentages)											
Total net revenues:[(1)]												
IVAS:												
Online games	12,976	39.7	86,316	67.3	165,933	26,380	51.9	71,679	60.4	150,398	23,674	46.4
YY Music	—	—	—	—	52,854	8,403	16.5	9,645	8.1	92,721	14,595	28.6
Others	853	2.6	1,282	1.0	13,589	2,161	4.3	1,969	1.6	30,961	4,873	9.5
Online advertising	18,881	57.7	40,740	31.7	87,279	13,876	27.3	35,467	29.9	50,370	7,929	15.5
Total	32,710	100.0	128,338	100.0	319,655	50,820	100.0	118,760	100.0	324,450	51,071	100.0

(1) Revenues are presented net of rebates and discounts.

IVAS revenues. We generate revenues from (i) the sales of virtual items under the offering of web games developed by us or by third parties under revenue-sharing arrangements on YY Client, (ii) the sale of in-channel virtual items to be used on YY Music and (iii) other revenues, including membership subscription fees. Users play web games on YY and access channels free of charge, but are charged for purchases of virtual items which can be used in online games or YY channels.

The most significant factors that directly affect our IVAS revenues include:

- *The number of paying users.* The number of our paying users increased from approximately 31,000 in July 2009, the first month in which we began tracking paying user numbers, to 50,000 in December 2009, 70,000 in December 2010, 357,000 in December 2011 and decreased slightly to 343,000 in June 2012. We had approximately 1.4 million paying users in the full year 2011 and 1,277,000 in the first six months of 2012. We calculate the number of paying users during a given period as the cumulative number of registered user accounts that have purchased virtual items or other products and services on YY Client at least once during the relevant period. We were able to achieve an increase in paying users primarily due to (a) a significant increase in the number of active users due to the increasing popularity of YY Client, and (b) an increase in the number of virtual items we offer, which in turn resulted from the increased number of online games we host and our launch of virtual items for sale on YY Music in March 2011. We expect that the number of our paying users will continue to grow in the future as we expand our services and products offerings and further monetize our existing platform. The number of our registered user accounts, paying users, active users and unique visitors overstates the number of unique individual users we have, however. See “Risk Factors—Risks Relating to Our Business—The respective number of our registered user accounts, active users, paying users and unique visitors overstates the numbers of unique individuals who register to use our products and services, sign onto YY Client, purchase virtual items or other products and services on our platform or access Duowan.com, respectively, and may therefore lead to an inaccurate interpretation of our average revenue per paying user metric and of our business operations by our management and by investors, and may cause advertisers to reduce the amount spent on advertising with us, which may materially and adversely affect on our reputation, business and results of operations.”
- *The average revenue per paying user, or ARPU.* Our ARPU for IVAS was approximately RMB177.9, RMB164.3 (US$25.9) and RMB214.6 (US$33.8) in 2010 and 2011 and the six months ended June 30, 2012, respectively. ARPU is calculated by dividing our total revenues from IVAS during a given period by the number of paying users for that period. As we begin to generate revenues from an increasing variety of IVAS, our ARPU may fluctuate from period to period due to the mix of IVAS purchased by our paying users. The changes in ARPU are primarily the result of (a) an increase in the number of virtual items available on our platform, (b) an increase in the average price of the virtual items that can be purchased for use in our channels, (c) the launch of YY Music in March 2011, which has a lower ARPU when compared to online games, (d) the launch of our membership program, which currently charges a relatively low membership fee of RMB20.0 per month, in October 2011. We had approximately 158,000 members in our membership program as of December 31, 2011 and approximately 301,000 members as of June 30, 2012.

The number of paying users for each year typically increases as the number of active users increases. The number of our monthly active users increased from 35.4 million in December 2010 to 53.4 million in December 2011 to 66.3 million monthly active users in June 2012. Meanwhile, ARPU fluctuated during that period because of our launch of new online games, our effective promotion of commercially successful games and our launch of YY Music, offset by the fact that, at times, our paying user numbers grew faster than our revenues primarily due to the lower ARPU of paying users for YY Music and our membership program.

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The following table sets forth the approximate paying users and average revenue per paying user data on a quarterly basis for the eight quarters in the period from July 1, 2010 to June 30, 2012, broken down by different key areas of our business. The numbers of paying users and average revenue per paying users fluctuate on a quarterly basis, because they are often affected by a variety of factors such as seasonality and the number and type of promotions that may be conducted from time to time.

	For the Three Months Ended							
	September 30, 2010	December 31, 2010	March 31, 2011	June 30, 2011	September 30, 2011	December 31, 2011	March 31, 2012	June 30, 2012
Average monthly active users *(in thousand)*								
—Online games[1]	—	24,342	28,991	31,581	32,210	33,242	33,705	36,862
—YY Music[2]	—	10,587	14,691	18,522	19,707	21,061	21,804	24,705
—YY platform[3]	—	32,178	39,366	46,537	49,250	51,877	56,127	62,960
Paying users								
—Online games[4]	143,000	136,000	217,000	234,000	279,000	354,000	327,000	274,000
—YY Music[5]	—	—	2,700	97,000	150,000	225,000	230,000	232,000
—Membership subscription[6]	—	—	—	—	—	236,000	281,000	321,000
				(RMB)				
Average revenue per paying user								
—Online games[4]	183	200	159	159	149	148	210	298
—YY Music[5]	—	—	15	99	119	113	147	254
—Membership subscription[6]	—	—	—	—	—	21	38	47

(1) Data for online games herein refers to the average number of monthly active users that have visited the game channels of YY platform at least once in the relevant quarter.
(2) Data for online music herein refers to the average number of monthly active users that have visited the music channels of YY platform at least once in the relevant quarter.
(3) Data for YY platform herein refers to the average number of monthly active users that have visited YY platform at least once in the relevant quarter. A user that has visited both game channels and music channels of YY platform in the relevant period is counted as one active user for YY platform and one active user for each of online games and YY Music.
(4) Data for online games herein refers exclusively to data regarding YY platform's web games available in the game center. See "Business—The YY Platform —YY Client—Game Center on YY Client."
(5) We launched our YY Music platform in March 2011.
(6) We launched our membership program in October 2011.

The number of paying users of online games decreased from 354,000 in the three months ended December 31, 2011 to 327,000 in the three months ended March 31, 2012 and further to 274,000 in the three months ended June 30, 2012. The decrease in the number of paying users of online games in the first and second quarters of 2012 was primarily due to certain special operational measures that we took in those quarters. In the normal course of business, we sell bundled packages of virtual items at different face values. In the first and second quarters of 2012, to streamline administration of bundled packages, we suspended the sales of bundled packages below a certain face value. As a result, the users who only wanted to purchase bundled packages at lower face values ceased to purchase bundled packages during this period, which contributed to the reduction in the number of paying users in the first and second quarters of 2012. We resumed the normal practice of selling bundled packages at lower face value in August 2012. Seasonality, to a lesser extent, also contributed to the decrease in the number of paying users of online games in the first quarter of 2012. The number of paying users of online games tends to be lower during public holidays such as the Chinese New Year holidays, which in 2012 fell in late January. In the second quarter of 2012, we deactivated some paying user accounts suspected of being improper user accounts that were registered and used in violation of our policies. These deactivations also contributed to the decrease in the number of paying users of online games in such quarter. Although we expect the number of paying users of online games to increase in the third quarter of 2012, we cannot assure you that this number will not decrease in the future, whether due to seasonality or other factors.

The number of paying users of YY Music increased slightly from 225,000 in the three months ended December 31, 2011 to 230,000 in the three months ended March 31, 2012 and further to 232,000 in the three months ended June 30, 2012. The slower increase in paying users of YY Music in the first and second quarters of 2012 was mainly due to the quarterly fluctuations of YY Music paying users. Since the launch of YY Music, we have conducted marketing campaigns and promotional activities coinciding with popular western or Chinese festivals

celebrated by young Chinese people, many of which are in the fourth quarter and ending with the Chinese New Year holidays which typically fall in the first half of the first quarter. These promotions encourage users to purchase virtual items and give them as gifts to performers on YY Music channels as a means of celebration, resulting in a higher number of paying users for YY Music for the fourth quarter. After the Chinese New Year holidays, we launched fewer special events since there are fewer festivals in the rest of the first quarter and the second quarter. As a result, the number of paying users of YY Music increased at a slower pace in the first and second quarters of 2012.

Other significant factors that directly or indirectly affect our IVAS revenues include:

- our ability to offer new and attractive products and services that allow us to monetize our platform;
- our ability to attract and retain a large user base;
- the terms of our arrangements with third party game developers and service providers as well as certain popular performers and channel owners on YY Music; and
- competition in China’s online games and other IVAS markets.

We historically derived a significant portion of our revenues from a limited number of popular online games, all of which are web games, primarily through selling in-game virtual items for these games. For example, Dandan Tang, one of our most popular online games, contributed 62.8%, 46.5% and 18.0% of our online game revenues, 62.0%, 33.3% and 9.9% of our total IVAS revenues as well as 42.3%, 24.2% and 8.4% of our total revenues in 2010, 2011 and the six months ended June 30, 2012, respectively. Dandan Tang was developed by Shenzhen 7th Road Technology Co., Ltd., or 7th Road, a third party game developer. See “—Contract for Dandan Tang” for a description of the joint operation agreement between Guangzhou Huaduo and 7th Road in relation to the joint operation of Dandan Tang and the offering of other game-related services. Business Tycoon, another popular online game on YY platform, contributed 11.0%, 6.3%, 0.5% and nil of our online game revenues and 4.3%, 4.3%, 0.2% and nil of our total revenues in 2009, 2010, 2011 and the six months ended June 30, 2012, respectively. Business Tycoon was developed by Haikou Dynamic Vanguard Network Technology Co., Ltd., a third party game developer. Kingdom, another of our most popular online games, contributed 46.3%, 11.4%, 2.1% and 0.1% of our online game revenues and 18.4%, 7.7%, 1.1% and nil of our total revenues in 2009, 2010, 2011 and the six months ended June 30, 2012, respectively. Kingdom was developed by one of our PRC consolidated affiliated entities, Guangzhou Huaduo. Hero on Expedition, which was launched in 2011, contributed 9.7% and 11.2% of our online game revenues and 5.1% and 5.2% of our total revenues in 2011 and the six months ended June 30, 2012, respectively. Hero on Expedition was developed by Guangzhou Youguo Information Technology Co., Ltd., a third party game developer. A vast majority of our popular online games are developed by third party game developers under revenue-sharing arrangements that typically last one to two years. We currently receive only a relatively small amount of monthly revenues from self-developed games and have no plans to develop any more games in the future. Due to the fact that our large user base makes us a desirable platform for game developers to launch and operate their games, we believe we will continue to retain existing and attract additional online game developers.

We expect an increasing portion of our revenues from IVAS will continue to be derived from the sales of non-game virtual items and services as we capitalize on monetization opportunities. For example, our revenues from virtual items sold on YY Music increased from 16.5% of total revenues for the year ended December 31, 2011 to 28.6% of total revenues for the six months ended June 30, 2012; we expect that such revenues will represent an increasingly larger portion of our revenues in the future. In addition, we expect that a large portion of our IVAS revenues will continue to be derived from online games generated from third party online game developers in the future, as we do not intend to further internally develop any additional online games. However, in the future, we expect to derive a lower percent of our revenues from online games as a whole, as we expect to monetize other non-game aspects of the YY platform, such as YY Music and our membership program. We launched our membership program in October 2011 and generated revenues from membership subscription fees of RMB25.7 million (US$4.0 million) in the six months ended June 30, 2012.

Online advertising revenues. We offer a wide range of online advertising formats and solutions. We enter into advertising contracts with third party advertising agencies as well as with advertisers directly. Advertisers pay to place advertisements on Duowan.com in different formats over a particular period of time. Such formats include banners, text-links, videos, logos, and buttons. Advertisements on Duowan.com are charged primarily on the basis of duration with pricing variations depending on the size and the prominence of the locations for these advertisements, and advertising contracts establish the advertising services to be provided and the prices for such services. In 2009, 2010 and 2011 and the six months ended June 30, 2012, a vast majority of our online advertising revenues were derived from pay-for-time arrangements under which we charge advertisers depending on the duration of display for an advertisement or a series of advertisements.

The most significant factors that directly affect our online advertising revenues include:

- *The number of advertisers that use our online advertising services.* The number of advertisers that use our online advertising services increased from 105 in 2009 to 120 in 2010 to 140 in 2011, and increased from 83 in the six months ended June 30, 2011 to 100 in the six months ended June 30, 2012. We calculate the number of advertisers during a given period as the number of advertisers to whom we have delivered advertising services during that period. An advertiser to whom we deliver services more than once in a period is counted as one advertiser for that period.
- *The average revenues per advertiser.* Our average revenues per advertiser increased from approximately RMB180,000 in 2009 to RMB340,000 in 2010 to RMB623,000 (US$98,000) in 2011, average revenues per advertiser also increased from approximately RMB427,000 in the six months ended June 30, 2011 to approximately RMB504,000 (US$79,000) in the six months ended June 30, 2012. The amount of average advertising spend per advertiser is the result of our total advertising revenues during a given period divided by the number of advertisers for that period.

The number of our advertisers and the average spending per advertiser are in turn driven by the increase in the number of unique visitors to Duowan.com, because larger visitor numbers indicate better advertising reach for advertisers, which leads to increased use of Duowan.com by advertisers. The number of average daily unique visitors to Duowan.com increased from approximately 4.5 million in December 2009 to 5.5 million in December 2010, 9.9 million in December 2011 and 19.9 million in June 2012.

Other significant factors that directly or indirectly affect our online advertising revenues include the following:

- acceptance by advertisers of online advertising in general as an effective marketing channel;
- advertisers’ total online advertising budgets;
- our ability to attract new advertisers and retain existing advertisers;
- our ability to continue providing innovative advertising solutions which enable advertisers to reach their target customers; and
- changes in government regulations or policies affecting the internet and online advertising industries.

In the first six months of 2012, the majority of our revenues shifted from online advertising to IVAS. We believe that the significant growth in revenues generated from IVAS is attributable to multiple factors including (1) the increase in the number of web games operated by us and, as a result, the increase in the number of virtual items a user may purchase, (2) the official launch and increasing popularity of YY Music and the introduction of our membership program in 2011, and (3) the increase in average prices of the virtual items that can be purchased by users in channels. On the other hand, we continue to rely on Duowan.com for a majority of our online advertising revenues. Although the number of advertisers who use our advertising services and the average revenues per advertiser continue to grow, which contribute to the continuing growth in online advertising revenues, the growth rate of online advertising revenues is not as fast as that of our IVAS revenues. In the first six months of 2012, our revenues generated from IVAS grew by 229.5% as compared to the same period in 2011, while our revenues generated from online advertising grew by 42.0%.

Cost of Revenues

Cost of revenues consists primarily of (i) bandwidth costs, (ii) share-based compensation, (iii) salary and welfare, (iv) business tax and surcharges, (v) depreciation and amortization, (vi) payment handling costs and (vii) YY Music activities costs. In the future, we anticipate that YY Music activities costs, which primarily consist of commissions offered to popular performers and channel owners in different YY Music channels, will contribute significantly to our cost of revenues. We expect that our cost of revenues will increase in absolute amount as we further grow our user base and expand our revenue-generating services.

Bandwidth costs. Our bandwidth costs increased from RMB8.5 million in 2009 to RMB32.5 million in 2010 and to RMB75.1 million (US$11.9 million) in 2011, and increased from RMB32.8 million in the six months ended June 30, 2011 to RMB64.2 million (US$10.1 million) in the same period in 2012. We expect bandwidth costs to increase as our user base continues to expand and as YY Music and other video-related services become more popular in the future.

Share-based compensation. Our share-based compensation allocated to the cost of revenues increased from RMB5.3 million in 2009 to RMB31.7 million in 2010 and to RMB15.4 million (US$2.4 million) in 2011, and decreased from RMB9.2 million in the six months ended June 30, 2011 to RMB4.4 million (US$0.7 million) in the same period in 2012. The share-based compensation expenses increased significantly in 2010 primarily due to a charge caused by re-measurement of our liability-classified share-based compensation awards. In 2011, the share-based compensation expenses decreased as compared to 2010 due to the liability-classified share-based compensation awards being changed to equity-classified in late 2011 and certain awards granted to Mr. David Xueling Li, our chief executive officer, that vested in 2010, but increased as compared to 2009 due to the expansion of our business and the distribution of options, restricted shares and restricted share units to recruit and retain talents for our company. The share-based compensation expenses in the six months ended June 30, 2012 decreased as compared to the six months ended June 30, 2011 because (a) we are using the graded vesting method to recognize share-based compensation costs and expenses, (b) some awards granted fully vested before 2012, and (c) the share options and NeoTasks restricted shares granted were previously classified using the liability method and subject to remeasurement, but was modified back to equity-method on September 15, 2011.

Salary and welfare. Our salary and welfare costs increased from RMB6.9 million in 2009 to RMB23.5 million in 2010 and to RMB33.4 million (US$5.3 million) in 2011, and increased from RMB15.9 million in the six months ended June 30, 2011 to RMB20.4 million (US$3.2 million) in the same period in 2012. We expect our salary and welfare costs to increase as we continue to hire additional employees in line with the expansion of our business.

Business tax and surcharges. Our business tax and surcharges increased from RMB2.3 million in 2009 to RMB7.2 million in 2010 and to RMB16.5 million (US$2.6 million) in 2011, and increased from RMB5.9 million in the six months ended June 30, 2011 to RMB14.3 million (US$2.3 million) in the same period in 2012. We expect our business tax and surcharges to increase as our total revenues continue to grow.

Depreciation and amortization. Our depreciation and amortization increased from RMB2.3 million in 2009 to RMB4.3 million in 2010 to RMB12.0 million (US$1.9 million) in 2011, and increased from RMB5.0 million in the six months ended June 30, 2011 to RMB10.9 million (US$1.7 million) in the same period in 2012. We expect depreciation and amortization to increase as we continue to expand our operations and purchase servers and other equipment or intangibles directly related to the operating of our platform and business.

Payment handling costs. Our payment handling costs increased from RMB1.7 million in 2009 to RMB6.8 million in 2010 and to RMB9.3 million (US$1.5 million) in 2011, and increased from RMB4.8 million in the six months ended June 30, 2011 to RMB8.9 million (US$1.4 million) in the same period in 2012. We expect payment handling costs to increase as we continue to grow our paying users and expand our paid service offerings.

YY Music activities costs. Our YY Music activities costs, which primarily consisted of the portion of the commissions offered to certain popular performers and channel owners in different YY Music channels, amounted to RMB6.8 million (US$1.1 million) and RMB30.5 million (US$4.8 million) in 2011 and the six months ended June 30, 2012, respectively. We expect YY Music activities costs to increase as we continue to expand our YY Music service and product offerings and grow our paying users for YY Music.

Operating Expenses

Our operating expenses consist of (i) research and development expenses, (ii) sales and marketing expenses and (iii) general and administrative expenses. The following table sets forth the components of our operating expenses for the periods indicated, both in absolute amounts and as percentages of our total net revenues.

	For the Year Ended December 31,							For the Six Months Ended June 30,				
	2009		2010		2011			2011		2012		
	RMB	%of total net revenues	RMB	% of total net revenues	RMB	US$	%of total revenues	RMB	%of total revenues	RMB	US$	%of total revenues
	(in thousands, except for percentages)											
Operating expenses:												
Research and development expenses	12,597	38.5	49,219	38.4	106,804	16,980	33.4	43,215	36.4	77,809	12,248	24.0
Sales and marketing expenses	4,951	15.1	12,363	9.6	13,381	2,127	4.2	7,917	6.7	4,862	765	1.5
General and administrative expenses	32,878	100.5	192,222	149.8	118,241	18,798	37.0	59,165	49.8	50,170	7,897	15.5
Total operating expenses	50,426	154.2	253,804	197.8	238,426	37,905	74.6	110,297	92.9	132,841	20,910	40.9

Research and Development Expenses

Research and development expenses consist primarily of salaries and benefits for research and development personnel and rental and depreciation of office premise and servers utilized by the research and development personnel. Research and development expenses generally increased in the past three years ended December 31, 2011 and the six months ended June 30, 2012, due to the need for additional research and development personnel to accommodate the rapid growth of our business. We expect our research and development expenses in absolute amount to increase as we intend to retain existing research and development personnel and also hire new ones to, among other things, develop new series of applications for our platform, improve technology infrastructure to further enhance user experience, and further develop enhanced features for Mobile YY to reach more users. In particular, because of the inherent limitations of mobile devices, such as a smaller display screen space as compared to PCs, we may not be able to provide as many kinds of virtual items as are available on YY Client, which may limit Mobile YY's monetization potential and require more research and development resources devoted to developing products and features for Mobile YY. See "Risk Factors—Risks Relating to Our Business—If we are unable to successfully capture and retain the growing number of users that access internet services through mobile devices, or successfully monetize Mobile YY, our business, financial condition and results of operations may be materially and adversely affected."

Sales and Marketing Expenses

Sales and marketing expenses consist primarily of salaries, benefits and commissions for our sales and marketing personnel, share-based compensation expenses and advertising and promotion expenses. Our sales and marketing expenses generally increased over the past three years ended December 31, 2011, primarily reflecting increased commissions for our sales and marketing personnel as our advertising revenues increased and increased efforts to serve and maintain close relations with an increasing number of advertisers. Our sales and marketing expenses for the six months ended June 30, 2012 decreased slightly compared to the six months ended June 30,

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2011, primarily because we conducted an advertising campaign for Duowan.com on a third-party website in the first half of 2011, driving up our sales and marketing expenses for that period; this advertising campaign was not subsequently repeated. We expect that our sales and marketing expenses will increase in absolute amount in the near term as we expect to increase commission for our sales and marketing personnel due to increased advertising demand and, to a lesser extent, the hiring of additional sales and marketing personnel.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries and benefits, including share-based compensation for our general and administrative personnel, professional service fees, legal expenses and other administrative expenses. Our general and administrative expenses generally increased over the past three years ended December 31, 2011 as our business expanded, primarily due to the hiring of additional management and administrative staff and increase in share-based compensation expenses. Our general and administrative expenses decreased slightly in the six months ended June 30, 2012 as compared to the six months ended June 30, 2011, primarily due to a decrease in our share-based compensation expenses for the period. We expect our general and administrative expenses to increase in the future as our business grows and we incur increased costs related to complying with our reporting obligations under the U.S. securities laws as a public company.

Share-based Compensation Expenses

Our operating expenses include share-based compensation expenses as follows:

	For the Year Ended December 31,				For the Six Months Ended June 30,		
	2009	2010	2011		2011	2012	
	RMB	RMB	RMB	US$	RMB	RMB	US$
				(in thousands)			
Research and development expenses	2,475	21,627	31,672	5,035	13,887	19,731	3,106
Sales and marketing expenses	194	1,499	1,336	212	660	500	79
General and administrative expenses	28,544	182,101	86,544	13,759	48,181	29,643	4,666
Total	31,213	205,227	119,552	19,006	62,728	49,874	7,851

We grant stock-based award such as, but not limited to, share options, restricted shares, restricted share units and warrants to eligible employees, officers, directors, and non-employee consultants. Awards granted to employees, officers, and directors are initially accounted for as equity-classified awards, which are measured at the grant date fair value of the award and are recognized using the graded vesting method, net of estimated forfeiture rates, over the requisite service period, which is generally the vesting period. Awards granted to non-employees are initially measured at fair value on the grant date and periodically re-measured thereafter until the earlier of the performance commitment date or the date the service is completed and recognized over the period in which the service is provided.

As a result of repurchases of certain awards offered in 2009 and in 2011, certain initially equity-classified employee and non-employee awards have been reclassified as a liability-classified awards, as these awards were deemed to have a substantive cash settlement feature. These awards are re-measured at the end of each reporting period until either the substantive cash settlement is terminated or the holder of the awards is exposed to the market value fluctuation of the underlying shares for a reasonable period of time (at least six months), or the awards are settled, cancelled or expire unexercised.

On September 15, 2011, our board of directors resolved not to undertake any repurchases of vested or unvested share-based compensation awards, except under those conditions specified in the relevant award scheme and grant documents. Accordingly, the classification of the liability-classified awards were changed to being equity-classified, and the related liability was reclassified as additional paid-in capital on the modification date. After the awards were changed to equity-classified awards, they were measured based on the fair value of

the awards on September 15, 2011, and the expenses to be recognized over the remaining requisite service period are calculated using the graded vesting attribution method.

Taxation

Cayman Islands

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or after execution brought within the jurisdiction of, the Cayman Islands. There are no exchange control regulations or currency restrictions in the Cayman Islands.

Pursuant to Section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, we have obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to us or our operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on our shares, debentures or other obligations.

The undertaking for us is for a period of twenty years from August 2, 2011.

British Virgin Islands

As Duowan BVI is a BVI business company subject to the provisions of the BVI Business Companies Act, it is exempt from all provisions of the Income Tax Act of the BVI (including with respect to all dividends, interests, rents, royalties, compensation and other amounts payable by us to persons who are not persons resident in the BVI).

Capital gains realized with respect to any shares, debt obligations or other securities of a company by persons who are not persons resident in the BVI are also exempt from all provisions of the Income Tax Act of the BVI.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in the BVI with respect to any shares, debt obligations or other securities of us, save for interest payable to or for the benefit of an individual resident in the European Union.

Hong Kong

No Hong Kong profits tax has been provided as we have no assessable profit arising in Hong Kong.

PRC

Current taxation primarily represented the provision for a state and local corporate income tax, or EIT, for subsidiaries and VIEs operating in the PRC. Prior to January 1, 2008, companies established in the PRC were generally subject to EIT at statutory rates of 30% and 3% respectively. On March 16, 2007, the PRC National People’s Congress promulgated the New EIT Law, which became effective on January 1, 2008. These subsidiaries and VIEs are subject to new EIT on their taxable income as reported in their respective statutory financial statements adjusted in accordance with the relevant tax laws and regulations in the PRC. All our PRC entities are subject to EIT at a rate of 25%, with the exception of any preferential treatments they may receive, such as the 15% preferential tax rate that Guangzhou Huaduo can enjoy for the years from 2011 to 2012 due to its qualification as a high and new technology enterprise.

According to a policy promulgated by the state tax bureau of the PRC and effective from 2008 onwards, enterprises engaged in research and development activities are entitled to claim 150% of the research and

development expenses so incurred in a year as tax deductible expenses in determining its tax assessable profits for that year, or Super Deduction. Guangzhou Huaduo has claimed such Super Deduction in ascertaining its tax assessable profits for 2009, 2010 and 2011 and the six months ended June 30, 2012, and Zhuhai Duowan claimed such Super Deduction in ascertaining its tax assessable profits for the year of 2011 and the six months ended June 30, 2012.

In addition, according to the New EIT Law and its implementation rules, foreign enterprises, which have no establishment or place in the PRC but derive dividends, interest, rents, royalties and other income (including capital gains) from sources in the PRC shall be subject to PRC withholding tax, or WHT, at 10% (a further reduced WHT rate may be available according to the applicable double tax treaty or arrangement). The 10% WHT is applicable to any dividends to be distributed from Huanju Shidai and Zhuhai Duowan Technology to our company out of any profits Huanju Shidai and its subsidiaries and Zhuhai Duowan Technology derived after January 1, 2008. We do not have any present plan to pay out the retained earnings in the PRC subsidiaries and PRC consolidated affiliated entities in the foreseeable future. We currently intend to retain our available funds and any future earnings to operate and expand our business. Accordingly, no such WHT has been accrued.

Our PRC subsidiaries and PRC consolidated affiliated entities are subject to business taxes and related surcharges. Revenues from IVAS are taxed at a rate of 3.3%, while advertising revenues are taxed at 8.5%. Business taxes and related surcharges during 2009, 2010 and 2011 and the six months ended June 30, 2012 were RMB2.3 million, RMB7.2 million, RMB16.5 million (US$2.6 million) and RMB14.3 million (US$2.3 million), respectively.

For more information on PRC tax regulations, see “PRC Regulation— Regulation on Tax.”

Seasonality

Our results of operations are subject to seasonal fluctuations. For example, the number of online users tends to be lower during school holidays and during certain parts of the school year, and advertising revenues tend to be lower during the Chinese New Year season. The Chinese New Year season is a less attractive period for online advertisers in the PRC due to the relative lower number of people online during this period as more people are engaging in offline, traditional family-related activities. In addition, since the launch of YY Music, we have conducted marketing campaigns and promotional activities coinciding with popular western or Chinese festivals celebrated by young Chinese people, many of which are in the fourth quarter and ending with the Chinese New Year holidays which typically fall in the first half of the first quarter. These promotions encourage users to purchase virtual items and give them as gifts to performers on YY Music channels as a means of celebration, resulting in a higher number of paying users for YY Music for the fourth quarter. The number of special events remained high until the Chinese New Year holidays in late January in 2012. After the Chinese New Year holidays, we launched fewer special events since there are fewer festivals in the rest of the first quarter and the second quarter. As a result, the number of paying users of YY Music increased at a slower pace in the first and second quarters of 2012. These fluctuations result in lower revenues and negatively affect our cash flow for the relevant periods. However, seasonal fluctuations have not posed material operational and financial challenges to us, as such periods tend to be brief and predictable, allowing us to adjust the working shifts of our staff and reallocate resources to reduce costs ahead of time.

Internal Control Over Financial Reporting

In connection with the preparation and external audit of our consolidated financial statements as of and for the years ended December 31, 2009, 2010 and 2011 and the review of our consolidated financial statements as of and for the three months ended March 31, 2012, we and our auditors, an independent registered public accounting firm, noted two material weaknesses in our internal control over financial reporting. The material weaknesses identified were: (a) a lack of accounting resources for fulfilling U.S. GAAP and SEC reporting requirements, and (b) a lack of comprehensive U.S. GAAP accounting policies and financial reporting procedures. We have implemented and are continuing to implement various measures to address the material

weaknesses identified; these measures are outlined below. As a result of such efforts, subsequently, in connection with the review of our consolidated financial statements as of and for the three months ended June 30, 2012, we and our independent registered public accounting firm identified only one significant deficiency. The significant deficiency identified relates to the inadequacy of US GAAP accounting policies and financial reporting procedures.

Neither we nor our independent registered public accounting firm undertook a comprehensive assessment of our internal control for purposes of identifying and reporting material weaknesses, significant deficiencies and control deficiencies in our internal control over financial reporting as we and they will be required to do once we become a public company. We believe it is possible that, had we performed a formal assessment of our internal control over financial reporting or had our independent registered public accounting firm performed an audit of our internal control over financial reporting, additional control deficiencies may have been identified.

We took certain steps to improve our internal control over financial reporting. In August 2011, we appointed a new chief financial officer to lead our accounting and financial reporting department. Our new chief financial officer has extensive financial reporting experience and work experience involving U.S. GAAP and SEC financial reporting and was previously the chief financial officer of an NYSE-listed company. We hired, for the finance department, additional staff who formerly worked in a Big Four international accounting firm and who have U.S. GAAP experience. We engaged external accounting consultants to improve our U.S. GAAP accounting capability and financial reporting procedures. In addition, we also intend to periodically evaluate the sufficiency of our accounting resources and needs for recruiting additional personnel and provide our accounting staff with regular U.S. GAAP training. In relation to internal controls, we established an internal audit department, established strategies for further implementation of internal audit work, hired additional accounting staff with U.S. GAAP experience, Big Four international accounting firm experience and extensive accounting work experience, including additional internal audit professionals to serve internal audit functions, and intend to hire additional similarly qualified personnel in the future, including those with U.S.-listed company experience, U.S. CPA certificate or experience working in a Big Four international accounting firm. We have developed and implemented a full set of U.S. accounting policies and financial reporting procedures as well as related internal control policies, including a formal asset safeguard policy, and plan to continually enhance and improve these policies and procedures to meet updated U.S. GAAP requirements and our reporting obligations as an U.S.-listed company. We expect that these accounting policies and financial reporting procedures will be carried out by a qualified supporting staff overseen by our chief financial officer, who will be responsible for the final results and the quality of implementation. Moreover, we have engaged a team of professional advisors to assist us to improve our corporate governance, internal control procedures and help us design and implement a structured control environment for complying with the Sarbanes-Oxley Act of 2002, and we have devoted significant efforts to remedy any deficiencies or control gaps identified in the process. We intend to establish an independent audit committee to supervise the above measures; we have identified several qualified individuals with extensive U.S. GAAP and U.S.-listed company experience and intend to appoint one to serve as a financial expert and chairman of our audit committee. We are also drafting an anti-fraud policy and a whistle-blowing program which we expect to implement in the third quarter of 2012. We expect to complete the measures above as soon as practicable and we will continue to implement measures to remedy our internal control deficiencies in order to meet the deadline imposed under Section 404 of the Sarbanes-Oxley Act. However, the implementation of these measures may not fully address the existing significant deficiency in our internal control over financial reporting, and we cannot yet conclude that it has been fully remedied.

The process of designing and implementing an effective financial reporting system is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to expend significant resources to maintain a financial reporting system that is adequate to satisfy our reporting obligations. See "Risk Factors—Risks Relating to Our Business—If we fail to implement and maintain an effective system of internal controls, we may be unable to accurately report our results of operations or prevent fraud or fail to meet our reporting obligations, and investor confidence and the market price of our ADSs may be materially and adversely affected."

Results of Operations

The following table sets forth a summary of our consolidated results of operations for the periods indicated. Our business has grown rapidly since our inception. Our limited operating history makes it difficult to predict future operating results. We believe that period-to-period comparisons of results of operations should not be relied upon as indicative of future performance.

	For the Year Ended December 31,							For the Six Months Ended June 30,				
	2009		2010		2011			2011		2012		
	RMB	% of total net revenues	RMB	% of total net revenues	RMB	US$	% of total revenues	RMB	% of total revenues	RMB	US$	% of total revenues
	(in thousands, except for percentages)											
Total net revenues[1]	32,710	100.0	128,338	100.0	319,655	50,820	100.0	118,760	100.0	324,450	51,071	100.0
IVAS:												
Online game	12,976	39.7	86,316	67.3	165,933	26,380	51.9	71,679	60.4	150,398	23,674	46.4
YY Music	—	—	—	—	52,854	8,403	16.5	9,645	8.1	92,721	14,595	28.6
Others	853	2.6	1,282	1.0	13,589	2,161	4.3	1,969	1.6	30,961	4,873	9.5
Online advertising	18,881	57.7	40,740	31.7	87,279	13,876	27.3	35,467	29.9	50,370	7,929	15.5
Cost of revenues	(28,849)	(88.2)	(110,062)	(85.8)	(182,699)	(29,046)	(57.2)	(78,349)	(66.0)	(164,138)	(25,836)	(50.6)
Gross profit	3,861	11.8	18,276	14.2	136,956	21,774	42.8	40,411	34.0	160,312	25,235	49.4
Operating expenses												
Research and development expenses	(12,597)	(38.5)	(49,219)	(38.4)	(106,804)	(16,980)	(33.4)	(43,215)	(36.4)	(77,809)	(12,248)	(24.0)
Sales and marketing expenses	(4,951)	(15.1)	(12,363)	(9.6)	(13,381)	(2,127)	(4.2)	(7,917)	(6.7)	(4,862)	(765)	(1.5)
General and administrative expenses	(32,878)	(100.5)	(192,222)	(149.8)	(118,241)	(18,798)	(37.0)	(59,165)	(49.8)	(50,170)	(7,897)	(15.5)
Total operating expenses	(50,426)	(154.2)	(253,804)	(197.8)	(238,426)	(37,905)	(74.6)	(110,297)	(92.9)	(132,841)	(20,910)	(40.9)
Government grants	—	—	—	—	1,982	315	0.6	—	—	671	106	0.2
Operating (loss) Income	(46,565)	(142.4)	(235,528)	(183.5)	(99,488)	(15,816)	(31.1)	(69,886)	(58.8)	28,142	4,431	8.7
Foreign currency exchange (loss) gain, net	(15)	(0.0)	(551)	(0.4)	14,143	2,248	4.4	4,014	3.4	(1,786)	(281)	(0.6)
Interest income	46	0.1	56	0.0	4,890	777	1.5	1,348	1.1	5,986	942	1.8
(Loss) income before income tax expenses	(46,534)	(142.3)	(236,023)	(183.9)	(80,455)	(12,791)	(25.2)	(64,524)	(54.3)	32,342	5,092	10.0
Income tax expenses	(391)	(1.2)	(2,322)	(1.8)	(1,343)	(214)	(0.4)	(3,365)	(2.8)	(11,152)	(1,755)	(3.4)
(Loss) income before loss in equity method investments, net of income taxes	(46,925)	(143.5)	(238,345)	(185.7)	(81,798)	(13,005)	(25.6)	(67,889)	(57.2)	21,190	3,337	6.5
Losses in equity method investment, net of income taxes	(191)	(0.6)	(512)	(0.4)	(1,358)	(216)	(0.4)	(746)	(0.6)	(374)	(60)	(0.1)
Net (loss) income attributable to YY Inc.	(47,116)	(144.0)	(238,857)	(186.1)	(83,156)	(13,221)	(26.0)	(68,635)	(57.8)	20,816	3,277	6.4

(1) Net of rebates and discounts.

Six Months Ended June 30, 2012 Compared to Six Months Ended June 30, 2011

Net Revenues. Our net revenues increased by 173.2% from RMB118.8 million in the six months ended June 30, 2011 to RMB324.4 million (US$51.1 million) in the six months ended June 30, 2012. This increase was primarily due to increases in our online game revenues and the increased contribution of revenues from YY Music, which was officially launched in March 2011 as well as our membership program, which was launched in October 2011, and to a lesser extent, an increase in our online advertising revenues.

IVAS revenues. Our IVAS revenues, which consisted of revenues from online games and YY Music as well as other sources, increased by 229.5% from RMB83.3 million in the six months ended June 30, 2011 to

RMB274.1 million (US$ 43.1 million) in the same period in 2012. The overall increase primarily reflected an increase in the number of paying users and, to a lesser extent, an increase in ARPU. Our number of paying users increased from approximately 524,000 for the six months ended June 30, 2011 to 1,277,000 for the six months ended June 30, 2012. This increase in paying users was attributable to (i) a significant increase in the number of monthly active users from 48.8 million in June 2011 to 66.3 million in June 2012, (ii) an increase in the number of web games we operated and therefore the volume of new virtual items a user may purchase and (iii) the official launch and increasing popularity of YY Music and the introduction of our membership program. Our ARPU for IVAS increased from RMB159.1 for the six months ended June 30, 2011 to RMB214.6 (US$33.8) for the six months ended June 30, 2012.

Revenues from online games, all from web games, increased by 109.8% from RMB71.7 million in the six months ended June 30, 2011 to RMB150.4 million (US$23.7 million) in the same period in 2012. The number of online games we hosted increased from 30 as of June 30, 2011 to 57 as of June 30, 2012. Our paying users for online games increased from approximately 399,000 for the six months ended June 30, 2011 to 526,000 for the six months ended June 30, 2012.

Revenues from YY Music, which was officially launched in March 2011, increased from RMB9.6 million for the six months ended June 30, 2011 to RMB92.7 million (US$14.6 million) for the six months ended June 30, 2012. In addition to the increase in paying users and ARPU, the increase in YY Music IVAS revenues was also due to the increasing popularity of YY Music since its official launch. The increasing popularity of YY Music is attributable to several factors: (a) in June 2011, we began paying certain popular performers and channel owners on YY Music, which attracted more talented performers and channel owners to our platform and resulted in greater performer and channel owner participation on YY channels, which in turn led to higher attendance in YY channels, more loyal audiences and more paying users; (b) we have expanded the range of virtual item offerings on YY Music since its inception, and these virtual items now include flowers, glow sticks, beer and chocolate, and (c) we launched video functionalities in YY Music channels in the first quarter of 2012, which helped further enhance the attractiveness of YY Music to users. We believe that the combination of higher audience participation, a growing range of appealing virtual items offered and enhanced functionalities on YY Music have all contributed to the increased revenues generated from the sale of virtual items on YY Music. Our paying users for YY Music increased from approximately 97,000 for the six months ended June 30, 2011 to 400,000 for the six months ended June 30, 2012.

Other revenues, which primarily consisted of membership subscription fees, increased from RMB2.0 million in the six months ended June 30, 2011 to RMB31.0 million (US$4.9 million) in the six months ended June 30, 2012. This increase was primarily attributable to an increase in the number of users who subscribed to our membership program and paid the monthly subscription fee; we had approximately 301,000 such members as of June 30, 2012.

Online advertising revenues. Our online advertising revenues increased by 42.0% from RMB35.5 million in the six months ended June 30, 2011 to RMB50.4 million (US$7.9 million) in the same period in 2012. This increase was primarily attributable to an increase in the average revenue per advertiser which increased from approximately RMB427,000 in the six months ended June 30, 2011 to RMB504,000 (US$79,000) in the same period in 2012. This increase was partly driven by (a) the increase in the number of our average daily unique visitors to Duowan.com from 6.8 million in June 2011 to 19.9 million in June 2012, making online advertising on Duowan.com more attractive to a larger number of online game developers as an effective way to market games to a larger audience, (b) an increase in the average prices for our advertising slots due to Duowan.com's increasing popularity, and (c) the effective efforts of our sales and marketing team in promoting advertising on Duowan.com.

Cost of Revenues. Our cost of revenues increased by 109.5% from RMB78.3 million in the six months ended June 30, 2011 to RMB164.1 million (US$25.8 million) in the same period in 2012. The increase in our cost of revenues was due in large part to increases in bandwidth costs, which increased by 95.7% from RMB32.8 million in the six months ended June 30, 2011 to RMB64.2 million (US$10.1 million) in the same

period in 2012 and an increase in our YY Music activities costs. The increase in bandwidth costs was primarily due to (i) an increase in the amount of bandwidth required since we provided video functionality to an increasing number of our channels in the six months ended June 30, 2012 and (ii) an increase in the number of monthly active users on YY Client from approximately 48.8 million in June 2011 to 66.3 million in June 2012. Our YY Music activities costs, primarily consisting of the portion of revenues shared with certain popular performers and channel owners in different YY Music channels, amounted to RMB30.5 million (US$4.8 million) in the six months ended June 30, 2012 as our IVAS revenues from the sale of virtual items on YY Music channels increased. In addition, salary and welfare costs increased from RMB15.9 million in the six months ended June 30, 2011 to RMB20.4 million (US$3.2 million) in the same period in 2012, mainly due to our hiring of additional employees to serve our rapidly expanding user base. Payment handling costs increased from RMB4.8 million in the six months ended June 30, 2011 to RMB8.9 million (US$1.4 million) in the same period in 2012, primarily because of the higher IVAS sales and an increase in the number of users paying through third party payment channels.

Operating Expenses. Our operating expenses increased by 20.4% from RMB110.3 million in the six months ended June 30, 2011 to RMB132.8 million (US$20.9 million) in the same period in 2012, primarily due to an increase in research and development expenses, which reflected the general growth of our business operations, partially offset by a decrease in share-based compensation expenses.

Research and development expenses. Our research and development expenses increased by 80.1% from RMB43.2 million in the six months ended June 30, 2011 to RMB77.8 million (US$12.2 million) in the same period in 2012. This increase was primarily due to a significant increase in salaries and other benefits for research and development personnel, which was in turn mainly driven by an increase in our research and development staff, especially engineers, from 281 as of June 30, 2011 to 584 as of June 30, 2012. In addition, share-based compensation allocated to research and development expenses increased from RMB13.9 million in the six months ended June 30, 2011 to RMB19.7 million (US$3.1 million) in the same period in 2012.

Sales and marketing expenses. Our sales and marketing expenses decreased by 38.6% from RMB7.9 million in the six months ended June 30, 2011 to RMB4.9 million (US$0.8 million) in the same period in 2012. This decrease was primarily due to the fact that in the six months ended June 30, 2011, we conducted a one-time publicity campaign for Duowan.com on a third party website; we did not subsequently conduct similar publicity campaigns, leading to a decrease in our sales and marketing expenses. Share-based compensation allocated to sales and marketing expenses decreased from RMB660,000 in the six months ended June 30, 2011 to RMB500,000 (US$78,703) in the six months ended June 30, 2012.

General and administrative expenses. Our general and administrative expenses decreased by 15.2% from RMB59.2 million in the six months ended June 30, 2011 to RMB50.2 million (US$7.9 million) in the same period in 2012. This decrease was primarily due to a lower amount of share-based compensation expenses being allocated to general and administrative expenses from RMB48.2 million in the six months ended June 30, 2011 to RMB29.6 million (US$4.7 million) in the six months ended June 30, 2012.

Foreign Currency Exchange Gains (loss). We had net foreign currency exchange loss of RMB1.8 million (US$0.3 million) in the six months ended June 30, 2012, compared to a net foreign currency exchange gain of RMB4.0 million in the same period in 2011. This decrease was primarily due to the fact that we converted our proceeds from the issuance of common shares to an existing shareholder from U.S. dollars into Renminbi and the fact that the value of the Renminbi depreciated against the U.S. dollar during the six months ended June 30, 2012.

Interest Income. Our interest income increased from RMB1.3 million in the six months ended June 30, 2011 to RMB6.0 million (US$0.9 million) in the same period in 2012. This increase was primarily due to higher levels of cash on hand, partly as a result of depositing the proceeds from the issuance of common shares to Tiger Global Six YY Holdings into various bank accounts.

Income Tax Expenses. We recorded income tax expenses of RMB3.4 million in the six months ended June 30, 2011 compared to RMB11.2 million (US$1.8 million) in the same period in 2012. This increase was primarily due to the higher revenues recorded by certain of our PRC subsidiaries.

Net Income. As a result of the foregoing, we had a net income of RMB20.8 million (US$3.3 million) in the six months ended June 30, 2012 as compared to a net loss of RMB68.6 million in the same period in 2011.

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Net Revenues. Our net revenues increased by 149.2% from RMB128.3 million in 2010 to RMB319.7 million (US$50.3 million) in 2011. This increase was due to increases in both our online advertising revenues and online game revenues and the contribution of revenues from YY Music, which was officially launched in March 2011.

IVAS revenues. Our IVAS revenues, which consisted of revenues from online games and YY Music as well as other sources, increased significantly from RMB87.6 million in 2010 to RMB232.4 million (US$36.6 million) in 2011. The overall increase primarily reflected an increase in the number of paying users which partly led to a decrease in ARPU. The number of our paying users increased from approximately 492,000 in the year ended December 31, 2010 to 1.4 million in the year ended December 31, 2011. This increase in paying users was attributable to (i) a significant increase in the number of monthly active users from 35.4 million in December 2010 to 53.4 million in December 2011, (ii) an increase in the number of online games we operated from 2010 to 2011 and (iii) the official launch and increasing popularity of YY Music and the introduction of our membership program. Our ARPU for IVAS users decreased from RMB177.9 in 2010 to RMB164.3 (US$25.9) in 2011, primarily driven by the increase in the number of paying users which grew at a rate faster than the IVAS revenues for the period primarily due to the launch of YY Music in March 2011 and our membership program in October 2011, the latter of which charges a relatively low membership fee of RMB20.0 per month and partly offset by the increasing average price we charged for virtual items in 2011.

Revenues from online games, all from web games, increased significantly from RMB86.3 million in 2010 to RMB165.9 million (US$26.1 million) in 2011. The number of online games we hosted increased from 23 as of December 31, 2010 to 45 as of December 31, 2011, raising the volume of new virtual items available for purchase. Our number of paying users for online games increased from approximately 492,000 for the year ended December 31, 2010 to 871,000 for the year ended December 31, 2011.

Revenues from YY Music, which was launched in March 2011 and became increasingly popular during the year, amounted to RMB52.9 million (US$8.3 million) for 2011. Our paying users for YY Music amounted to approximately 225,000 for the fourth quarter of 2011.

Other revenues, which primarily consisted of membership subscription fees and other services, increased significantly from RMB1.3 million in 2010 to RMB13.6 million (US$2.1 million) in 2011. This increase was primarily attributable to the launching of our membership program in October 2011 and other services.

Online advertising revenues. Our online advertising revenues increased by 114.5% from RMB40.7 million in 2010 to RMB87.3 million (US$13.7 million) in 2011. This increase was primarily attributable to an increase in the average revenue per advertiser and, to a lesser extent, an increase in the number of advertisers. The average revenue per advertiser increased from RMB340,000 in 2010 to RMB623,000 (US$98,000) in 2011, and the number of our advertisers increased from 120 in 2010 to 140 in 2011. These increases were partly driven by (a) the increase in the number of our average daily unique visitors to Duowan.com from 5.5 million in December 2010 to 9.9 million in December 2011, making online advertising on Duowan.com more attractive to a larger number of online game developers as an effective way for them to market their games to a larger audience, and (b) the effective efforts of our sales and marketing team to acquire new advertisers and promote our advertising services to existing advertisers.

Cost of Revenues. Our cost of revenues increased by 66.0% from RMB110.1 million in 2010 to RMB182.7 million (US$28.8 million). The increase in our cost of revenues was due in large part to increases in bandwidth costs, which increased by 131.1% from RMB32.5 million in 2010 to RMB75.1 million (US$11.8 million) in 2011. The increase in bandwidth costs reflected an increase in the number of monthly active users on YY Client from approximately 35.4 million in December 2010 to 53.4 million in December 2011. In addition, salary and welfare costs increased from RMB23.5 million in 2010 to RMB33.4 million (US$5.3 million) in 2011, mainly due to our hiring of additional employees to serve our rapidly expanding user base. Share-based compensation, as allocated to cost of revenues, decreased from RMB31.7 million in 2010 to RMB15.4 million (US$2.4 million) in 2011. Payment handling costs increased from RMB6.8 million in 2010 to RMB9.3 million (US$1.5 million) in 2011, primarily because our users purchased more virtual items through third party payment channels. The increase in our cost of revenues was also attributable to the YY Music activities costs of RMB6.8 million (US$1.1 million) we incurred in the year of 2011.

Operating Expenses. Our operating expenses decreased by 6.1% from RMB253.8 million in 2010 to RMB238.4 million (US$37.5 million), primarily due to a decrease in general and administrative expenses, partly offset by increases in research and development expenses and sales and marketing expenses, which reflected the general growth of our business operations and the significant share-based compensation expenses we incurred.

Research and development expenses. Our research and development expenses increased by 117.1% from RMB49.2 million in 2010 to RMB106.8 million (US$16.8 million) in 2011. This increase was primarily due to a significant increase in salaries and other benefits for research and development personnel, which was in turn mainly due to an increase in our research and development staff headcount from 194 as of December 31, 2010 to 401 as of December 31, 2011. In addition, share-based compensation allocated to research and development expenses increased from RMB21.6 million in 2010 to RMB31.7 million (US$5.0 million) in 2011.

Sales and marketing expenses. Our sales and marketing expenses increased by 8.1% from RMB12.4 million in 2010 to RMB13.4 million (US$2.1 million) in 2011. This increase was primarily due to a significant increase in salaries, commissions and other benefits for our sales and marketing personnel, partly offset by a decrease in share-based compensations allocated to sales and marketing expenses from RMB1.5 million in 2010 to RMB1.3 million (US$0.2 million) in 2011.

General and administrative expenses. Our general and administrative expenses decreased by 38.5% from RMB192.2 million in 2010 to RMB118.2 million (US$18.6 million) in 2011. This decrease was primarily due to a significant decrease in share-based compensation expenses allocated to general and administrative expenses, from RMB182.1 million in 2010 to RMB86.5 million (US$13.6 million) in 2011.

Foreign Currency Exchange (Losses) Gains. We had a net foreign currency exchange loss of RMB551,000 in 2010 and a net foreign currency exchange gain of RMB14.1 million (US$2.2 million) in 2011. This increase was primarily due to the fact that we converted approximately US$75.0 million of the proceeds from the issuance of common shares to Tiger Global Six YY Holdings from U.S. dollars into Renminbi and the fact that the value of the Renminbi rose against the U.S. dollar during 2011.

Interest Income. Our interest income increased from RMB56,000 in 2010 to RMB4.9 million (US$771,000) in 2011. This increase was primarily due to higher levels of short-term deposits as a result of additional cash received from of our issuance of common shares to Tiger Global Six YY Holdings during 2011.

Income Tax Expenses. We had income tax expenses of RMB2.3 million in 2010 and RMB1.3 million (US$205,000) in 2011, respectively. This decrease was primarily due to the fact that our deferred income tax benefits increased in 2011; Zhuhai Duowan claimed 150% of its research and development expenses for the year in assessing its tax assessable profits in 2011, in line with a policy promulgated by the State Tax Bureau of the PRC for enterprises engaged in research and development activities.

Net Loss. As a result of the foregoing, our net loss decreased from RMB238.9 million in 2010 to RMB83.2 million (US$13.2 million) in 2011.

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Net Revenues. Our net revenues increased by 292.4% from RMB32.7 million in 2009 to RMB128.3 million in 2010. This increase was due to increases in both our online advertising revenues and online game revenues.

IVAS revenues. Our IVAS revenues, which primarily consisted of revenues from online games, increased significantly from RMB13.8 million in 2009 to RMB87.6 million in 2010. Revenues from IVAS from online games, all from web games, increased by 563.8% from RMB13.0 million in 2009 to RMB86.3 million in 2010, reflecting primarily an increase in the number of our paying users and, to a lesser extent, an increase in ARPU. The number of our paying users increased from approximately 147,000 in the six months ended December 31, 2009 to 492,000 in the year ended December 31, 2010. This increase in paying users was attributable to (a) a significant increase in the number of monthly active users from 16.2 million in January 2010 to 35.4 million in December 2010, and (b) an increase in the number of online games we operated from the end of 2009 to the end of 2010, from 13 to 23, raising the volume of new virtual items a user may purchase. Our ARPU for IVAS increased to RMB177.9 in 2010, primarily driven by the increasing average price we charged for virtual items in 2010.

Online advertising revenues. Our online advertising revenues increased by 115.3% from RMB18.9 million in 2009 to RMB40.7 million in 2010. This increase was attributable to the increase in the number of advertisers and an increase in the average revenue per advertiser. The number of our advertisers increased from 105 in 2009 to 120 in 2010, and the average revenue per advertiser increased from RMB180,000 in 2009 to RMB340,000 in 2010. These increases were partly driven by (a) the increase in the number of our average daily unique visitors to Duowan.com from 4.5 million in December 2009 to 5.5 million in December 2010, making online advertising on Duowan.com more attractive to a larger number of online game developers as an effective way for them to market their games to a larger audience, and (b) the effective efforts of our sales and marketing team to acquire new advertisers and promote our advertising services to existing advertisers.

Cost of Revenues. Our cost of revenues increased by 282.3% from RMB28.8 million in 2009 to RMB110.1 million in 2010. The increase in our cost of revenues was due in large part to increases in bandwidth costs, which increased by 282.4% from RMB8.5 million in 2009 to RMB32.5 million in 2010. The increase in bandwidth costs reflected an increase in the number of monthly active users on YY Client from approximately 16.2 million in January 2010 to 35.4 million in December 2010. In addition, salary and welfare costs increased from RMB6.9 million in 2009 to RMB23.5 million in 2010, mainly due to our hiring of additional employees to serve our rapidly expanding user base. Share-based compensation, as allocated to cost of revenues, increased from RMB5.3 million in 2009 to RMB31.7 million in 2010. Payment handling costs increased from RMB1.7 million in 2009 to RMB6.8 million in 2010, primarily because our users purchased more virtual items through third party payment channels.

Operating Expenses. Our operating expenses increased by 403.6% from RMB50.4 million in 2009 to RMB253.8 million in 2010, primarily due to increases in research and development, general and administrative expenses as well as sales and marketing expenses, which reflected the general growth of our business operations and the significant share-based compensation expenses we incurred.

Research and development expenses. Our research and development expenses increased by 290.5% from RMB12.6 million in 2009 to RMB49.2 million in 2010. This increase was primarily due to a significant increase in salaries and other benefits for research and development personnel, which was in turn mainly due to an increase in our research and development staff headcount from 100 as of December 31, 2009 to 194 as of December 31, 2010. In addition, share-based compensation allocated to research and development expenses increased significantly from RMB2.5 million in 2009 to RMB21.6 million in 2010.

Sales and marketing expenses. Our sales and marketing expenses increased by 148.0% from RMB5.0 million in 2009 to RMB12.4 million in 2010. This increase was primarily due to a significant increase in salaries, commissions and other benefits for our sales and marketing personnel. Share-based compensations

allocated to sales and marketing expenses increased from RMB0.2 million in 2009 to RMB1.5 million in 2010.

General and administrative expenses. Our general and administrative expenses increased by 484.2% from RMB32.9 million in 2009 to RMB192.2 million in 2010. This increase was primarily due to a significant increase in share-based compensation expenses, from RMB28.5 million in 2009 to RMB182.1 million in 2010, and, to a lesser extent, an increase in salaries and other benefits for our management team and other employees.

Foreign Currency Exchange Losses. Our net foreign currency exchange losses increased from RMB15,000 in 2009 to RMB551,000 in 2010. This increase was primarily due to the conversion of proceeds from our Series C-1 and C-2 preferred shares financing from U.S. dollars into Renminbi and the fact that the value of the Renminbi rose against the U.S. dollar during 2010.

Interest Income. Our interest income increased from RMB46,000 in 2009 to RMB56,000 in 2010. This increase was primarily due to additional cash received as a result of our series C preferred shares financing during the year.

Income Tax Expenses. We had income tax expenses of RMB0.4 million in 2009 and RMB2.3 million in 2010. This change was primarily due to higher levels of revenues in certain of our PRC subsidiaries and PRC affiliated entities, such as Zhuhai Daren Computer Technology Company, or Zhuhai Daren.

Net Loss. As a result of the foregoing, our net loss increased from RMB47.1 million in 2009 to RMB238.9 million in 2010.

Selected Quarterly Results of Operations

The following table presents our unaudited consolidated results of operations for the eight quarters in the period from July 1, 2010 to June 30, 2012. You should read the following table in conjunction with our audited and unaudited consolidated financial statements and related notes included elsewhere in this prospectus. We have prepared the unaudited condensed consolidated quarterly financial information on the same basis as our audited consolidated financial statements. This unaudited quarterly consolidated financial information includes all adjustments, consisting only of normal and recurring adjustments, that we consider necessary for a fair representation of our financial position and operating results for the quarters presented.

	For the Three Months Ended							
	September 30, 2010	December 31, 2010	March 31, 2011	June 30, 2011	September 30, 2011	December 31, 2011	March 31, 2012	June 30, 2012
	(Unaudited) *(in thousands of RMB, except for share, per share and per ADS data)*							
Internet value-added service								
—Online game	26,127	27,149	34,479	37,200	41,689	52,565	68,806	81,592
—YY Music	—	—	40	9,605	17,794	25,415	33,763	58,958
—Others	366	396	686	1,283	3,041	8,579	13,427	17,534
Online advertising	11,709	15,240	12,152	23,315	25,437	26,375	20,667	29,703
Total net revenues	38,202	42,785	47,357	71,403	87,961	112,934	136,663	187,787
Cost of revenues(1)	(29,973)	(39,921)	(37,237)	(41,112)	(48,354)	(55,996)	(68,954)	(95,184)
Gross profit	8,229	2,864	10,120	30,291	39,607	56,938	67,709	92,603
Operating expenses(1)								
Research and development expenses	(13,932)	(18,123)	(21,172)	(22,043)	(30,894)	(32,695)	(36,719)	(41,090)
Sales and marketing expenses	(3,452)	(2,996)	(3,722)	(4,195)	(2,705)	(2,759)	(2,046)	(2,816)
General and administrative expenses	(51,307)	(79,053)	(28,210)	(30,955)	(29,610)	(29,466)	(25,330)	(24,840)
Total operating expenses	(68,691)	(100,172)	(53,104)	(57,193)	(63,209)	(64,920)	(64,095)	(68,746)
Government grants	—	—	—	—	—	1,982	642	29
Operating (loss) income	(60,462)	(97,308)	(42,984)	(26,902)	(23,602)	(6,000)	4,256	23,886
(Loss) income before income tax expenses	(60,484)	(97,795)	(42,295)	(22,229)	(16,115)	184	7,215	25,127
Net (loss) income attributable to YY Inc.	(61,313)	(99,472)	(42,927)	(25,708)	(18,546)	4,025	3,521	17,295

(1) Share-based compensation was allocated in cost of revenues and operating expenses as follows:

	For the Three Months Ended							
	September 30, 2010	December 31, 2010	March 31, 2011	June 30, 2011	September 30, 2011	December 31, 2011	March 31, 2012	June 30, 2012
	(Unaudited) *(in thousands of RMB)*							
Cost of revenues	8,566	13,076	4,408	4,832	3,533	2,676	2,171	2,215
Research and development expenses	5,843	8,917	6,624	7,263	9,754	8,031	9,641	10,090
Sales and marketing expenses	405	619	315	345	364	312	248	252
General and administrative expenses	49,197	75,088	22,983	25,198	20,867	17,496	15,473	14,170
Total:	64,011	97,700	34,330	37,638	34,518	28,515	27,533	26,727

The following table sets forth our historical unaudited consolidated selected quarterly results of operations for the periods indicated, as a percentage of total net revenues.

	For the Three Months Ended							
	September 30, 2010	December 31, 2010	March 31, 2011	June 30, 2011	September 30, 2011	December 31, 2011	March 31, 2012	June 30, 2012
	(Unaudited)							
Internet value-added service								
—Online game	68.4	63.5	72.8	52.1	47.4	46.5	50.3	43.4
—YY Music	—	—	0.1	13.5	20.2	22.5	24.7	31.4
—Others	1.0	0.9	1.4	1.8	3.5	7.6	9.8	9.3
Online advertising	30.7	35.6	25.7	32.7	28.9	23.4	15.1	15.8
Total net revenues	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Cost of revenues	(78.5)	(93.3)	(78.6)	(57.6)	(55.0)	(49.6)	(50.5)	(50.7)
Gross profit	21.5	6.7	21.4	42.4	45.0	50.4	49.5	49.3
Operating expenses								
Research and development expenses	(36.5)	(42.4)	(44.7)	(30.9)	(35.1)	(29.0)	(26.9)	(21.9)
Sales and marketing expenses	(9.0)	(7.0)	(7.9)	(5.9)	(3.1)	(2.4)	(1.5)	(1.5)
General and administrative expenses	(134.3)	(184.8)	(59.6)	(43.4)	(33.7)	(26.1)	(18.5)	(13.2)
Total operating expenses	(179.8)	(234.1)	(112.1)	(80.1)	(71.9)	(57.5)	(46.9)	(36.6)
Government grants	—	—	—	—	—	1.8	0.5	0.0
Operating (loss) income	(158.3)	(227.4)	(90.8)	(37.7)	(26.8)	(5.3)	3.1	12.7
(Loss) income before income tax expenses	(158.3)	(228.6)	(89.3)	(31.1)	(18.3)	0.2	5.3	13.4
Net (loss) income attributable to YY Inc	(160.5)	(232.5)	(90.6)	(36.0)	(21.1)	3.6	2.6	9.2

Liquidity and Capital Resources

Cash Flows and Working Capital

To date, we have financed our operations primarily through private placements of preferred and common shares to investors as well as cash flows from operations. See "Description of Share Capital—History of Securities Issuances." As of June 30, 2012, we had RMB187.9 million (US$29.6 million) in cash and cash equivalents and RMB507.1 million (US$79.8 million) in short term deposits. We expect to require cash to fund our ongoing operational needs, particularly our bandwidth costs, salaries and benefits and potential acquisitions or strategic investments. We believe that our cash and the anticipated cash flow from operations will be sufficient to meet our anticipated cash needs for the next 12 months. However, we may require additional cash resources due to changing business conditions or other future developments, including any investments or acquisitions we may decide to selectively pursue. If our existing cash resources are insufficient to meet our requirements, we may seek to sell equity or equity-linked securities, debt securities or borrow from banks.

Our PRC subsidiaries and consolidated affiliated entities, in the aggregate, held RMB120.4 million (US$19.0 million) and RMB222.1 million (US$35.0 million) in cash, cash equivalents and short term deposits as of December 31, 2011 and June 30, 2012, respectively. For information regarding restrictions and potential tax liabilities on profit distribution from these entities, see "Risk Factors—Risks Relating to Doing Business in China—Under the PRC enterprise income tax law, we may be classified as a PRC "resident enterprise," which could result in unfavorable tax consequences to us and our shareholders and have a material adverse effect on our results of operations and the value of your investment" and "—PRC regulations relating to offshore investment activities by PRC residents may limit our PRC subsidiaries' ability to increase their registered capital or distribute profits to us or otherwise expose us to liability and penalties under PRC law." Our PRC subsidiaries are categorized as "foreign-invested enterprises" pursuant to applicable PRC laws, and accordingly their dividend remittances to foreign investors are conducted through the following four steps: (1) making up any losses incurred during the current year and past years and paying enterprise income taxes; (2) appropriating no less than 10% of the accumulative after-tax profits as a statutory reserve fund until the aggregate amount of such reserve fund reaches 50% of each PRC subsidiary's respective registered capital; (3) reserving a certain amount for the employee welfare funds at the discretion of the PRC subsidiary; and (4) distributing all or some of the remaining profits to the PRC subsidiary's direct foreign shareholders as dividends. In accordance with the New EIT Law and its implementation rules, dividends generated after January 1, 2008 and distributed to our overseas holding company by our PRC subsidiaries are subject to withholding tax at a rate of 10%. The economic benefits of our PRC consolidated affiliated entities are mainly transferred to Huanju Shidai through payment of service fees under the Exclusive Business Cooperation Agreements and the Exclusive Technology Support and Technology Services Agreements entered into between Huanju Shidai and each PRC consolidated affiliated entity, Beijing Tuda and Guangzhou Huaduo, which are subject to the business tax and related surcharges. Upon receipt of such service fees, they will become a portion of Huanju Shidai's revenues and can be remitted to the parent company through the four-step process above.

The following table sets forth a summary of our cash flows for the periods indicated:

	For the Year Ended December 31,				For the Six Months Ended June 30,		
	2009	2010	2011		2011	2012	
	RMB	RMB	RMB	US$	RMB	RMB	US$
				(in thousands)			
Net cash (used in) provided by operating activities	(4,476)	16,228	99,817	15,868	12,497	131,723	20,734
Net cash used in investing activities	(4,509)	(33,576)	(528,357)	(83,999)	(323,981)	(72,777)	(11,456)
Net cash provided by (used in) financing activities	74,629	(3,138)	477,882	75,975	317,045	—	—
Net increase (decrease) in cash and cash equivalents	65,644	(20,486)	49,342	7,844	5,561	58,946	9,278
Cash and cash equivalents at the beginning of the year period	40,797	106,427	83,683	13,304	83,683	128,891	20,288
Effect of exchange rates change on cash and cash equivalents	(14)	(2,258)	(4,134)	(657)	(2,153)	97	16
Cash and cash equivalents at the end of the year period	106,427	83,683	128,891	20,491	87,091	187,934	29,582

Operating Activities

Net cash used in or generated from operating activities consists primarily of our net loss mitigated by non-cash adjustments, such as share-based compensation, impairment of intangible asset, loss on disposal of property and equipment, deferred taxes and depreciation of property and equipment, and adjusted by changes in operating assets and liabilities, such as accounts receivable and accrued liabilities, account payables and other payables.

Net cash provided by operating activities for the six months ended June 30, 2012 was approximately RMB131.7 million (US$20.7 million), primarily resulting from RMB410.2 million (US$64.6 million) of cash revenues we received from the sale of IVAS and advertisements, partially offset by our employee salaries and welfare payment of RMB103.8 million (US$16.3 million), our sales-related cash outflow of RMB90.4 million (US$14.2 million), which mainly consisted of the amounts due to third party game developers under revenue-sharing arrangements, distributions under arrangements with certain popular performers and channel owners on YY Music, payment collection costs and business taxes, our payments for server maintenance and data center leases of RMB60.8 million (US$9.6 million) and our general operating costs of RMB23.5 million (US$3.7 million).

Net cash provided by operating activities for the year ended December 31, 2011 was approximately RMB99.8 million (US$15.9 million), primarily resulting from RMB395.8 million (US$62.9 million) of cash revenues we received from the sale of IVAS and advertisements, partially offset by our sales-related cash outflow of RMB81.9 million (US$13.0 million), which mainly consisted of the amounts due to third party game developers under revenue sharing arrangements, payment collection costs and business taxes, our employee salaries and welfare payment of RMB118.0 million (US$18.8 million), our payments for server maintenance and data center leases of RMB71.4 million (US$11.4 million) and our general operating costs of RMB24.7 million (US$3.9 million).

Net cash provided by operating activities for the year ended December 31, 2010 was approximately RMB16.2 million, primarily resulting from RMB151.0 million cash revenues we received from the sale of IVAS and advertisements, partially offset by our sales-related cash outflow of RMB33.9 million, which mainly consisted of the amounts due to third party game developers under revenue sharing arrangements, payment collection costs and business taxes, our employee salaries and welfare payment of RMB59.2 million, our

payments for server maintenance and data center leases of RMB29.8 million and our general operating costs of RMB11.9 million.

Net cash used in operating activities for the year ended December 31, 2009 was approximately RMB4.5 million, primarily resulting from our employee salaries and welfare payment of RMB18.0 million, our payments for server maintenance and data center leases of RMB8.2 million, our sales-related cash outflow of RMB8.1 million, which mainly consisted of the amounts due to third party game developers under revenue sharing arrangements, payment collection costs and business taxes and our general operating costs of RMB6.7 million, partially offset by RMB36.5 million cash revenues we received from the sale of IVAS and advertisements.

Investing Activities

Net cash used in investing activities largely reflects purchases of property and equipment in connection with the expansion and upgrade of our technology infrastructure, purchases of intangibles assets and our equity investments in privately-held companies, such as associated game developers with whom we jointly operate online web games and or an online communications company which can increase our capacity for data delivery.

Net cash used in investing activities amounted to RMB72.8 million (US$11.5 million) in the six months ended June 30, 2012. Net cash used in investing activities primarily resulted from the placement of short-term deposits of RMB364.4 million (US$57.4 million), consideration of RMB11.7 million (US$1.8 million) paid in connection with an acquisition, and payments of RMB25.8 million (US$4.1 million) for the purchase of property and equipment, which mainly consisted of the purchase of servers to serve our expanded user base and, to a lesser extent, the purchase of office furniture and other office set-up related costs, partially offset by the maturity of term deposits in various banks in the amount of RMB330.0 million (US$51.9 million).

Net cash used in investing activities amounted to RMB528.4 million (US$84.0 million) in the year ended December 31, 2011. Net cash used in investing activities primarily resulted from the placement of short-term deposits of RMB872.4 million (US$138.7 million), payments of RMB47.0 million (US$7.5 million) for the purchase of property and equipment, which mainly consisted of the purchase of servers to serve our expanded user base and, to a lesser extent, the purchase of office furniture and other office set-up related costs, and equity investments of RMB4.5 million associated with the purchase of a minority equity interest in Zhuhai JinShan KuaiKuai Technology Co., Ltd., a company which provides online game technological research services in China, and Shenzhen Yingpeng Information Technology Company Limited, a company which provides mobile internet related content in China, partly offset by the maturity of term deposits in various banks in the amount of RMB399.7 million (US$63.5 million).

Net cash used in investing activities amounted to RMB33.6 million in 2010, primarily attributable to the acquisition of property and equipment in the amount of RMB14.7 million and the purchase of intangible assets in the amount of RMB13.5 million. The acquisition of property and equipment mainly consisted of the purchase of servers to serve our expanded user base and, to a lesser extent, the purchase of office furniture and other office set-up related costs. The purchase of intangible assets primarily represented the purchase of domain names in preparation for the continued expansion of our platform.

Net cash used in investing activities amounted to RMB4.5 million in 2009, primarily attributable to the acquisition of property and equipment in the amount of RMB5.9 million and investments under the equity method in the amount of RMB1.0 million due to our acquisition of Zhuhai Daren, partially offset by the maturity of term deposits in various banks in the amount of RMB1.5 million and the repayment of a loan to a related party of RMB1.0 million. The repayment of the loan to a related party was due to the fact that we extended a RMB1.0 million loan to Zhuhai Daren in advance of the completion of our investment therein, treating the loan as a receivable. The loan was later repaid. The acquisition of property and equipment primarily related to the purchase of servers to serve an expanded user base.

Financing Activities

Net cash provided by financing activities amounted to nil in the six months ended June 30, 2012.

Net cash provided by financing activities was RMB477.9 million (US$76.0 million) in the year ended December 31, 2011, primarily attributable to proceeds from the issuance of common shares to Tiger Global Six YY Holdings, net of issuance costs, of RMB489.0 million (US$77.7 million), partially offset by our repurchase of share options in the amount of RMB11.1 million (US$1.8 million).

Net cash used in financing activities amounted to RMB3.1 million in 2010, primarily attributable to our repurchase of share options in the amount of RMB2.6 million in January 2010.

Net cash provided by financing activities amounted to RMB74.6 million in 2009, primarily attributable to proceeds from issuance of preferred shares in the amount of RMB80.3 million, partially offset by our repurchase of shares and warrants in the amount of RMB5.7 million.

Capital Expenditures

We made capital expenditures of RMB6.5 million, RMB34.9 million and RMB41.6 million (US$6.6 million) in 2009, 2010 and 2011, respectively. We incurred capital expenditure of approximately RMB45.2 million (US$7.1 million) for the six months ended June 30, 2012. Our capital expenditures are primarily used to purchase computers, servers, office furniture and other equipment. As we expand, we may move to larger offices and purchase additional office furniture and other equipment.

Contractual Obligations and Capital Commitments

The following table sets forth our contractual obligations as of December 31, 2011:

	Payment Due by Period				
	Total	Less than 1 year	1-2 years	2-3 years	More than 3 years
	(in thousands of RMB)				
Operating lease obligations[1]	50,833	10,987	12,448	13,561	13,837

(1) Operating lease obligations refer to the lease of bandwidth and offices under operating lease agreements, where a significant portion of the risks and rewards of ownership are retained by the lessor. Payments made under operating leases are charged to the consolidated statements of operations on a straight-line basis over the period of the lease, including any free lease periods.

Our operating lease obligations increased from December 31, 2011 to June 30, 2012 primarily because we entered into new leases for expanded office space. In the six months ended June 30, 2012, we incurred capital commitments amounting to RMB500,000 (US$78,703) for leasehold improvements which were contracted but not yet reflected in our financial statements.

Off-Balance Sheet Commitments and Arrangements

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholder's equity or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or product development services with us.

Inflation

Since our inception, inflation in China has not materially impacted our results of operations. According to the National Bureau of Statistics of China, the change of consumer price index, or CPI, in China was (0.7)%, 3.3% and 5.4% in 2009, 2010 and 2011, respectively. The CPI rose by 2.2% in the first six months of 2012 compared to the same period in 2011. Although we have not in the past been materially affected by inflation since our inception, we can provide no assurance that we will not be affected in the future by higher rates of inflation in China.

Contract with Third-Party Game Developers

Contract with Dandan Tang

A Joint Operation Agreement dated July 1, 2011 was entered into between the Zhuhai branch of Guangzhou Huaduo and 7th Road for the joint operation of Dandan Tang, one of our most popular online games, and to provide relevant game-related services. The original term of this agreement was one year from the signing date and the agreement was automatically renewed till June 30, 2013. Under the agreement, 7th Road granted the Zhuhai branch of Guangzhou Huaduo non-exclusive, non-transferable rights to conduct certain activities with respect to Dandan Tang, including but not limited to operating the game and the use of the authorized trademarks and domain name associated with the game. Guangzhou Huaduo, pursuant to the agreement, supplies all necessary hardware and equipment to provide game services relating to Dandan Tang and guarantees the smooth operation of the servers and network in addition to using its best efforts to promote and market the game. 7th Road is responsible for resolving any issues encountered in Dandan Tang's operations and may update the game from time to time. Both parties are to share a certain percentage of the revenues derived from the game on a monthly basis.

Contracts with Other Major Third-Party Game Developers

The terms of the contracts that we enter into with each major third-party game developer are similar to the terms of the contract with the developer of Dandan Tang. Pursuant to these contracts, we have non-exclusive, non-transferable rights to conduct certain activities with respect to the games, including operating the games and using the authorized trademarks and domain names associated with the games. Under these agreements, we are responsible for the promotion and marketing of the games. The game developers are responsible for resolving any issues encountered in the games' operations and may update the games from time to time. We share a certain percentage of the revenues derived from the game on a monthly basis with the game developer.

Quantitative and Qualitative Disclosure about Market Risk

Foreign Exchange Risk

The revenues and expenses of our subsidiaries and PRC consolidated affiliated entities are generally denominated in Renminbi and their assets and liabilities are denominated in Renminbi. Our financing activities are denominated in U.S. dollars.

To date, we have not entered into hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. Although our exposure to foreign exchange risks is generally limited, the value of your investment in our ADSs will be affected by the exchange rate between the U.S. dollar and the Renminbi because the value of our business is effectively denominated in Renminbi, while our ADSs will be traded in U.S. dollars.

The Renminbi is not freely convertible into foreign currencies. Remittances of foreign currencies into the PRC and exchange of foreign currencies into Renminbi require approval by foreign exchange administrative authorities and certain supporting documentation. The State Administration for Foreign Exchange, under the authority of the People's Bank of China, controls the conversion of Renminbi into other currencies.

The value of the Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. The conversion of Renminbi into foreign currencies, including U.S. dollars, has been based on rates set by the People's Bank of China. 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 the revised policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy resulted in a more than 20% appreciation of the Renminbi against the U.S. dollar in the following three years. During the period between July 2008 and June 2010, the exchange rate between the Renminbi and the U.S. dollar had been stable and traded within a narrow band. However, the Renminbi fluctuated significantly during that period against other freely traded currencies, in tandem with the U.S. dollar. On June 20, 2010, the People's Bank of China announced that the PRC government would further reform the Renminbi exchange rate regime and increase the flexibility of the exchange rate. Since then, the Renminbi has started to slowly appreciate against the U.S. dollar, though there have been periods recently when the U.S. dollar has appreciated against the Renminbi. It is difficult to predict how long the current situation may last and when and how this relationship between the Renminbi and the U.S. dollar may change again. To the extent that we need to convert U.S. dollars we receive from this offering into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we receive from the conversion. Conversely, if we decide to convert the Renminbi into U.S. dollars for the purpose of making payments for dividends on our common shares or ADSs or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amounts available to us.

Interest Risk

Our exposure to interest rate risk primarily relates to the interest income generated by excess cash, which is mostly held in interest-bearing bank deposits. Interest-earning instruments carry a degree of interest rate risk. We have not been exposed to, nor do we anticipate being exposed to, material risks due to changes in market interest rates. However, our future interest income may fall short of expectations due to changes in market interest rates.

Critical Accounting Policies

We prepare our financial statements in conformity with U.S. GAAP, which requires us to make estimates and assumptions that affect our reporting of, among other things, assets and liabilities, revenues and expenses. We regularly evaluate these estimates and assumptions based on the most recently available information, our own historical experiences and other factors that we believe to be relevant under the circumstances. Since our financial reporting process inherently relies on the use of estimates and assumptions, our actual results could differ from these estimates. This is especially true with some accounting policies that require higher degrees of judgment than others in their application. We consider the policies discussed below to be critical to an understanding of our audited consolidated financial statements because they involve the greatest reliance on our management's judgment.

Revenue Recognition and Deferred Revenue

We generate revenues from IVAS and online advertising. Revenues from IVAS are generated based on the revenue-sharing with game developers for direct purchase and conversion of game tokens, sales of virtual items in online games, YY Music and other channels, and membership subscription fees, as well as other IVAS. Online advertising revenues are primarily generated from sales of different forms of advertising on Duowan.com. Revenue is recognized when persuasive evidence of an arrangement exists, service has been rendered, the price is fixed or determinable and collection is reasonably assured. Revenue is deferred until these criteria are met as describe below.

In October 2009, the Financial Accounting Standards Board (the "FASB") issued a new guidance to address the accounting for multiple-deliverable arrangements. This new guidance is effective prospectively in fiscal years beginning upon or after June 15, 2010, and early adoption is permitted. We have elected early adoption of this new guidance through a retrospective application to all revenue arrangements for all periods presented in our financial statements included elsewhere in this prospectus.

IVAS

We offer our IVAS on our platform, including online games, YY Music and membership. Users can play web games and participate in YY Music through our platform free of charge, but they are charged when they purchase virtual items. In addition, users who subscribe to our membership program pay monthly fees in order to enjoy certain functions and privileges unavailable to other users. We operate a virtual currency system under which our users can directly purchase our virtual currency, game tokens and virtual items on YY Client's online community channels or pay membership subscription fees via third-party payment systems, including payments using mobile phones and internet debit/credit card payments. Our virtual currency can be used to (a) convert into game tokens that can be used to purchase virtual items in online games, (b) purchase virtual items in channels on YY Client, or (c) pay monthly membership subscription fees. Virtual currency sold but not yet consumed by the users is recorded as "advances from users" and, upon being converted or used, is recognized as revenue according to the respective prescribed revenue recognition policies addressed below:

Online games

Users play online games on our website free of charge, but they are charged for purchases of in-game virtual items including consumable and perpetual items, which can be utilized in the online games to enhance their game-playing experience. Currently, these online games on our platform that contribute to IVAS revenues are all web games. Consumable items represent virtual items that can be consumed by a specific user within a specified period of time. Perpetual items represent virtual items that are accessible to the user's account over the life of the online game. Almost all of these online games can be accessed and played by users on our platform without downloading separate software.

We recognize revenues when recognition criteria defined under U.S. GAAP are satisfied. For purposes of determining when the service has been provided, we have determined that there is an implied obligation for us to the paying user to continue providing access to the games such that the users can utilize the virtual items purchased by game tokens. Game players need to log on and access the games through our platform because their virtual currency, game tokens, virtual items, and game history are specific to our game accounts and are non-transferable to other platforms. To purchase in-game virtual items, our users can either charge their game accounts by purchasing game tokens, or virtual currency from our platform, which are convertible into game tokens based on a predetermined exchange rate agreed among us and the relevant game developers. To purchase virtual items for YY client channel activities, our users can consume their virtual currency directly.

The proceeds from the purchase of our virtual currency is recorded as an "advance from users," representing prepayments received from users in the form of our virtual currency but not yet consumed or converted into game specific tokens. Upon the conversion into a game token from our virtual currency or upon the direct purchase of a game token, whichever is applicable, the proceeds will be shared between us and the relevant game developer based on a predetermined contractual ratio. Our portion, net of the game developer's proceeds, is recorded as deferred revenue and amortized according to the prescribed revenue recognition policies described below. Game tokens are non-refundable and non-exchangeable among different games. Users typically do not convert our virtual currency into game tokens or purchase game tokens unless they soon plan to purchase in-game virtual items.

We generate revenues from offering online games developed by both third parties and by ourselves. The majority of online game revenues have been derived from third party developed games.

Third party developed games

Under contracts signed between us and the respective game developers, revenues from the sale or conversion of game tokens to be used for the purchase of in-game virtual items derived from online games developed by third parties are shared between us and the game developers based on a pre-agreed ratio for each game. These revenue-sharing arrangements typically last for a range of one year to two years.

The third party developed games under non-exclusive licensing contracts are maintained and updated by the game developers. We mainly provide access to the platform and limited after-sale services to the game players. The determination of whether to record these revenues using the gross or net method is based on an assessment of various factors; the primary factors are whether we act as the principal in offering services to the game players or as agent in the transaction, and the specific requirements of each contract. We determined that for third party developed games, the third party game developers are the principal given that the game developers design and develop the game services offered, have reasonable latitude to establish prices of game tokens, and are responsible for maintaining and upgrading the game content and virtual items. Accordingly, we record online game revenue net of the pre-agreed portion of revenue sharing with the game developers.

Given that third party developed games are managed and administered by the third party game developers, we do not have access to the data on the consumption details such as when a game token is spent on the virtual items or the types of virtual items (consumable or perpetual items) purchased by each individual game player. However, we maintain historical data on the timing of the conversion of our virtual currency into game-specific tokens and the amount of game tokens purchased. We believe that our performance for, and obligation to, the game developers correspond to the game developers' services to the users. We have adopted a policy to recognize revenues relating to game tokens for third party developed games over the estimated user relationship with us on a game-by-game basis, which are approximately three to six months for the periods presented. Future usage patterns may differ from historical usage patterns and therefore the estimated user relationship with us may change in the future.

When we launch a new game, we estimate the user relationship based on other similar types of games in the market until the new game establishes its own history. We also consider the game's profile, attributes, target audience, and its appeal to players of different demographic groups in estimating the user relationship period.

The estimated user relationship period is based on data collected from those users who have acquired game tokens. To estimate the period of the user relationship, we maintain a software system that captures the following information for each user: (a) the frequency that users log into each game via our platform, and (b) the amount and the timing of when users charge or convert his or her game tokens. We estimate the user relationship period for a particular game to be (1) the date a player purchases or converts from virtual currency to a game token through 2) the date we estimate the user plays the game for the last time. This computation is completed on a user by user basis. Then, the results for all analyzed users are averaged to determine one estimated user relationship period for each game. Each month's in-game payments are recognized over the end user relationship period calculated for that game.

To estimate the date the user plays the game for the last time, we selected all paying users that logged on during a particular month and continue to track these users log on behavior over at least a six month period to determine if each user is "active" or "inactive," which is determined based on a review of the period of inactivity or idle period from the user's last log-on. We observe the behavior of these users to see whether they subsequently return to a game based on different inactive periods (e.g. not logging on) of one month, two months, three months and so forth. The percentage of users calculated that do not log back on is estimated to be the probability that users will not return to the game after a certain period of inactivity.

We consider a paying player to be inactive once he or she has reached a period of inactivity for which it is probable (defined as at least 80%) that a player will not return to a specific game. We believe that using an 80% threshold for the likelihood that a player will not return to a game is a reasonable estimate that achieves the magnitude of "probable" under the threshold described in ASC 450 *Contingencies.* We have consistently applied this threshold to our analysis. Based on our assessment, the inactive period ranges generally from one to three months depending on the game.

The consideration of user relationship with each online game is based on our best estimate that takes into account all known and relevant information at the time of assessment. We assess the estimated user relationships

on a quarterly basis. Any adjustments arising from changes in user relationship as a result of new information will be accounted as a change in accounting estimate in accordance with ASC 250 *Accounting Changes and Error Corrections*.

Self-developed games

Revenues derived from our self-developed games are recorded on a gross basis as we act as a principal to fulfill all obligations. We do not maintain information on consumption details of in-game virtual items, and only have limited information related to the frequency of log-ons for our two self-developed games. Given that certain historical data is not available, we use the user relationship of third party games with similar popularity, gaming experience and sales to determine the estimated period of the user relationship for our self-developed games. The estimated lives of the user relationships of our self-developed games are approximately four months for the periods presented.

YY Music Revenue

YY Music revenue consists of sales of virtual items that we create and offer to users to be used on YY Client's music channels that we operate and maintain. Users purchase consumable virtual items from us to show support for their favorite performers or time-based virtual items that provide users with recognized status, such as priority speaking rights or special symbols on the music channels for a specific period of time. In order to attract user traffic, we share with certain popular performers and channel owners a portion of the revenues we derive from such in-channel virtual item sales on YY Music, which we account for as cost of revenues. Accordingly, YY Music revenue is recognized for the sale of virtual items sold in YY Music channels immediately if the virtual item is a consumable or, in the case of time-based virtual items, recognized ratably over the period each virtual item is made available to the user, which does not exceed one year. We do not have further obligations to the user after the virtual items are consumed. Virtual items may be sold individually or bundled into one arrangement. When our users purchase multiple virtual items bundled within the same arrangement, we evaluate such arrangements under ASC 605-25 *Multiple-Element Arrangements.* We identify individual elements under the arrangement and determine if such elements meet the criteria to be accounted for as separate units of accounting. We allocate the arrangement consideration to separate units of accounting based on their relative selling price. The following hierarchy has been followed when determining the relative selling price for each element: (1) vendor specific objective evidence, or VSOE, (2) third party evidence, or TPE, and (3) best estimate of selling price, or BESP. Given that the VSOE of the selling price cannot be determined, we have adopted a policy to allocate the consideration of the whole arrangement to different virtual item elements based on the TPE of selling price or the BESP for each virtual item element. We determine the fair values of virtual items sold in a bundle based on similar products sold separately on the YY platform based on the TPE of selling price and determine the fair values of virtual items without similar products sold separately on the YY platform based on the BESP. The BESP is generally based on the selling prices of the various elements of a similar nature when they are sold to users on a stand-alone basis. The BESP may also be based on the estimated stand-alone pricing when the element has not previously been sold on a stand-alone basis. These estimates are generally determined based on pricing strategies, market factors and strategic objectives. We recognize revenue for each virtual item element in accordance with the applicable revenue recognition method.

Other revenue

Other revenue mainly represents revenue from membership subscription fees, technical support fees, server rental income and revenue from the sale of other items on the YY platform. We launched our membership program where members can receive enhanced user privileges when using YY Client. The membership fee is collected up-front from each member. The receipt of membership fees is initially recorded as deferred revenue, and revenue is recognized ratably over the period of the membership subscription. Server rental income is recognized on a straight-line basis over the rental period.

Advertising revenues

Advertising revenues are derived principally from advertising arrangements where the advertisers pay to place their advertisements on Duowan.com in different formats over a particular period of time. Such formats generally include but are not limited to banners, text-links, videos, logos, and buttons. Advertisements on our website are generally charged on the basis of duration, and advertising contracts are signed to establish the fixed price and the advertising services to be provided. Where collectability is reasonably assured, advertising revenues from advertising contracts are recognized ratably over the contract period of display.

We enter into advertising contracts with third party advertising agencies, as well as with advertisers directly. A typical contract term would range from one to three months. Both third party advertising agencies and direct advertisers are generally billed at the end of the display period and payments are due usually within six months.

Where our customers purchase multiple advertising spaces with different display periods in the same contract, we allocate the total consideration to the various advertising elements based on relative selling price and recognize revenue for the different elements over their respective display periods. We determine the fair values of different advertising elements based on our best estimate of selling prices of each advertisement within the contract, taking into consideration our standard price list and historical discounts granted. We recognize revenue on the elements delivered and defer the recognition of revenue for the fair value of the undelivered elements until the remaining obligations have been satisfied. Where all of the elements within an arrangement are delivered uniformly over the agreement period, the revenues are recognized on a straight line basis over the contract period.

Transactions with third party advertising agencies

For contracts entered into with third party advertising agencies, the third party advertising agencies will in turn sell the advertising services to advertisers. Revenue is recognized ratably over the contractual period of display based on the following criteria:

- there is persuasive evidence that an arrangement exists—we enter into framework and execution agreements with the advertising agencies, specifying price, advertising content, format and timing;
- price is fixed or determinable—the price charged to the advertising agencies are specified in the agreements, including relevant discount and rebate rates;
- services are rendered—we recognize revenue ratably as the elements are delivered over the contract period of display; and
- collectability is reasonably assured—we assess the credit history of each advertising agency before entering into any framework and execution agreements. If the collectability from the agencies is assessed is not reasonably assured, we recognize revenue only when the cash is received and all the other revenue criteria are met.

We provide sales incentives in the forms of discounts and rebates to third party advertising agencies based on purchase volume. As the advertising agencies are viewed as the customers in these transactions, revenue is recognized based on the price charged to the agencies, net of sales incentives provided to the agencies. Sales incentives are estimated and recorded at the time of revenue recognition based on the contracted rebate rates and estimated sales volume based on historical experience.

Transactions with advertisers

We also enter into advertisement contracts directly with advertisers. Under these contracts, similar to transactions with third party advertising agencies, we recognize revenue ratably as the advertising services purchased from us are delivered over the periods of display specified by the relevant contracts. The terms and conditions, including price, are fixed according to the relevant advertising contract. We also perform a credit assessment of all advertisers prior to entering into contracts. Revenue is recognized based on the amount charged to the advertisers, net of discounts.

Advances from users and deferred revenue

Advances from users are prepayments from users for our virtual currency that are not yet consumed or converted into game tokens, and upon the consumption or conversion, are amortized according to the prescribed revenue recognition policies. Deferred revenue primarily consists of those unamortized game tokens in relation to the portion of game tokens retained by us or the sale of virtual items where there is still an implied obligation to be provided by us and will be recognized as revenue when all of the revenue recognition criteria are met. Deferred revenue also consists of upfront membership fees received and recognized ratably over the period of the membership subscription.

Share-based compensation

We awarded a number of share-based compensation to our employees and non-employees (such as consultants), which include share options, restricted shares and restricted share units granted to employees and non-employees, share-based awards granted to our chief executive officer and chairman and share-based awards granted in relation to our acquisition of NeoTasks Inc. The details of these share-based awards and the respective terms and conditions are described in “Share-based compensation” in note 18 to our audited consolidated financial statements for the years ended December 31, 2009, 2010 and 2011 and in note 14 to our unaudited interim condensed consolidated financial statements for the six months ended June 30, 2011 and June 30, 2012, which are included elsewhere in this prospectus.

Share options

Options were initially accounted for as equity-classified awards because there are no explicit repurchase rights specified in the award documents and the number of shares of our common shares issued under these awards are fixed and determined at the time of grants. All options to employees and non-employees are measured based on the grant date fair value of the award and recognized as compensation expense based on the graded-vesting method, net of estimated forfeitures, over the requisite service period, with a corresponding impact reflected in additional paid-in capital. The options to non-employees are re-measured at each reporting date using the fair value as at each period end. The compensation expense is recognized using the graded-vesting method.

Nevertheless, a number of our outstanding employee share-based awards relating to stock options granted to employees and non-employees, or the Pre-2009 Scheme Options, prior to the adoption of our 2009 Scheme had been subject to past practices of repurchases in conjunction with our preferred shares and common share issuance made to our shareholders and investors, details of which are described in “Share-based compensation’ in note 18 to our audited consolidated financial statements which are included elsewhere in this prospectus.

Upon the negotiation and occurrence of our repurchase of certain outstanding share-based awards in November 2009, the details of which are set out in “Share-based compensation” in note 18 to our audited consolidated financial statements which are included elsewhere in this prospectus, we considered it probable for holders of the Pre-2009 Scheme Options to develop an expectation that we might continue to repurchase their vested options in the future. As a result, such past practices result in a constructive obligation of ours. Such initially equity-classified awards were considered to have been tainted and they began to be reflected as a stock compensation liability on our consolidated balance sheets, commencing on the date when the definitive agreement on the repurchase was reached with the respective holders of the instruments in 2009. In the case of any future repurchases, the repurchase price of these awards would be determined by our board of directors with reference to valuation results regarding the fair value of our common shares prevailing at the time of repurchase and therefore it was not determinable until the date of repurchase.

We continued to amortize share-based compensation expenses for those awards expected to vest on a graded-vesting basis over the requisite service period. We re-measured the fair value of the awards at the end of each reporting period until either the repurchase rights were exercised or the holders were exposed to the market value of the shares for a reasonable period of time of at least six months, or the awards were settled, cancelled or expire unexercised.

On September 15, 2011, we determined not to undertake any repurchases of vested or unvested share-based compensation awards, except under those conditions specified in the relevant award scheme and grant documents. In addition, any proposed repurchase of vested or unvested share-based compensation awards should be approved by the majority votes of the board of directors. Our intention was specifically communicated to all employees. All employees with vested or unvested awards also confirmed their understanding and agreement through written confirmation. Accordingly, the classification of the liability-classified awards was changed to become equity-classified.

The following table sets forth certain information regarding the share options granted to our employees in 2009, with the share and per share information presented to give retroactive effect to a 1:490 share split in December 2009.

Grant Date	Common Shares Underlying Options Granted	Exercise Price Per Common Share	Fair Value Per Option as of the Grant Date	Fair Value Per Common Shares as of the Grant Date	Type of Valuation	Intrinsic Value Per Option[(1)]
		(US$)	(US$)	(US$)		(US$)
January 1, 2009	8,499,050	0.0067	0.0297	0.0351	Retrospective	

(1) The intrinsic value in the table above represents the pre-tax intrinsic value (the difference between the estimated initial public offering price and the exercise price) of the awards outstanding.

We engaged an independent third party appraiser to assist us in our determination of the fair value of our share options as of each grant date and each re-measurement date. However, our management is ultimately responsible for such determination.

In determining the value of share options, we have used the binomial option pricing model to determine the fair value of equity-classified awards and liability-classified awards. Under this option pricing model, certain assumptions are required. Changes in these assumptions could significantly affect the fair value of share options and hence the amount of compensation expense we recognized in our consolidated financial statements.

The key assumptions used in valuation of the options for grant date and re-measurement date fair values in 2009, 2010 and 2011 and the six months ended June 30, 2012 are summarized in the following table:

	Years Ended December 31,			Six Months Ended June 30,
	2009	2010	2011	2012
Risk-free interest rate[(1)]	2.81% - 3.61%	3.01% - 3.78%	3.34% - 4.01%	2.99%
Exercise multiple[(2)] (times)	2.2	2.2	2.2	2.2
Expected term[(3)] (years)	8-10	7-9	6-8	5.5
Expected volatility[(4)]	62.50% - 68.85%	54.60% - 61.25%	53.06% - 55.34%	56.19%
Expected dividend yield[(5)]	—	—	—	—

(1) The risk-free interest rate of periods within the contractual life of the share option is based on the China Government Bond yield as at the valuation dates.
(2) The exercise-multiple is an assumption about early exercise behavior or patterns based on stock-price appreciation rather than the time that has elapsed since the grant date. It represents the expected ratio of stock price to exercise price at the time of exercise.
(3) The expected term is the remaining contract life of the option.
(4) Expected volatility is estimated based on the average of historical volatilities of the comparable companies in the same industry as at the valuation dates.
(5) Neither Duowan BVI nor us has a history or the expectation of paying dividends on its common shares. The expected dividend yield was estimated based on our expected dividend policy over the expected term of the option.

Share-based award for our acquisition of NeoTasks

In December 2008, in connection with the acquisition of NeoTasks, we issued warrants to purchase 17,915,380 common shares and 8,957,690 common shares of our company to two founders of NeoTasks with a service condition of three years. In October 2009, our board approved the request of these warrant holders to exercise their warrants to acquire 26,873,070 restricted shares that were subject to a restricted share agreement with the same rights and vesting conditions as the original warrant grants.

These share-based awards were initially accounted for as equity-classified awards because there are no explicit repurchase rights specified in the award documents and the number of shares of our common shares issued under these awards are fixed and determined at the time of grants.

We recognize the value of the portion of the warrants/restricted shares that we ultimately expect to vest as expense over the requisite service periods in our consolidated statements of operations on a graded-vesting basis.

However, a number of our outstanding warrants/restricted shares had been subject to practices of repurchases in conjunction with our preferred share and common share issuance made to our shareholders and investors, details of which are described in “Share-based compensation” in note 18 to our audited consolidated financial statements which are included elsewhere in this prospectus.

Upon the negotiation and occurrence of the latest repurchase of outstanding share-based awards in 2009, we considered that it is probable that holders may develop an expectation that we might continue to repurchase their vested warrants in the future. As a result, such past practices result in a constructive obligation of ours. Such initially equity-classified awards were considered to have been tainted and they began to be reflected as a stock compensation liability on our consolidated balance sheet, commencing on the date when the definitive agreement on the First Repurchase was reached with the respective holders of the instruments.

We continued to amortize share-based compensation expense for those awards expected to vest on a graded-vesting basis over the requisite service period. We re-measured the fair value of the awards at the end of each reporting period until either the repurchase rights are exercised or the holders are exposed to the market value of the shares for a reasonable period of time (at least six months), or the awards are settled, cancelled or expire unexercised.

The fair value of warrants/restricted shares was based on the fair value of our underlying common shares on the grant date and re-measurement date.

The restricted shares granted to NeoTasks had been fully vested as of December 31, 2011.

Restricted shares

Restricted shares issued to our employees are measured based on the grant date fair value of the award and recognized as compensation expense based on the graded-vesting method, net of estimated forfeitures, over the requisite service period, with a corresponding impact reflected in additional paid-in capital. The fair value of restricted shares was based on the fair value of our underlying common shares on the grant date.

We account for restricted shares issued to non-employees are measured at fair value at the date the services are completed. These awards are re-measured at each reporting date using the fair value as at each period end until the measurement date. The compensation expenses is recognized using the graded vesting method.

We are required to estimate forfeiture at the time of grant and revise those estimated in subsequent periods if actual forfeitures differ from those estimates. Historical data was used to estimate pre-vesting forfeitures and record share-based compensation expenses only for those awards that we expect to vest.

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The following table sets forth certain information regarding the restricted shares granted to our employees and non-employees at different dates in 2009, 2010 and 2011 and the six months ended June 30, 2012 with share and per share information presented to give retroactive effect to a 1:490 share split.

Grant Date	Restricted Shares Granted	Fair Value Per Common Share as of the Grant Date	Type/Methodology of Valuation	Intrinsic Value Per Restricted Share[3]
		(US$)		(US$)
January 1, 2010	23,686,542	0.1590	Retrospective/ GTM[1]	
February 1, 2010	4,257,335	0.1875	Retrospective/ GTM[1]	
April 1, 2010	2,000,000	0.2721	Retrospective/ GTM[1]	
July 1, 2010	20,060,000	0.4666	Retrospective/ GTM[1]	
October 1, 2010	500,000	0.6988	Retrospective/ GTM[1]	
January 1, 2011	10,846,800	0.9362	Retrospective/ Backsolve[2]	

(1) GTM denotes the guideline transaction method under the market approach based on the enterprise value to revenue multiples of our own equity transactions close to the valuation date.
(2) Backsolve denotes the back solve method under the market approach based on our own equity transactions as of the valuation date.
(3) Represents the pre-tax intrinsic value, which is the estimated initial public offering price of our Class A common shares.

Restricted share units

Restricted share units issued to our employees are measured based on the grant date fair value of the award and recognized as compensation expense based on the graded-vesting method, net of estimated forfeitures, over the requisite service period, with a corresponding impact reflected in additional paid-in capital. The fair value of restricted shares was based on the fair value of our underlying common shares on the grant date.

We are required to estimate forfeiture at the time of grant and to revise those estimates in subsequent periods if actual forfeitures differ with those estimates. Historical data was used to estimate pre-vesting forfeitures and record share-based compensation expenses only for those awards that we expect to vest.

The following table sets forth certain information regarding the restricted share units granted to our employees in 2011 and the six months ended June 30, 2012 with share and per share information.

Grant Date	Restricted Share Units Granted	Fair Value Per Common Share as of the Grant Date	Type/Methodology of Valuation	Intrinsic Value Per Restricted Share Unit[2]
		(US$)		(US$)
September 16, 2011	8,822,300	1.0630	Contemporaneous/ DCF[1]	
January 1, 2012	1,618,000	1.0869	Contemporaneous/ DCF[1]	
March 31, 2012	6,431,021	1.1153	Contemporaneous/ DCF[1]	

(1) DCF denotes the discounted cash flow method under the income approach which explicitly recognizes that the business enterprise value as of the valuation date is developed by discounting future net cash flow to the present value at a rate that reflects both the current return requirements of the market and the risks inherent in the specific investment.
(2) Represents the pre-tax intrinsic value, which is the estimated initial public offering price of our Class A common shares.

On July 15, 2012, we granted 533,000 restricted share units under the 2011 Plan that are subject to vesting over a four-year period. The fair value of the restricted share units at the grant date was US$1.1284 per share. The Contemporaneous/DCF valuation method was used, and the intrinsic value, which represents the pre-tax intrinsic value per restricted share unit of the estimated initial public offering price of our Class A common shares is .

Share-based awards granted to chief executive officer and chairman

On February 23, 2010, Mr. David Xueling Li and Mr. Jun Lei, our co-founder, chairman and director, were granted 13,369,813 and 29,678,483 restricted shares, which vested immediately and over a four-year period (50% after the second anniversary and 25% each year thereafter), respectively. These restricted shares are subject to a performance condition which relates to the number of peak concurrent users on YY Client. Such performance condition was met as of December 31, 2010.

We recognized these awards as employee share-based compensation Awards using fair value of the awards on the grant date. The compensation expense for the restricted shares held by Mr. David Xueling Li was fully recognized and the compensation expense for the restricted shares held by Mr. Jun Lei was recognized over the requisite service period using the graded vesting method.

The fair value of the share-based awards above was determined at the respective grant dates by us with the assistance of an independent valuation company.

Common share value

Given that we issued common shares and warrants to Tiger, an independent investor, in January 2011, we used the Backsolve Method based on our own share transactions to determine the fair value of our equity as of January 1, 2011. Among the valuation methodologies, the Backsolve Method is the most objective indicator of the enterprise value at the development stage like our company in January 2011. In view of the fast growing number of registered user accounts, with relatively fixed staff costs and network expenses, we judged it is reasonable to assume that our business enterprise value would increase in line with our growing revenue. For valuation dates in 2010, as there was no share transactions with investor in 2010, we could not adopt the Backsolve Method. Instead, we adopted the Guideline Transaction Method under the market approach and applied the implied business enterprise value to revenue multiples based on the increase in the business enterprise value between our series C financing in November 2009 and the warrants issued to Tiger in January 2011 over the increase in corresponding 12-month trailing revenues, to the 12-month trailing revenue, to determine the fair value of our equity in 2010. The income approach—discounted cash flow method, or DCF—was also used in preparing a business enterprise value analysis of our company as of January 1, 2008, September 16, 2011, January 1, 2012 and March 31, 2012 and for the beneficial conversion feature assessments as of June 1, 2008, August 1, 2008 and November 1, 2009.

The determination of the fair value of our common shares requires complex and subjective judgments to be made regarding our projected financial and operating results, our unique business risks, the liquidity of our shares and our operating history and prospects at the time of each grant. Had our management used different assumptions and estimates, the resulting fair value of our common shares and the resulting share-based compensation expenses could have been different.

We believe that the determinations of the fair market value of our common shares were fair and reasonable at the times they were made. Our board of directors' methodologies, approaches and assumptions consistent with the American Institute of Certified Public Accountants Practice Aid, *Valuation of Private-Held-Company Equity Securities Issued as Compensation*, or the AICPA Practice Aid.

See "—Fair value of our common shares" for more details.

Acquisition

We apply the purchase method of accounting to account for our acquisitions. We determine the acquisition date based on the date at which all required licenses are transferred to us and we obtained control of the acquiree.

Purchase consideration generally consists of cash, contingent consideration and equity securities. In estimating the fair value of equity compensation, we consider both income and market approach and selected the methodology that is most indicative of our fair value in an orderly transaction between market participants as of the measurement date. Under the market approach, we utilize publicly-traded comparable company information to determine the revenue and earnings multiples that are used to value our equity securities. Under the income approach, we determine the fair value of our equity securities based on the estimated future cash flow discounted by an estimated weighted-average cost of capital, which reflects the overall level of inherent risk and the rate of return an outside investor would expect to earn. We base the cash flow projections on forecasted cash flows derived from the most recent annual financial forecast using a terminal value based on the perpetuity growth model.

The identifiable assets acquired and liabilities and contingent liabilities assumed in a business acquisition are measured initially at the fair value at the acquisition date. The excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill.

We are responsible for determining the fair value of the equity issued, assets acquired, liabilities assumed and intangibles identified as of the relevant acquisition date. Post-acquisition expenses are charged to general and administrative expenses directly.

Goodwill

Goodwill represents the amount by which the cost of acquired net assets in a business acquisition exceeds the fair value of the net identifiable assets on the date of purchase. Goodwill is carried at cost less accumulated impairment losses. Goodwill is allocated to the reporting units that are expected to benefit from the business combination in which the goodwill arises for the purpose of impairment testing. If the carrying value of the reporting unit exceeds its fair value, an impairment loss is recorded to the extent that the carrying value of goodwill exceeds its fair value. We have determined that the reporting units for testing goodwill impairment are the operating segments that constitute a business for which discrete financial information is available and for which management regularly reviews the operating results.

We estimate the fair value of our reporting units using discounted cash flow valuation models. There are inherent limitations in any estimation technique and a minor change in the assumption could result in a significant change in its estimate of fair value, thereby increasing or decreasing the amounts of our consolidated assets, shareholders' equity and net income or loss.

We perform an impairment test on October 1 of each year or whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. No impairment loss is recognized for all periods presented.

Intangible assets

Intangible assets that are acquired in business acquisitions are recognized apart from goodwill if the intangible assets arise from contractual or other legal rights, or are separately identifiable if the intangible assets do not arise from contractual or other legal rights.

The costs of determinable-lived intangible assets are amortized to expense over their estimated life and stated at cost (fair value at acquisition) less accumulated amortization. The value of indefinite-lived intangible assets is not amortized, but tested for impairment annually on October 1 of each year, or whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. We reassess indefinite-lived intangible assets at each reporting period to determine whether events or circumstances continue to support an indefinite useful life.

Impairment of long-lived assets and intangible assets

The carrying amounts of long-lived assets and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is evaluated by a comparison of the carrying amount of assets to future undiscounted net cash flows expected to be generated by the assets. Such assets are considered to be impaired if the sum of the expected undiscounted cash flow is less than carrying amount of the assets. The impairment to be recognized is measured by the amount by which the carrying amounts of the assets exceed the fair value of the assets. No impairment of long-lived assets and intangible assets was recognized for any of the periods presented.

Taxation and uncertain tax positions

Current income tax is provided on the basis of income for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes. In accordance with the regulations of the relevant tax jurisdictions, deferred income taxes are accounted for using the liability approach which requires the recognition of income taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in our financial statements or tax returns. Deferred income taxes are determined based on the differences between the financial reporting and tax basis of assets and liabilities and are measured using the currently enacted tax rates and laws. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the consolidated statements of operations in the period that includes the enactment date.

We currently have deferred tax assets resulting from net operating loss carryforwards and deductible temporary differences, all of which are available to reduce future tax payable in our significant tax jurisdictions. The largest component of our deferred assets are the temporary differences generated by our PRC subsidiary and VIE due to recognition of the deferred revenue. In assessing whether such deferred tax assets can be realized in the future, we need to make judgments and estimates on the ability of each of our PRC subsidiary and VIE to generate taxable income in the future years. To the extent that we believe it is more likely than not that some portion or the entire amount of deferred tax assets will not be realized, we established a total valuation allowance to offset the deferred tax assets. As of December 31, 2009, 2010 and 2011 and June 30, 2012, a total valuation allowance of RMB4.7 million, RMB8.1 million, RMB1.9 million (US$0.3 million) and RMB2.3 million (US$0.4 million), respectively, was recognized against deferred tax assets. If we subsequently determine that all or a portion of the temporary differences are more like than not to be realized, the valuation allowance will be released, which will result in a tax benefit in our consolidated statements of operations.

We adopted the guidance on accounting for uncertainty in income taxes on January 1, 2008. The guidance prescribes a more likely than not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Guidance was also provided on derecognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods, and income tax disclosures. Significant judgment is required in evaluating our uncertain tax positions and determining the relevant provision for income taxes. We did not have any adjustment to the opening balance of retained earnings as of January 1, 2008 as a result of the implementation of the guidance. We had no interest and penalties associated with tax positions for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012. As of December 31, 2009, 2010 and 2011 and June 30, 2012, we had no significant unrecognized uncertain tax positions.

Foreign currency

We use Renminbi as our reporting currency. The functional currency of our company, incorporated in the Cayman Islands, and our subsidiaries incorporated in the British Virgin Islands and Hong Kong is U.S. dollars, while the functional currency of the other entities is Renminbi. In the consolidated financial statements, the financial information of our company and our subsidiaries which use U.S. dollars as their functional currency have been translated into Renminbi. Assets and liabilities are translated at the exchange rates on the balance sheet date, equity amounts are translated at historical exchange rates, and revenues, expenses, gains and losses are translated using the average rate for the year. Translation adjustments arising from these are reported as other comprehensive income or loss in the statements of operations and comprehensive loss.

Foreign currency transactions denominated in currencies other than functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are re-measured at the applicable rates of exchange in effect at that date. Foreign exchange gains and losses resulting from the settlement of such

transactions and from re-measurement at year-end are recognized in foreign currency exchange gain/loss, net in the consolidated statements of operations and comprehensive loss.

Fair value of our common shares

In determining the fair values of our common shares as of each award grant date, three generally accepted approaches to value were considered: cost, market and income approaches. While useful for certain purposes, the cost approach is generally not considered applicable to the valuation of a company as a going concern, as it does not capture the future earning potential of the business. The comparability of the financial metrics of comparable companies in our industry and thus the relevance of the market approach based on guideline companies method were also considered low because our target market and stage of development were different from those of the publicly listed companies in the same industry. In view of the above, we determined that the income approach is the most appropriate method to derive the fair values of our common shares for valuation dates with no equity transaction close to the award grant date. In case we have own equity transactions close to the award grant date, guideline transaction method of the market approach or backsolve method were adopted. In addition, we took into consideration the guidance prescribed by the AICPA Practice Aid.

We are a private company with no quoted market prices for our common shares. We have therefore estimated, with assistance from an independent valuation firm, the fair value of our common shares at certain dates in 2010, 2011 and the six months ended June 30, 2012 for the following purposes:

(a) to determine the fair value of our common shares at the date of the grant and re-purchase date of a share-based compensation award as one of the inputs into determining the fair value of the award as of the grant date or the re-purchase date;

(b) to determine the fair value of warrants issued to Tiger Global Six YY Holdings as of the issuance date and re-measurement date; and

(c) to determine the fair value of our common shares at the date of the grant of restricted shares and restricted share units as one of the inputs into determining the fair value of the award as of the grant date.

The following table sets forth the fair values of our common shares estimated from July 1, 2010 to the date of this prospectus:

Date	Fair Value of Common Shares (US$ per share)	Type/Methodology of Valuation	Purpose of Valuation
July 1, 2010	0.4666	Retrospective/ GTM[1]	(a)
October 1, 2010	0.6988	Retrospective/ GTM[1]	(a)
January 1, 2011	0.9362	Retrospective/ Backsolve[2]	(b)
May 1, 2011	0.9952	Retrospective/ GTM[1]	(a)
September 16, 2011	1.0630	Contemporaneous/ DCF[3]	(c)
January 1, 2012	1.0869	Contemporaneous/ DCF[3]	(c)
March 31, 2012	1.1153	Contemporaneous/ DCF[3]	(c)
June 30, 2012	1.1335	Contemporaneous/ DCF[3]	(c)

(1) GTM denotes guideline transaction method under market approach based on the enterprise value to revenue multiples of our own equity transactions close to the valuation date.
(2) Backsolve denotes the back solve method under market approach based on our own equity transactions as of the valuation date.
(3) DCF denotes the discounted cash flow method under the income approach which explicitly recognizes that the business enterprise value as of the valuation date is developed by discounting future net cash flow to the present value at a rate that reflects both the current return requirements of the market and the risks inherent in the specific investment.

When estimating the fair value of the common shares, our management considered a number of factors, including the result of an independent third party appraisal and the equity transactions conducted by our company, while taking into account standard valuation methods and the achievement of certain events. We obtained a retrospective valuation instead of a contemporaneous valuation for valuation dates prior to August 2011 by an unrelated valuation specialist because, at that time, our financial and other resources were mainly focused on our research and development efforts.

Due to the changing environment in which we are operating, a number of assumptions were established in deriving the fair value of our common shares. These assumptions include: there will be no major changes in the existing political, legal, fiscal and economic conditions in China; there will be no major changes in the current taxation law in China; exchange rates and interest rates will not differ materially from those presently prevailing; the availability of finance will not be a constraint on the future growth of our operations; we will retain and have competent management, key personnel, and technical staff to support our ongoing operations; and industry trends and market conditions for related industries will not deviate significantly from economic forecasts.

Equity value as of September 16, 2011, January 1, 2012, March 31, 2012 and June 30, 2012

Valuation of common equity as of September 16, 2011, January 1, 2012, March 31, 2012 and June 30, 2012 are based on the income approach—discounted cashflow analysis. The income approach involves applying appropriate discount rates to estimated cash flows that are subject to a number of assumptions. These assumptions include: (i) no material changes in the existing political, legal, fiscal and economic conditions in China; (ii) our ability to recruit and retain competent management, key personnel and technical staff to support our ongoing operations; (iii) exchange rates and interest rates will not differ materially from those presently prevailing; (iv) the availability of financing will not be a constraint on the future growth of our operation; and (v) industry trends and market conditions for related industries will not deviate significantly from economic forecasts. These assumptions are inherently uncertain and subjective.

The risks associated with achieving an estimated cash flow were assessed in selecting the appropriate discount rates. The discount rates were based on the estimated market required rate of return for investing in our company, or weighted average cost of capital, or WACC, which was derived using the capital asset pricing model, a method that market participants commonly use to price securities. The change in WACC was the combined result of the changes in risk-free interest rate, industry-average correlative relative volatility coefficient beta, equity risk premium, size of our company, scale of our business and our ability in achieving forecast projections.

A discount for lack of marketability, or DLOM, was also applied to reflect the fact there is no ready public market for our shares as we are a closely held private company. DLOM was quantified using the Black-Scholes option pricing model. Under this option-pricing method, the cost of the put option, which can hedge the price change before the privately held shares can be sold, was considered as a basis to determine the DLOM. This option pricing method is one of the methods commonly used in estimating DLOM as it can take into consideration factors such as timing of a liquidity event (such as an initial public offering) and estimated volatility of equity securities. The farther the valuation date is from an expected liquidity event, the higher the put option value and thus the higher the implied DLOM. The lower the DLOM used for the valuation, the higher the determined fair value of the common shares.

The discount rates and DLOM used are provided as follows:

Valuation dates	WACC	DLOM
September 16, 2011	16.5%	15.0%
January 1, 2012	16.0%	15.0%
March 31, 2012	16.0%	15.0%
June 30, 2012	16.0%	15.0%

Equity value as of January 1, 2011

We issued common shares and warrants to Tiger, an independent investor, in January 2011. We adopted the Backsolve Method to determine the equity value of our company by matching the sum of fair value of common shares issued and warrants granted to Tiger with the consideration of US$50.0 million.

Equity value as of July 1, 2010, October 1, 2010 and May 1, 2011

During the year 2010, we mainly focused on raising peak concurrent user levels and exploring new revenue sources related to YY such as virtual items sold in music channels created by YY users. Hence, we did not prepare financial projections. Since our operating costs such as staff costs and network expenses are relatively fixed in nature, we judged it reasonable to assume that our increase in business enterprise value was in a linear relationship with the increase in revenue. As such, a linear relationship of around 41 times, devised from the increase of business enterprise value between series C financing as of November 1, 2009 and the warrants issued to Tiger as of January 2011 over the increase of corresponding 12-month trailing revenues, was applied to the 12-month trailing revenue as of the valuation date to estimate the business enterprise value and hence equity value as of each valuation date stated in this section. We adopted the GTM for these valuation dates.

Allocation of equity value

Our equity values determined at the respective valuation dates based on the above assumptions were allocated between the preferred shares and common shares using the option pricing model taking into account the guidance prescribed by the AICPA Practice Aid. We have taken into consideration estimates of the anticipated timing of a potential liquidity event, such as an initial public offering, and estimates of the volatility of our equity securities. The anticipated timing is based on the plans of our board and management. The estimated volatility was derived by referring to the average annualized standard deviation of the share prices of listed comparable companies for the historical period matching with the terms of the options. Estimating the volatility of the share price of a privately held company is complex because there is no readily available market for the shares. The volatility of our shares was estimated based on the historical volatility of the shares of comparable listed companies. Had we used different estimates of volatility, the allocations between preferred and common shares would have been different.

Changes in fair values

Below are descriptions of how the fair values of our common shares changed in the past 12 months prior to the date of this prospectus.

The determined fair value of our common shares increased from US$1.0630 per share as of September 16, 2011 to US$1.0869 per share as of January 1, 2012. We believe this is primarily because of our ability to generate cash, substantially driven by:

- The increasing popularity of YY as reflected in the sharp increase in registered user accounts from 232 million to 266 million over this 3.5 months period;
- Our high quality voice-enabled services and robust server technology having further driven peak concurrent users and monthly active users to reach a new high during this period; and
- A change in WACC from 16.5% to 16.0% as a result of decrease in risk-free rate.

The increase in the fair value of our common shares, from US$1.0869 per share as of January 1, 2012 to US$1.1153 per share as of March 31, 2012, is primarily because our ability to generate cash increased, substantially driven by:

- The increasing popularity of YY as reflected in the sharp increase in registered user accounts from 266 million to 302 million over this three-month period; and

- The growth of our peak concurrent users and our monthly active users, which resulted from, among other reasons, the high quality of our services and technology.

The increase in the fair value of our common shares, from US$1.1153 per share as of March 31, 2012 to US$1.1335 per share as of June 30, 2012 is primarily because our ability to generate cash increased, substantially driven by:

- The increasing popularity of YY as reflected in the sharp increase in registered user accounts from 302 million to 345 million over this three-month period; and
- Our monthly active users having grown as a result of, among other reasons, the high quality of our services and technology.

Fair value of our series A, B, C-1 and C-2 preferred shares

In addition to our common shares, we have also determined the fair value of the series A, B, C-1 and C-2 preferred shares with the assistance of an independent valuation agency, the result of which is used to determine the amount of redemption values as well as the amortization of the associated beneficial conversion feature. Consistent with common shares discussed above, the determination of the fair value of our series A, B, C-1 and C-2 preferred shares requires complex and subjective judgments to be made regarding our projected financial and operating results, our unique business risks, the liquidity of these shares and our operating history and prospects at the time of valuation.

Recently Issued Accounting Pronouncements

In May 2011, the FASB issued Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs, an accounting standard update which amended the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. We adopted this standard effective January 1, 2012. The adoption of this standard did not have a material impact on our consolidated financial statements and disclosures.

In June 2011, the FASB issued an accounting standards update on the presentation of comprehensive income under which the option to present the components of other comprehensive income as part of the statement of shareholders' equity has been eliminated. We adopted this standard effective January 1, 2012. The standard requires other comprehensive income be presented as part of a single continuous statement of comprehensive income or in a statement of other comprehensive income immediately following the statement of operations. Reclassification adjustments from other comprehensive income to net income must be presented on the face of the financial statements. This standard must be retrospectively applied to all reporting periods presented in financial reports issued after the effective date. We adopted this standard effective January 1, 2012. The adoption of this standard did not have a material impact on our consolidated financial statements and disclosures. The adoption of this guidance changed the presentation of our financial statement but did not affect the calculation of net income, comprehensive income or earnings per share.

In September 2011, the FASB approved changes to the goodwill impairment guidance that is intended to reduce the cost and complexity of the annual impairment test. The changes will provide entities an option to perform a "qualitative" assessment to determine whether further impairment testing (i.e. step 2) is necessary. If an entity believes, as a result of its qualitative assessment, that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is required. Otherwise, no further testing is required. The final standard was issued in September 2011. We adopted this standard effective January 1, 2012. The adoption of this standard did not have a material impact on our consolidated financial statements and disclosures.

In December 2011, the FASB issued a further authoritative pronouncement, Accounting Standard Updated, or ASU 2011-12, Deferral of the Effective Date for Amendments to the Presentation of Reclassification of Items

Out of Accumulated Other Comprehensive Income in ASU 2011-05, Presentation of Comprehensive Income. Under the amendments in ASU 2011-05, entities are required to present reclassification adjustments and the effect of those reclassification adjustments on the face of the financial statements where net income is presented, by component of net income, and on the face of the financial statements where other comprehensive income is presented, by component of other comprehensive income. In addition, the amendments in ASU 2011-05 require that reclassification adjustments be presented in interim financial periods. The amendments supersede changes to those paragraphs in ASU 2011-05 that pertain to how, when, and where reclassification adjustments are presented. Due to the time required to properly make such a reassessment and to evaluate alternative presentation formats, the Board decided that it is necessary to reinstate the requirements for the presentation of reclassifications out of accumulated other comprehensive income that were in place before the issuance of ASU 2011-05. The amendments in this ASU are effective for public entities for fiscal years, and interim periods within those years, beginning after December 15, 2011. We adopted this standard effective January 1, 2012 and revised the historical annual financial statements to retrospectively reflect the adoption of ASU 2011-05.

In December 2011, the FASB issued an authoritative pronouncement on disclosures about offsetting assets and liabilities. Under this pronouncement, entities are required to disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. This scope would include derivatives, sale and repurchase agreements and reverse sale and repurchase agreements, and securities borrowing and securities lending arrangements. An entity is required to apply the amendments for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. An entity should provide the disclosures required by those amendments retrospectively for all comparative periods presented. This pronouncement is not expected to have a material impact on our financial position, results of operations or cash flows.

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BUSINESS

Overview

YY is a revolutionary rich communication social platform that engages users in real-time online group activities through voice, text and video. YY Client, our core product launched in China in July 2008, has attracted 344.6 million registered user accounts as of June 30, 2012 and had 66.3 million monthly active users in June 2012.

People are social creatures with a fundamental desire to connect, interact and communicate with each other. YY empowers users to create and organize groups of varying sizes to discover and participate in a wide range of online activities, including online games, karaoke, music concerts, education, live shows and conference calls. We believe that our proprietary technology infrastructure was the first to develop the capacity to support simultaneous communications among millions of concurrent users in a single channel. YY's scale, social features and high quality voice and video make it popular among internet users in China, as evidenced by the 10.0 million peak concurrent users on YY in August 2012 and 260.9 billion voice minutes that users spent on YY Client in the first six months in 2012.

Our platform consists of YY Client, the YY.com and Duowan.com web portals and Mobile YY. YY Client is our PC-based software that provides real-time access to user-created online activities groups, which we refer to as channels. Although online communication tools such as instant messenger and social networking services existed when we introduced YY Client in July 2008, these tools and services were confined to text or limited-scale voice or video communications. YY Client has transformed online social communications by enabling large-scale group activities through our platform. In 2011, we held an approximate 84.2% market share in the real-time online group voice communications market in China in terms of cumulative user time spent, according to the iResearch Report. On average, each active user spent approximately 53.5 hours on YY Client in June 2012. YY Client is available to download for free from YY.com, our online portal and guide to channels, events and content available across our platform. We also operate Duowan.com, the No. 2 game media website in China that provides access to and interactive resources for online games as measured in terms of monthly unique visitors in the three months ended March 31, 2012, according to iResearch. To increase the accessibility and usage of YY Client, we introduced our mobile application, Mobile YY, in September 2010.

Delivering a superior user experience is our core focus, and it relies on our proprietary technology and industry know-how. A single YY channel can currently have from only a handful to more than 1.3 million concurrent users. YY enables users to continually create new channels to engage in activities on our open platform designed to make offline group activities more effective and efficient online. YY is supported by our highly scalable infrastructure throughout China and our proprietary algorithms enabling low latency, low jitter and low loss rates in delivering voice and video data.

While the basic use of our platform is currently free, we monetize our user base through IVAS and online advertising. Currently, revenues from IVAS are primarily generated through sales of virtual items and game tokens that our users may purchase on our platform, including online games and YY Music. Online advertising revenues are primarily generated from sales of different forms of advertising on Duowan.com. Although we do not currently derive revenues from Mobile YY, we have plans to monetize it by selling virtual items on Mobile YY in the future. We believe that we will be able to capitalize on the large and highly engaged user base of our open platform by exploring additional monetization opportunities and diversifying our revenue sources.

We have achieved significant growth in recent years. Our total net revenues increased from RMB32.7 million in 2009 to RMB128.3 million in 2010 and to RMB319.7 million (US$50.8 million) in 2011, representing a CAGR of 212.6% from 2009 to 2011. For the six months ended June 30, 2012, our total net revenues grew to RMB324.5 million (US$51.1 million), representing a 173.2% increase from RMB118.8 million for the six months ended June 30, 2011. We had a net loss of RMB47.1 million, RMB238.9 million and RMB83.2 million (US$13.2 million) in 2009, 2010 and 2011, respectively, and in the six months ended June 30, 2012, we had a net income of RMB20.8 million (US$3.3 million). Our adjusted net loss, a non-GAAP measure, decreased from RMB10.6 million in 2009 to RMB1.9 million in 2010, and in 2011, we had an adjusted net income of RMB51.8

million (US$8.2 million). In the six months ended June 30, 2012, our adjusted net income amounted to RMB75.1 million (US$11.8 million) compared to an adjusted net loss of RMB3.3 million in the same period in 2011. Our adjusted net (loss) income excludes non-cash share-based compensation expenses. For information regarding adjusted net (loss) income and a reconciliation of each to net (loss) income, see "Prospectus Summary—Our Summary Consolidated Financial Data—Non-GAAP Financial Measure" on page 14.

Our Strengths

We believe the following factors have contributed to the success of our rich communication social platform:

Large and highly engaged user base. We have attracted a large and highly engaged user base since we launched YY Client in July 2008. YY Client has attracted 344.6 million registered user accounts as of June 30, 2012 and 66.3 million monthly active users in June 2012. In June 2012, an average of approximately 521,000 registered user accounts and 60,000 new channels were created on YY Client each day. The increasing number of YY users and channels reflects the increased content, topics and activities on our platform for our users to explore. These factors drive greater user engagement and ultimately increase the number of monetization opportunities available to us. On average, each active user spent approximately 53.5 hours on YY Client in June 2012. We believe our number of registered users and the level of user engagement are among the highest of all internet companies in China, which creates high barriers of entry for potential competitors.

Powerful network effects. The more users use YY, the more diverse and vibrant our social ecosystem becomes, and the greater the value of our platform to our users and partners. This network effect encourages loyalty among our existing users and incentivizes them to attract new users, resulting in more channels and activities being created and more interests being catered to. This in turn leads to greater user engagement, a further enlarged user base and a thriving online social ecosystem. Our registered user accounts as of December 31, 2009, 2010 and 2011 and June 30, 2012 were 36.5 million, 124.7 million, 266.2 million and 344.6 million, respectively, which were achieved with minimal sales and marketing expenses. Our growing user base in turn attracts high quality content and more business partners on our platform.

Superior user experience. YY provides a rich communication social platform for high-fidelity communications in real time for millions of concurrent users in hundreds of thousands of channels. The platform facilitates access to a vast array of content through an intuitive graphical user interface that enables simple discovery of relevant content and engagement with other users. In addition, the platform also offers various options for easy and effective channel creation and management, thus encouraging higher levels of engagement from channel owners and managers. YY's ease of use results in high levels of user participation, which we believe appeals to new users, increases user loyalty and creates high barriers to entry as users accustomed to our high quality user experience are less likely to tolerate technical glitches or obtuse interfaces in competing products.

Scalable platform serving a broad range of potential end markets. The open architecture of the YY platform allows our user community to create, expand and develop novel ways to utilize the platform. The continuous, organic enrichment of the content available on our platform extends our relevance to new markets and users. While YY Client was originally intended to facilitate real-time communications among players of online games, our users quickly expanded its uses to include online events and performances, such as karaoke, music concerts, talk shows, education seminars and conference calls. We are able to gather an increasing amount of expertise on user behavior and preferences to more effectively design, promote and manage our products and services. The breadth of the potential uses and end markets addressed by our platform also creates many potential monetization opportunities for us to pursue.

Proprietary and scalable technology infrastructure. We have invested significant resources in developing our proprietary technology to support our business and future growth. Our proprietary technology infrastructure ensures high service quality characterized by high fidelity delivery of large amounts of voice and video data to

millions of concurrent users across the generally inefficient and unstable telecom network infrastructure in China. We had 10.0 million peak concurrent users on YY Client in August 2012, and our users spent an aggregate of 196.2 billion voice minutes on YY Client in the first six months in 2011 and 260.9 billion voice minutes in the first six months of 2012. Our scalable architecture consists of cloud-based server infrastructure and our proprietary algorithms that automatically detect the fastest and best way to dynamically route voice and video data. We believe the proprietary nature and scalability of our technology infrastructure form the basis for our superior user experience.

Our Strategies

Our mission is to make offline group activities available and better online. We are dedicated to continue to achieve our mission by pursuing the following strategies:

Further expand our user base. We aim to further expand our user base, as we believe the size of our user base represents an important competitive advantage. We periodically analyze proprietary data on our user behavior to gain a deeper understanding of their needs and preferences to further improve and expand our products and services in order to better address user demand. For example, we identified significant user demand for live online music concerts, celebrity/fan interaction events and online education. We addressed these demands by enabling users to host these live events and launching and increasing online video features on our platform, among other measures, and intend to further expand our capacity in these areas, especially in making video-enabled features more attractive and more widely available to our users. Furthermore, we intend to develop better content-search tools to help our users search for and find the content they want more easily and to develop new functionalities to allow users to access records of their historical interaction with others whenever they desire.

Increase the monetization of our user base. We plan to increase the monetization of our user base through paid products and services. Firstly, we intend to develop and introduce more IVAS, such as new in-channel paid activities, online conference calls and further enhanced privileges for our membership program and the recently introduced live broadcasting of online games. Secondly, we intend to increase the number of our paying users by raising their awareness of our paid products and services, especially existing in-channel virtual items, and enhancing the online payment process to make it easier for users to pay. Third, we plan to introduce third party applications or events that can be monetized through our open platform.

Further develop and expand the use of Mobile YY. As we plan to make our products and services more accessible, we are further developing Mobile YY. By the end of June 2012, there were 1.1 billion mobile users in China, according to the MIIT, almost twice as many as the 538 million internet users in China by the end of June 2012, according to the China Internet Network Information Center. Since the launch of our Mobile YY in September 2010, an increasing portion of our users has been accessing our platform through Mobile YY and there were approximately 10.1 million activations of Mobile YY in the six months ended June 30, 2012. We believe there is significant potential to grow both the number of Mobile YY users as well as their level of engagement on Mobile YY, and will continue to introduce new mobile-specific features and applications. Although we do not currently derive revenues from Mobile YY, we have plans to monetize it by selling virtual items on Mobile YY in the future.

Continue to invest in our leading technology infrastructure. We intend to continue investing in and developing our industry-leading technology that supports our platform. As registered user accounts continue to increase, we intend to further augment our infrastructure capacity to more efficiently and reliably deliver voice and video data. We expect to obtain additional servers and bandwidth as part of our efforts to ensure that we can continue to provide the same level of high quality services to our users. We also intend to expand our technology team. We believe that maintaining and upgrading our industry-leading technology infrastructure will help us continue to attract new users and engender greater user loyalty.

The YY Platform

The YY platform consists of YY Client, the YY.com and Duowan.com web portals and Mobile YY. YY Client is our PC-based user software that provides access to user-created online social activities groups, which we also refer to as channels. We operate Duowan.com, which provides access to and interactive resources for online games. To increase the accessibility and usage of YY Client, we also offer Mobile YY, a smartphone application. Although we do not currently derive revenues from Mobile YY, we have plans to monetize it by selling virtual items on Mobile YY in the future.

YY Client

Our core product, YY Client, enables users to engage in live interactions online, and we continue to develop and upgrade it to address evolving user needs. YY Client provides access to user-created online social activities groups, which we refer to as channels. YY Client is compatible with most major internet-enabled devices, including PCs and mobile operating systems through Mobile YY. YY Client is widely accessible to most internet users in China because its voice-enabled features only require a minimal bandwidth of approximately 2 KB per second. YY Client is available to download for free from YY.com, Duowan.com and other internet software download centers. To make YY Client even more easily accessible, we also recently introduced the beta version of a web-based YY Client, an extension of YY Client which makes YY available to a larger audience because it does not require downloads or installations and can be accessed solely using a web browser. We expect this new web-based YY Client to be launched in September 2012, and it will contain most of the important features as our existing YY Client other than video functionalities which we expect to launch later in the fourth quarter of 2012.

The first version of YY Client, launched in July 2008, was instantly popular with users due to its voice-enabled features that allowed online game players to communicate with large groups of fellow gamers in real time. Game players typically organize various game players' guilds for players to discuss gaming strategies and play online games together. Such online game players' guilds, which can consist of up to thousands of players, built their own channels on YY Client to communicate with fellow guild members in real time when playing games online.

As users of YY Client eventually began to use it for purposes other than game-related group voice communications, we discovered that there was a significant potential market for a platform enabling large groups to gather, meet and socialize in real time. As a result, we further developed and tailored YY Client in response to that market need, and turned it into the revolutionary rich communication social platform that it is today. We gradually introduced video-enabled channels beginning in late 2011 in order to further enrich user experience and expand the versatility and potential application of our platform. We have since expanded the use of our video features to include some of our most popular music and education channels and will further expand the availability of video features over time. YY's registered user accounts had increased significantly from 36.5 million as of December 31, 2009 to 344.6 million registered user accounts as of June 30, 2012. YY also had 35.4 million, 53.4 million, 66.3 million active user accounts in December 2010 and 2011 and June 2012.

All of the basic social interface features enabled by our YY Client, such as the ability to engage in multiparty voice- and video-enabled communications, are currently available to our users free of charge. In addition, some IVAS, such as virtual monthly tickets and virtual flowers, are free to users up to a certain threshold. We currently earn revenues from YY Client through sales of IVAS paid through online third party payment systems. We also began generating revenues from our membership program in October 2011.

Channels on YY Client—User-created and User-defined

On YY Client, users can create individual channels for any live social gathering covering a broad range of interests and topics. YY Client offers unlimited potential for users to create channels to cover new topics and interests, quickly gain a fast growing user base and emerge as one of the most popular channels. YY Music, one of the most popular segments on our platform, began generating revenues from the sale of virtual items beginning in March 2011.

Currently, the most popular channel topics on YY channels include the following:

- ***Games.*** YY channels are a popular live online communications tool for several major types of online games, such as massive multiplayer online games, web games, first person shooter games and real-time strategy games. Game players gather on YY channels for in-game real-time exchanges and to share game-playing tips, discuss strategies, game walk-throughs and guides, and organize guild-related social events. We intend to develop and introduce other game-related IVAS, such as the recently introduced live broadcasting of online games, in the future.
- ***Music.*** Users gather on YY channels to participate in a range of music activities such as karaoke and live concerts/singing competitions. Beginning in March 2011, we launched a service offering various virtual items for sale on YY Music. We have expanded our virtual item offerings, and in turn, revenues, from YY Music, and expect to continue to do so in the future. For karaoke, one of the most popular activities on YY channels, we enable users to sing live to, and receive live feedback from, an online audience. We also host a variety of live online concerts and singing competitions showcasing the performances of grassroots musicians, professional performers and celebrities.
- ***Education.*** Our users host and participate in live lectures or personal tutoring sessions on a range of subjects using a wide variety of teaching tools we provide, including video, PowerPoint, white board, screen shots and Q&A sessions. The most popular subjects include foreign language education, the PRC civil servant examination, and IT training. Users also discuss exam-taking and personal interview tips on YY channels.
- ***Talk Shows.*** Our users use YY channels to organize and participate in talk shows, where channel owners, managers or designated persons host live talks or discussions on any topic of their interest. These talk shows are conducted either in the traditional talk show format with a host, or in more informal interactive settings. Talk shows revolve around topics such as comedy, sports, celebrity group and current events.
- ***Finance.*** Users interested in finance and investment can find and interact with other users, including financial experts on YY channels. YY channels offer a wide range of opportunities for users to interact among each other and discuss finance-related topics, including stock market trends and investment basics.
- ***Literature.*** Users gather on YY channels to review and conduct live discussions on literature, particularly novels. Our popular literary channels include book clubs or fan clubs for famous writers. Users on YY channels also host live events such as book promotions and meet-the-author events.
- ***Conference Calls.*** YY channels are often used as a convenient online gathering place for a wide range of uses, such as informal gatherings between friends or business meetings. YY enables small and medium business as well as large corporations to conduct conference call easily, efficiently and economically on YY channels, even for conference calls with thousands of participants.

Organization and Management of Channels

A majority of our users are introduced to us by invitation from friends, so they usually visit the channels that are recommended to them when first using YY Client. To help our users navigate and explore the channels on YY Client, we created online catalogs grouped by topics and common interests for users to browse the channels. Within each group, the channels are then ranked in terms of popularity. These online catalogs are also searchable by keywords, which makes it easier for users looking to explore social groups beyond their usual channels to find and join other channels that touch upon different interest areas.

Each YY channel is set up by one user, who becomes the channel’s owner. Each channel owner has the ability to tailor such channel to his or her own specific interests and use the management tools we provide to

establish housekeeping rules, manage hierarchies and manage daily operations of the channel. Channel owners are usually highly motivated and engaged in the active promotion of their channels, often recruiting like-minded users to help manage their channels. As a channel grows in size, a channel owner can allocate powers and responsibilities to other users to monitor and maintain order within the channel.

Each of our channels can support millions of people concurrently, and to date, the largest online event we hosted attracted approximately 1.4 million peak concurrent users in a single channel. We provide three basic management modes for channel owners to organize the live voice and video-communications within their channels: "queue," "chair" and "free" modes. Typically, channel owners and managers choose the type of management mode for their channels depending on the number of users in their channels and the specific needs of these channels. In queue mode, each user can sign in to line up to speak or broadcast, and can only be heard or seen when his or her turn comes "at the mic." This queue mode is a popular mode for karaoke channels, where users take turns performing live in front of other channel users. In chair mode, only the "chair," meaning the owners or other designated persons, are allowed to speak or broadcast video; the remaining users can listen, watch and respond through typing text on the screen. This mode is often used in channels set up by online game players' guilds, as some of these guilds have thousands of users taking orders from a few leaders, who can speak and direct their team's collective actions while the users are simultaneously signed on to play certain online games. In free mode, any user in the channel can conduct effective voice- and video-enabled communications at any time; this mode is often chosen by channels with a limited number of users, since too many people talking at once would make effective communication impossible. In addition, we provide channel owners and managers with a broad range of functions to tailor the channels to suit particular needs, such as granting certain privileges to a member who makes particular contributions to the channel or banning certain channel users for inappropriate behavior.

We work closely with channel owners and managers by considering and implementing some of their suggestions and feedback and providing them with the tools they require to successfully manage and promote their channels. We also monitor channels for levels of user activity and periodically shut down inactive ones.

Game Center on YY Client

The game center on YY Client currently consists of a game lobby and a game box. The game lobby enables users to access various online games, all of which are web games, without downloading any additional software and the game box is where users can download a client to access massive multi-player online games, which we recently launched. Our online portals, YY.com and Duowan.com, also offer links to online games on YY Client. We conduct market research regarding trends and demand for online games and various types of in-game virtual items, and often work with third party game developers to develop and offer a wide range of in-game virtual items. We intend to continue to source popular online games to users on YY Client.

Online Portals

YY.com is our community-driven portal site that offers visitors and our users a centralized location where they can learn about, navigate and access all that our broader platform has to offer. Through YY.com, our user community is able to download the latest versions of YY Client and Mobile YY applications to enjoy dynamic live group activities and access special-interest resources and entertainment such as online music, online education and online games. For example, the music page on YY.com provides a comprehensive library of "greatest hits" recordings from popular performers on YY Client's live performance channels, among others. Beginning in late September 2011, YY.com began providing updated schedules and information on upcoming live concert performances by performers on YY channels, and currently hosts numerous fan clubs for popular performers. In addition, YY.com hosts a text-based discussion forum where our user community can exchange information, advertise their channels and special user activities, solicit additional members for their channels or clubs and provide feedback to us regarding our products and services. YY.com also offers a channel guide that users can use to identify channels that cater to their respective interests.

Duowan.com is a dedicated game media website that provides comprehensive information on online games and other resources for users and online game players. Duowan.com was the No. 2 game media website in China in terms of monthly unique visitors in the three months ended March 31, 2012, according to iResearch. Duowan.com provides comprehensive gaming resources such as updated news and announcements of gaming events and the launch or release of new games, and hosts a text-based discussion forum in which users can discuss their game-playing strategies and interact socially through postings. Duowan.com was launched in 2005 and had 4.5 million, 5.5 million and 9.9 million average daily unique visitors for the months of December 2009, 2010 and 2011, respectively. Due to the popularity of Duowan.com, it has become a desired platform for gaming companies to promote their products and services. We also promote and provide links to various content on YY.com and YY Client through Duowan.com. We believe that the cross-promotional effect among YY Client, YY.com and Duowan.com has increased user traffic for both websites significantly over the years, and has significantly contributed to the rapid user growth on YY.

Mobile Applications

An important element of our strategy is to continue to develop new mobile applications to capture a greater share of the growing number of users that access live online social platforms, internet communications and other internet services through mobile operating systems. While we continue to develop and upgrade our platform, a key focus of our research and development is on Mobile YY, a version of YY Client that can be accessed through mobile devices that we launched in September 2010. We intend to further develop Mobile YY to reach more users. There is currently no monetization of Mobile YY. We expect that in the future, we will monetize Mobile YY in the same way YY Client is currently monetized—by selling virtual items. However, because of the inherent limitations of mobile devices, such as a smaller display screen space as compared to PCs, we may not be able to provide as many kinds of virtual items as are available on YY Client, which may limit Mobile YY's monetization potential. In addition, for the benefit of user experience, we do not currently intend to monetize Mobile YY by placing advertisements on Mobile YY.We believe that advertising on Mobile YY may clutter the user interface and distract users from their in-channel activities. This restriction on advertisements may also limit Mobile YY's ability to generate revenues. See "Risk Factors—Risks Relating to Our Business—If we are unable to successfully capture and retain the growing number of users that access internet services through mobile devices, or successfully monetize Mobile YY, our business, financial condition and results of operations may be materially and adversely affected."

Mobile YY contains the basic functions and services offered on our regular YY Client. Its existing key functions include real-time multi-media messages with delivery status, access to thousands of user-created entertainment channels with numerous entertainment options, and the ability to enter group voice or video-enabled channels. We believe that Mobile YY helps users keep in touch with their friends or online guilds and social groups when they do not have convenient access to a PC. Our users currently utilize Mobile YY for a wide range of activities, including listening to live music and sportscasts and singing karaoke. Mobile YY also offers a uniquely mobile feature, Sound Sharing, which is a recording-sharing service that allows users to record and share their own singing as well as third-party performances for evaluation from other users; this function is not available when accessing YY via PCs. An additional function on Mobile YY that our PC-based YY Client does not have is location-based services such as the ability to geographically locate fellow users nearby. Other features that are both available from YY Client and Mobile YY, but that are more popularly accessed by users of Mobile YY, include voice messaging services and one-on-one live chats.

We also recently introduced another mobile application, WeiChang, that is designed to allowing users to sing online through their mobile devices. WeiChang is essentially a mobile karaoke application that provides high-quality musical accompaniment, real-time lyrics display and allows users to evaluate and rank each other's performances. We intend to explore more user-friendly, mobile-specific functions for our platform in the future.

Why Users Love YY

The growth of our user base has largely been viral in nature through word-of-mouth. According to the iResearch Report, approximately 90.6% of our users are willing to recommend YY Client to their friends. We believe our users love the YY platform for the following reasons:

Large Scale. YY Client had attracted 344.6 million registered user accounts from its launch in July 2008 to June 30, 2012 and had 66.3 million monthly active users in June 2012. As of June 30, 2012, there were approximately 11.6 million channels on YY Client. The peak concurrent user number was 10.0 million in August 2012.

Ability to Pursue Diverse Interests. YY provides an open platform for users to register and set up channels as places for live social groups to gather online, catering to their own individual needs and diverse interests. Although online games and music have been the two most popular channel topics since the launch of YY Client, new channels have quickly emerged and expanded into a variety of interests and topics, such as talk shows, education and finance.

Opportunities for Self-Expression and Achievement. We offer our users a unique platform to reach a large number of other people online and express themselves or achieve whatever they desire, which may be difficult for them to do in the offline world. Whether it is by singing, playing games, or learning or teaching certain skills, they can engage with other people in a rich and meaningful manner and send and receive feedback and rewards in exchange.

Social Interactions and Activities. Strong bonds are created from the friendships and social relationships that we foster among our users. We encourage user engagement through various in-channel community applications, such as enabling users to send different types of virtual gifts, vote or use tickets to support their favorite performers. In addition, we provide social games and instant messaging functions for our users.

Quality of Experience. We believe our high quality voice- and video-enabled communication tools and channel management functions contribute greatly to our high level of user satisfaction. We provide YY channel owners and managers with various functions that enable them to better organize their channels and manage user interaction. These functions increase the ease of use of our YY Client, enhance user experience and enforce the sense of ownership of the channel owners and managers. For example, members of online game players' guilds for massive multi-player online role-playing games congregate on YY Client to discuss gaming strategies and to communicate in real-time during online games because our platform gives them sufficient voice quality and ability to manage their organization.

As part of our efforts to continue to improve user satisfaction, we have a dedicated customer service and operation team and provide user support 24 hours a day, seven days a week. Our users also help us improve YY and provide significant feedback to our customer service teams which help further improve our products and services.

Selected Stories of YY

Below are stories of some of the most successful channel owners, hosts, singers and events on YY Client. All of the individuals below now rely on YY as their primary source of income.

Music Channel Owner

A YY user whose nickname is Cabbage (青菜) decided to run his own YY Music channel in May 2008, after listening to performers sing on various YY channels. Cabbage aspired to provide a central performance venue for talented singers and music lovers, and he recruited and signed top singers and also hired professionals to evaluate the singers' performances. As of July 2012, Cabbage organized and managed 14 channels, including karaoke

channels and talk show channels, with over one million visitors in aggregate per day and approximately 2,000 contracted performers across all channels. Cabbage has become one of the most successful channel owners on YY. By the end of July 2012, his YY channels in aggregate had peak concurrent users of approximately 200,000, and his most popular channel had approximately 90,000 peak concurrent users.

Singer

A YY user whose nickname is Poison (毒药) and is currently one of our most popular singers on YY Music has turned her hobby into a promising career through the YY platform. Poison first learned about YY by joining an online game players' guild in 2008, but soon became a singer on YY. As Poison gradually attracted more fans through continued performances, she began to earn a steady income through YY and quit her job as an office clerk in 2011 to pursue a career as a singer on YY Music. Poison opened her own live channel in February 2012. As of July 31, 2012, she had approximately 15,000 peak concurrent users per performance and 185,000 subscribers on her own live video channel. On her last birthday, Poison held a live concert which attracted approximately 36,000 peak concurrent users on her own video channel, and received numerous virtual gifts, including virtual gifts worth more than RMB100,000 from one ardent fan alone. Under our current arrangement with Poison, we share with her a portion of the revenues we derive from the sales of in-channel virtual items that are purchased on YY Music. As of July 2012, Poison had two fan clubs on the YY platform with an aggregate of approximately 19,000 fans.

Talk Show Host

A YY user who refers to himself as Mr. Li (李先生) is a popular prime-time talk show host on YY. Originally a middle-school dropout, Mr. Li worked odd jobs such as DJ and internet café administrator before becoming a talk show host on YY. As his experience grew, he gained a large fan base and a prime-time slot for his talk show on various YY channels. As of July 2012, Mr. Li's YY video channel was subscribed by approximately 185,000 YY users. Mr. Li hosted a show on his last birthday, attracting approximately 50,000 peak concurrent users on his own video channel and receiving over RMB80,000 in virtual gifts. Under our current arrangement with Mr. Li, we share with him a portion of the revenues we derive from the sales of in-channel virtual items that are purchased on YY Music. As of July 2012, Mr. Li has three fan clubs on the YY platform with an aggregate of approximately 28,000 fans.

Education Channel Owner

A YY user, Mr. Xing (邢先生) , is the owner of a successful internet education company that teaches classes through YY education channels. He first chose YY as a platform for conducting internet classes in 2009 because of YY's user-friendly, ad-free interface and ability to support millions of concurrent users in a single channel. Currently, all of Mr. Xing's courses are taught exclusively on YY. As Mr. Xing's education business expanded, he benefited from our continuous improvement of our education channel tools, using new features including video, PowerPoint, white board, screen shots, Q&A sessions and other functions to expand and enrich his classes, and his courses on YY education channels grew from the one initial Adobe Photoshop class to 15 different software design courses. As of July 2012, Mr. Xing's education channel had a staff of over 120 teachers and 500 recruiters and tutors, and taught over 300,000 students through YY education channels, among which over 30,000 are paying students, at an average rate of approximately RMB1,000 to RMB3,400 per person per class.

Live Video Online Celebration of YY's Fourth Anniversary

On July 28, 2012, to celebrate the fourth anniversary of the launch of our YY platform, we hosted a live celebration event on YY. As part of the celebration, we invited the most popular performers from our channels and famous Chinese movie and TV celebrities to attend and host the event through live video and voice feeds. The event offered users and loyal fans a chance to listen to and interact with their favorite YY performers as well as other celebrities. The event ultimately attracted approximately 1.4 million peak concurrent users with live

video, voice and text interaction functionalities, creating a single-channel attendance record for our platform and signaling a new technological milestone for our infrastructure.

Monetization Opportunities

As users continue to unlock the full potential of our platform, we believe we will have increasing opportunities to expand our portfolio of products and services, and monetize them in various manners. Currently, we derive revenues from our users and third party advertisers. Although we do not currently derive revenues from Mobile YY, we have plans to monetize it by selling virtual items on Mobile YY in the future.

Internet Value-Added Services

We primarily generate revenues from paying users of online games, YY Music and memberships. Our users purchase virtual YY currency and prepaid game tokens which can be used to acquire virtual items to be consumed throughout our platform, including in-game virtual items and other virtual items in our channels. We enable users to acquire our virtual YY currency and prepaid game tokens through major third party online payment systems using bank cards and mobile payments. By cooperating with major online payment service providers in China, we provide high quality and reliable online payment services to users. We believe the following areas represent the most significant monetization opportunities for our platform:

Online Games. Online games, including massive multiplayer online games and web games, have become an increasingly popular source of entertainment for individuals and groups of internet users. According to the iResearch Report, China's online gaming market generated RMB32.7 billion (US$5.1 billion) of revenue in 2010, and is expected to grow to RMB43.5 billion (US$6.8 billion) in 2013. In China, the monetization of online games has largely been driven by the sale of virtual items to be used and sold within games.

Our platform attracts a large number of online game players and is particularly attractive to online game players' guilds, the members of which congregate on YY Client to discuss gaming strategies and to communicate in real time during online games. Our platform provides users with access to a wide variety of games which we monetize. We intend to source more popular online games to continually enhance user experience and continue being a valuable platform on which game developers can launch and operate their games. We also intend to develop and introduce more online-games related services, such as the recently introduced live broadcasting of online games.

Music. YY has become a popular platform for live online music performances on music channels. YY provides a stage for grassroots musicians, celebrities and professional performers to perform live. These live performances encompass a variety of formats, including karaoke, singing competitions and live concert. We create and offer to users virtual items that can be used on the music channels. Users can purchase consumable virtual items from us to show support for their favorite performers or time-based virtual items that provide users with recognized status, such as priority speaking rights or special symbols on the music channels. We share with certain popular performers and channel owners a portion of the revenues we derive from such in-channel virtual item sales on YY Music. In 2012, we commissioned a report conducted by DCCI, which researched the market for karaoke and live music performance in ten major cities in China, including Beijing, Shanghai and Shenzhen. The DCCI report indicates that approximately 20-30% of each city's population participates in karaoke at least once a month, and approximately 80% of those who participate in karaoke go with friends or colleagues as a way of relaxing and socializing. According to DCCI, the total market size for karaoke and live music performance in these ten major cities was US$8.6 billion at the time the report was conducted. We believe that these data show a strong market potential for online karaoke or live concerts and strong growth capability for YY Music, which allows people to socialize and sing online and eliminates the need to travel to attend live concerts. We have encouraged and facilitated numerous large-scale music events such as fan club gatherings and meet-and-greets with various performers, as well as concerts and singing competitions for performers from various music channels. In the future, we intend to encourage more live music events which users can access in real time for an entry fee. For details, see "—The YY Platform—YY Client—Channels on YY Client —Music."

We also have arrangements in place with channel owners and performers, in which each channel owner or performer is offered a portion of the revenues we receive from selling virtual items on YY Music. These arrangements align our interest with the interests of the channel owners and performers on YY Music, thus incentivizing channel owners and performers to improve content on YY Music channels and enhancing the attractiveness of our platform to YY Music users.

Membership. We provide enhanced membership privileges to users who pay a monthly fee and subscribe to our membership program. Enhanced privileges include access to new and unreleased channel functions, such as additional video usage, priority entrance to certain live performances, and exclusive rights to access VIP avatars, VIP ring-tones, VIP fonts and VIP emoticons. In the future, we intend to continue exploring different ways to expand our members-only offerings so as to better serve our members and attract a larger membership base.

Education. YY provides a convenient and efficient platform for lectures or personal tutoring sessions to be conducted in real time. Our education channels provide numerous classes that cover diverse subjects such as foreign languages, the PRC government civil employee examination and IT training. In the future, we intend to continue enabling users to conduct education courses and cooperate with various educational institutions to provide online classes on YY for a fee. We intend to work with tutoring companies, for example, to open more channels for the teaching of classes online, and we are currently negotiating with numerous education providers to expand the education offerings on our channels, to improve the relevant functions necessary for these online classes and to negotiate the relevant fee-sharing arrangements.

Our increased reliance on IVAS revenues poses new challenges to us, including, for example, the need to develop more popular products and services in response to user demand and the need to recruit and retain talented personnel for technology and product development purposes. See "Risk Factors—Risks Relating to Our Business—We may not be able to keep our users highly engaged, which may in turn reduce our monetization opportunities and as a result, our revenues, profitability and business prospects may be materially and adversely affected," "—We face competition in several major aspects of our business. If we fail to compete effectively, we may lose users, and make us less attractive to advertisers which could materially and adversely affect our business, financial condition and results of operations" and "—If we are unable to attract, train and retain qualified personnel, our business may be materially and adversely affected."

Advertising Services

We believe that our extensive user base represents an attractive demographic target for advertisers. We believe our advertising business will continue to develop as we grow our user base and advertisers embrace our platform and solutions for them.

Online Display Advertising. According to iResearch, Duowan was the No. 2 game media website in China in the three months ended March 31, 2012, with a market share of 15.7% in terms of monthly unique visitors during that period. Also, according to the iResearch Report, total online advertising spending by game developers in China was approximately RMB690.0 million (US$108.6 million) in 2010, while the overall online advertising market in China was RMB32.6 billion (US$5.1 billion). According to the iResearch Report, the overall online advertising market in China is expected to grow to as much as RMB143.1 billion (US$22.5 billion) in 2014, representing a CAGR of 34.5% from 2010 to 2014.

The vast majority of our current advertising revenues are generated from advertisements on Duowan.com. In 2011 and the six months ended June 30, 2012, revenues generated from advertisements on Duowan.com contributed to 93.8% and 97.8% of our total advertising revenues, respectively. We currently do not allow advertising on YY.com and Mobile YY, and have minimal advertising on YY Client, for the benefit of user experience. We mainly sell online advertisements to major game developers in the form of banners, text-links, videos, logos and buttons on Duowan.com. We pioneered the "pre-order" business model in which we provide advertisers with a list of targeted potential customers who have expressed prior interest in or demand for their

products. In the future, we intend to expand our capacity and advertisement solutions for online advertising as our user base grows and to launch additional special interest content-driven portals to complement Duowan.com.

We generate most of our advertising revenues from advertising agencies representing advertisers and, to a lesser extent, from advertisers directly. A significant majority of our advertisers are game developers. We typically enter into framework advertising agreements with advertising agencies representing advertisers, with these agreements generally having a duration of one year, renewable on a yearly basis. Under the framework agreements, we usually set a minimum sales target for the advertising agencies, and typically impose certain penalties, including reduced rebates, if the advertising agencies fail to achieve the target within the year. We intend to further diversify our advertising client base.

Our Technology

Prior to the introduction of YY, we believe there had been no existing network infrastructure in China that could be adopted to support the kind of multi-user, real-time online voice and video communications on a scale necessary for our platform, which caused us to build and develop our own network infrastructure. We believe we are an industry leader in providing quality multi-user voice- and video-enabled online services in China, and we intend to continue to update our technology to maintain this leadership position.

Superb QoS for online multi-media communications

Quality of Service, or QoS, assurance is a key element of any high quality delivery of voice and video data over the internet. For live voice- or video-enabled communications, any data packet loss and jitter, or delay in transmission, is often immediately noticeable to users. We devote significant resources to maintain and develop a creative combination of multiple voice- and voice-over internet protocol, or VOIP, quality assurance mechanisms to minimize data loss and jitter. The mechanisms we employ include cloud-based intelligence routing, low-bitrate redundant solution, upstream-forward error correction and adaptive jitter. A special intelligent routing algorithm we designed automatically seeks optimal ways of delivering voice and video data across our cloud-based network, enabling us to provide consistent QoS even when the QoS levels are lower on certain routes.

We employ computer programs and design and implement a standardized set of measurements to help monitor our service quality. Our system periodically collects, and our team of experts analyzes, data from each of our data centers to evaluate the voice- and video-quality for each user using a systematic standard. We have set up formal procedures to handle different levels of server breakdowns and network-related emergencies, and our team can remotely discover issues and access any server to promptly resolve issues.

Large, dedicated cloud-based network infrastructure

Our team of experts developed a cloud-based network infrastructure specifically designed to handle multiparty voice- and video-enabled real-time online interactions. We own more than 4,000 servers which are hosted in the data centers we lease from third parties throughout the country as of the date of this prospectus. To deliver voice data, we require only a limited bandwidth of approximately 2 KB per second, which is easily obtainable. Our cloud-based network infrastructure provides quality data delivery and allows multiple users to interact online from anywhere in China easily and with minimal delay.

Our system is designed for scalability and reliability to support growth in our user base. The number of our servers contributes significantly to our fast streaming speed and reliable services, and can be expanded with comparative ease, given the low cost of renting data centers to host additional servers in any high traffic regions in our network. We believe that our current network facilities and broadband capacity provide us with sufficient capacity to carry out our current operations, and can be expanded to meet additional capacity relatively quickly. The amount of bandwidth we lease is continually expanded to reflect increased peak concurrent users.

Content management and monitoring

YY Client, YY.com and Duowan.com all contain user-generated content, which we are required to monitor for compliance with PRC laws and regulations. A team within our data security department helps in enforcing our internal procedures to ensure that the content in our system are in compliance with applicable laws and regulations. They are aided by a program designed to periodically sweep our platform and the data being conveyed in our system for sensitive key words or questionable materials. Content that contain certain keywords are automatically filtered by our program and cannot be successfully posted on our platform. Thus we are able to minimize offending materials on our platform and to remove such materials promptly after they are discovered. See “Risk Factors—Risks Relating to Our Business—We may be held liable for information or content displayed on, retrieved from or linked to our platform, or distributed to users, and PRC authorities may impose legal sanctions on us, including, in serious cases, suspending or revoking the licenses necessary to operate our platform.”

Accumulated experience and data for a proprietary technology platform

Significant time and efforts are required to build and operate an infrastructure such as ours. We believe that the extensive experience and vast data we have accumulated in resolving the numerous issues encountered in operating an expanding rich communication social platform makes it difficult for competitors to operate a platform of a similar scale or to challenge our leading position. For example, the technological difficulties which a platform that hosts 10,000 concurrent users faces differ greatly from the difficulties a platform with 100,000 and 1,000,000 concurrent users faces, including many issues to be considered when programming for the platform and planning the infrastructure. Since our launch, we have gradually developed an effective system to identify, study and resolve issues that we encounter every day. In addition, our team members have been trained over the years to anticipate and resolve any issues quickly and effectively, having gained significant knowledge from building and maintaining our platform over time.

Technology team

As of June 30, 2012, our dedicated technology team consisted of approximately 671 employees; the team is divided into three departments, serving (a) YY Client, (b) online games and YY.com and (c) Duowan.com, respectively. Approximately 39 members of our technology team are dedicated solely to monitoring and maintaining our network infrastructure 24 hours a day, seven days a week. Our technology team checks the voice and video data quality received by various users, the quality of user experience on YY Client and the proper functioning of our server equipment in our network, as well as contacting internet data center hosts to fix any issues located through such checks. Having launched and developed our video-enabled technology on an increasing number of channels, our team expects to provide full voice- and video-enabled live social interactions in the future.

Marketing and Sales

Viral and other marketing for YY Client and Mobile YY

We believe the most efficient form of marketing for YY Client and Mobile YY is word of mouth referrals and repeat user visits, which are ultimately driven by our delivery of superior user experience. Historically, we have incurred minimal marketing expenses for YY Client and Mobile YY and have built a large community of loyal users primarily through viral marketing. We believe the large number of active users on our platform in itself constitutes a key driver of our user growth as many internet users in China seek to join an established and vibrant online community for purposes of socializing and achieving maximal self-expression. The more users use YY, the more vibrant our social ecosystem becomes, and the greater the value of our platform to our users, which encourages user loyalty and incentivizes them to recruit new users for our online games, YY Music and our membership subscription.

While we have significantly benefited from the effects of powerful viral marketing, we recently initiated, and plan to continue, certain marketing activities designed to further promote YY Client and Mobile YY to a broader range of potential users. For instance, we plan to conduct a range of marketing campaigns to promote the educational and professional benefits of using our online social platform by holding discussion forums at numerous leading colleges and universities in China. We believe younger users are generally more receptive to new technology and spend more time online compared to other segments of the population. They tend to frequently share online resources and programs among friends and are likely to remain loyal to such resources and programs that they use from an early age. We also award our YY Client and Mobile YY users and channel owners virtual currencies based on the time they spend on our platform. We believe such incentives may further increase user loyalty and enhance the attractiveness of our platform.

Advertisers on Duowan.com

Dedicated sales team

As of June 30, 2012, we had a dedicated sales force of 33 experienced professionals to help us maintain and increase our online advertising revenues; 24 of these professionals were in charge of serving advertisers and advertising agencies. Our sales force, located in Beijing, Shanghai and Guangzhou, is divided into three regional teams to cover all major geographic areas in China where we have advertisers. Currently, a majority of our sales effort is devoted to maintaining and expanding the level of our advertising revenues from online games, since advertising revenues from online games contributed a substantial majority of our online advertising revenue. Although our online advertising will remain an important source of revenues for us, we expect our online advertising revenues as a percentage of our total revenues to decrease in the future as we capitalize on increased monetization opportunities for YY Client and as IVAS revenues continue to increase.

The compensation for our sales personnel includes basic monthly salaries and sales commissions based on the advertising revenues that they bring in.

Targeted marketing strategy

Our sales team devotes significant resources to maintaining close relationships with major online game developers and major advertising agencies, communicating with them every week to seek feedback, obtain industry news and study potential demand for advertising. We provide different types of advertising to our advertisers, which include (a) traditional banners, text-links, videos, logos and buttons on fixed webpage positions on Duowan.com, (b) literatures promoting an advertiser's game in the form of special articles or feature stories introducing the game or any new features to the game, and (c) special offer campaigns sending existing users free virtual items or access codes to encourage players to join various online games.

We intend to expand our focus, in particular, on special offer campaigns that help advertisers target users who have previously expressed interest in certain types of products and services. For example, for the launch of a new online game, we spread the word among our users as to the launch date and solicit user interest in playing the game for a trial period; those interested are asked to join a waitlist to pre-order the game for a trial session once it becomes available. Once the game is launched, we send coupon codes to users on the waitlist to encourage them to log into the game and complete a trial session. The goal of this pre-order advertising strategy is to target only the users who are interested in a certain product, and to effectively turn trial usage into actual usage after the trial period ends. This type of advertising has proven to be effective with our users and advertisers because it matches user interest with targeted advertising efforts, sparing our users from unwanted spam advertising while helping our advertisers minimize the cost of sending test trials to potentially uninterested recipients.

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Services for game developers

We work with game developers in hosting third party games that are available through our platform. We have a team that specifically monitors the performance of our online games, retires underperforming games, further promotes popular games, regularly liaises with existing game developers to maintain good relationships and explores potential opportunities with new game developers. We have also recently launched an initiative wherein we plan to work with third party game developers in developing new online web games in exchange for the exclusive right to host these games on our platform.

Competition

We face competition in several major aspects of our business, particularly from companies that provide online social networking, internet communication and online games. We also compete for online advertising revenues with other internet companies that sell online advertising services in China.

Social connectivity and communications. We are not aware of any other company that offers a live voice-or video-enabled online social platform of similar scale as ours in China. In relation to voice-enabled communication tools, there are several internet voice communication service providers in China, including iSpeak, Tencent's QQtalk and Dudu, and leading international internet voice communication service providers, such as Skype, are expanding into the China market. In addition, some other leading Chinese internet companies have announced the launch of internet voice communication services. We compete with other internet companies that provide voice and video services to Chinese internet users. However, we do not believe any of these companies have the capacity to handle large group multi-party voice- and video-enabled live interactions like we do, and we do not believe they can compete directly with us on the number of users we can support concurrently on our voice- and video-enabled platform. The internet voice and video communication industry in China has become increasingly competitive, and some of our potential competitors are adopting aggressive measures to gain market share and may challenge our leading market position in the future.

We may also face potential competition from global social networking service providers that seek to enter the China market, whether independently or through the formation of alliances with, or acquisition of, PRC domestic internet companies. However, we do not believe these companies pose direct competition to us as they do not currently offer voice- and video-enabled technology on a large scale.

The barriers to entry are comparatively high in this field, because of the technical challenges facing the delivery of voice and video data through frequent unstable internet connections in China. In addition, unless a competitor has reached a certain size, we believe it would be difficult for such competitor to economically and efficiently resolve the practical operational difficulties that arise when a platform hosts large numbers of concurrent users. This in turn would lead to inability to timely resolve technical issues as they arise, which would impact user experience and make it difficult, we believe, to challenge our current dominance in the market for the provision of platform and services for voice- and video-enabled live online social group gathering.

Online game media and hosting. We have various competitors in the online game media market in China. Duowan.com's primary competitor among game media websites is 17173.com. For web game hosting, our competitors include other major internet companies that host web games, such as Tencent, Qihoo 360 and other private companies.

Research and Development

We believe that our ability to develop internet and mobile online applications and services tailored to respond to the needs of our user base has been a key factor for the success of our business. We have been able to rapidly scale our product development output and deliver an increasing range of products and services to fulfill changing user needs. To maintain and enhance our market leadership position, we will need to continue to invest in research and development in order to enhance our products and services.

As of June 30, 2012, our research and development team consisted of 584 development and technical staff. All of our service programs are designed and developed internally, including various interactive technologies. We expect to continue to develop all of our core technologies in-house.

We currently focus our product development efforts on three areas: (a) the continued improvement of our audio quality and further expansion of video-enabled features on our rich communication social platform, (b) the ongoing improvement of general user experience on YY Client by providing virtual items, additional games and online game add-ons as well as certain members-only special features, and (c) the continued development of Mobile YY. We will further invest in our voice and video technology to ensure that we continue to offer high quality live online social gathering experiences to our users, maintain the close communications we have with our existing users so as to identify user demand and offer product and service improvements to meet such demand and improve user experience. In addition, we are continuing to further develop Mobile YY to reach more users.

Intellectual Property

We regard our patents, trademarks, domain names, copyrights, trade secrets, proprietary technologies and similar intellectual property as critical to our success. We seek to protect our intellectual property rights through a combination of patent, trademark, copyright and trade secret protection laws in the PRC and other jurisdictions, as well as through confidentiality agreements and procedures with our employees, partners and others. The intellectual property rights we own include: (1) three patents relating to our proprietary technology; (2) 31 registered domain names, including YY.com, Duowan.com and Chinaduo.com; (3) copyrights to 41 software programs developed by us relating to various aspects of our operations, including voice software, games platform, general support and user management; and (4) 39 trademarks and service marks for our brands and logos in China, including YY and certain Chinese logos relating to Duowan and YY.

Employees

The following table sets forth the numbers of our employees, categorized by function, as of June 30, 2012:

Functions	Number of Employees
Management	19
Customer services and operations	306
Engineering and maintenance	87
Research and development	584
Sales and marketing	46
General and administration	62
Total	1,104

We had a total of 339, 600 and 854 employees as of December 31, 2009, 2010 and 2011, respectively.

Our success depends on our ability to attract, retain and motivate qualified personnel. We have developed a corporate culture that encourages initiative, technical superiority and self-development. In addition, we periodically evaluate our employees' performance and provide them with training sessions tailored to each job function to enhance performance and service quality.

As required by regulations in China, we participate in various employee social security plans that are organized by municipal and provincial governments, including pension, unemployment insurance, childbirth insurance, work-related injury insurance, medical insurance and housing insurance. We are required under PRC law to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government from time to time. We

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have accrued, in the aggregate, RMB42,088 (US$6,625) for pension or similar retirement benefits for our executive officers and directors, as required under PRC laws, for the fiscal year ended December 31, 2011. We believe that we maintain a good working relationship with our employees and we have not experienced any significant labor disputes as of the date of this prospectus.

Facilities

Our principal executive offices are located on premises comprising approximately 10,300 square meters in Guangzhou, China. This facility currently accommodates our management headquarters, principal development, engineering, sales and marketing, human resources and administrative activities. The lease for this Guangzhou facility expires in 2015. We also have a branch office in Beijing focusing on research and development, a branch office in Zhuhai focusing on games related businesses, and a representative office in Shanghai that handles advertising-related matters. We lease these relatively small premises under lease agreements from unrelated third parties, and we plan to renew these leases from time to time as needed.

Our servers are hosted in leased internet data centers in different geographic regions in China. The data centers in our network are owned and maintained for us by major domestic internet data center providers. We typically enter into leasing and hosting service agreements that are renewable annually. We believe that our existing facilities are sufficient for our current needs and we will obtain adequate facilities, principally through leasing, to accommodate our future expansion plans.

Legal Proceedings

We are currently not a party to, and are not aware of any threat of, any legal, arbitration or administrative proceedings that, in the opinion of our management, are likely to have a material and adverse effect on our business, financial condition or results of operations. From time to time, we have become, and may in the future become, a party to various legal or administrative proceedings arising in the ordinary course of our business. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management attention and other factors.

PRC REGULATION

Certain areas related to the internet, such as telecommunications, internet information services, connections to the international information networks, internet information security and censorship and online game operations, are covered extensively by a number of existing laws and regulations issued by various PRC governmental authorities, including:

- the Ministry of Industry and Information Technology, or the MIIT;
- the Ministry of Culture, or the MOC;
- the General Administration of Press and Publication, or the GAPP;
- the State Administration for Radio, Film and Television, or the SARFT;
- the National Copyright Administration, or the NCA;
- the State Administration for Industry and Commerce, or the SAIC;
- the State Council Information Office, or the SCIO;
- the Ministry of Commerce, or the MOFCOM;
- the Bureau of Protection of State Secrets;
- the Ministry of Public Security; and
- the State Administration of Foreign Exchange, or the SAFE.

As the online social platform and online game industries are still at an early stage of development in China, new laws and regulations may be adopted from time to time to require new licenses and permits in addition to those we currently have. There are substantial uncertainties on the interpretation and implementation of any current and future Chinese laws and regulations, including those applicable to the online social platform and online game industries. See "Risk Factors—Risks Relating to Doing Business in China—Uncertainties in the interpretation and implementation of Chinese laws and regulations could limit the legal protections available to you and us." And this section sets forth the most important laws and regulations that govern our current business activities in China and that affect the dividends payment to our shareholders.

Regulation on Telecommunications Services and Foreign Ownership Restrictions

The Telecommunications Regulations, which became effective on September 25, 2000, are the core regulations on telecommunications services in China. The Telecommunications Regulations set out basic guidelines on different types of telecommunications business activities, including the distinction between "basic telecommunications services" and "value-added telecommunications services." According to the Catalog of Telecommunications Business (2003 Amendment), implemented on April 1, 2003 and attached to the Telecommunications Regulations, internet information services are deemed a type of value-added telecommunications services. The Telecommunications Regulations require the operators of value-added telecommunications services to obtain value-added telecommunications business operation licenses from MIIT or its provincial delegates prior to the commencement of such services. Under these regulations, if the value-added telecommunications services offered include mobile network information services, the operation license for value-added telecommunications business must include the provision of such services in its covered scope. We currently, through Guangzhou Huaduo, our PRC consolidated affiliated entity, hold an ICP license, a sub-category of the value-added telecommunications business operation license, covering the provision of internet and mobile network information services, issued by the Guangdong branch of the MIIT on February 10, 2012.

The Regulations for the Administration of Foreign-Invested Telecommunications Enterprises, or the FITE Regulations, which took effect on January 1, 2002 and were amended on September 10, 2008, are the key

regulations that regulate foreign direct investment in telecommunications companies in China. The FITE Regulations stipulate that the foreign investor of a telecommunications enterprise is prohibited from holding more than 50% of the equity interest in a foreign-invested enterprise that provides value-added telecommunications services, including online games and the provision of internet content. Moreover, such foreign investor shall demonstrate a good track record and experience in operating value-added telecommunications services when applying for the value-added telecommunications business operation license from the MIIT.

On July 13, 2006, the MIIT issued the Circular on Strengthening the Administration of Foreign Investment in Value-added Telecommunications Services, or the MIIT Circular 2006, which requires that (a) foreign investors can only operate a telecommunications business in China through establishing a telecommunications enterprise with a valid telecommunications business operation license; (b) domestic license holders are prohibited from leasing, transferring or selling telecommunications business operation licenses to foreign investors in any form, or providing any resource, sites or facilities to foreign investors to facilitate the unlicensed operation of telecommunications business in China; (c) value-added telecommunications service providers or their shareholders must directly own the domain names and registered trademarks they use in their daily operations; (d) each value-added telecommunications service provider must have the necessary facilities for its approved business operations and maintain such facilities in the geographic regions covered by its license; and (e) all value-added telecommunications service providers should improve network and information security, enact relevant information safety administration regulations and set up emergency plans to ensure network and information safety. The provincial communications administration bureaus, as local authorities in charge of regulating telecommunications services, (a) are required to ensure that existing qualified value-added telecommunications service providers will conduct a self-assessment of their compliance with the MIIT Circular 2006 and submit status reports to the MIIT before November 1, 2006; and (b) may revoke the value-added telecommunications business operation licenses of those that fail to comply with the above requirements or fail to rectify such non-compliance within specified time limits. Due to the lack of any additional interpretation from the regulatory authorities, it remains unclear what impact MIIT Circular 2006 will have on us or the other PRC internet companies with similar corporate and contractual structures.

To comply with such foreign ownership restrictions, we operate our online social platform and online game businesses in China through Guangzhou Huaduo, which is owned by several PRC citizens and Beijing Tuda. Beijing Tuda was established by Messrs. David Xueling Li, Tony Bin Zhao and Jin Cao. Guangzhou Huaduo and Beijing Tuda are both controlled by Huanju Shidai through a series of contractual arrangements. See “Corporate History and Structure.” Moreover, Guangzhou Huaduo owns a majority of the domain names, registered trademarks and facilities necessary for daily operations in compliance with the MIIT Circular 2006. Based on our PRC legal counsel, Zhong Lun Law Firm’s understanding of the current PRC laws, rules and regulations, our corporate structure complies with all existing PRC laws and regulations. However, we were further advised by our PRC legal counsel that there are substantial uncertainties with respect to the interpretation and application of existing or future PRC laws and regulations and thus there is no assurance that Chinese governmental authorities would take a view consistent with the opinions of our PRC legal counsel.

Internet Information Services

The Administrative Measures on Internet Information Services, or the ICP Measures, issued by the State Council on September 25, 2000 and amended on January 8, 2011, regulate the provision of internet information services. According to the ICP Measures, “internet information services” refer to services that provide internet information to online users, and are categorized as either commercial services or non-commercial services. Pursuant to the ICP Measures, internet information commercial service providers shall obtain an ICP license, from the relevant local authorities before engaging in the providing of any commercial internet information services in China. In addition, if the internet information services involve provision of news, publication, education, medicine, health, pharmaceuticals, medical equipment and other services that statutorily require approvals from other additional governmental authorities, such approvals must be obtained before applying for

the ICP license. Guangzhou Huaduo presently holds the ICP license on internet and mobile network information services issued by the Guangdong branch of the MIIT on February 10, 2012.

Besides, the ICP Measures and other relevant measures also ban the internet activities that constitute publication of any content that propagates obscenity, pornography, gambling and violence, incite the commission of crimes or infringe upon the lawful rights and interests of third parties, among others. If an internet information service provider detects information transmitted on their system that falls within the specifically prohibited scope, such provider must terminate such transmission, delete such information immediately, keep records and report to the governmental authorities in charge. Any provider's violation of these prescriptions will lead to the revocation of its ICP license and, in serious cases, the shutting down of its internet systems.

Internet Publication and Cultural Products

The Tentative Measures for Internet Publication Administration, or Internet Publication Measures, were jointly promulgated by the GAPP and the MIIT on June 27, 2002 and became effective on August 1, 2002. The Internet Publication Measures imposed a license requirement for any company that engages in internet publishing, which means any act by an internet information service provider to select, edit and process content or programs and to make such content or programs publicly available on the internet. The provision of online games is deemed an internet publication activity; therefore, an online game operator must (i) obtain an Internet Publishing License so that it can directly offer its online games to the public in the PRC, or (ii) publish its online games through a qualified press entity by entering into an entrustment agreement.

The Rules for the Administration of Electronic Publication, or the Electronic Publication Rules, was issued by the GAPP on February 21, 2008 and became effective on April 15, 2008. Under the Electronic Publication Rules and other regulations issued by the GAPP, online games are classified as a kind of electronic publication, and publishing of online games is required to be conducted by licensed electronic publishing entities that have been issued standard publication codes. Pursuant to the Electronic Publication Rules, if a PRC company is contractually authorized to publish foreign electronic publications, it must obtain the approval of, and register the copyright license contract with, the GAPP.

We, through Guangzhou Huaduo, obtained an Internet Publishing License for the publication of online games and mobile phone games on November 7, 2011. With the issued Internet Publishing License, we are in the process of applying for the GAPP's pre-approval for publishing online games. For more information on the pre-approval by the GAPP, see "—Regulation on Online Games and Foreign Ownership Restrictions."

Regulation on Online Games and Foreign Ownership Restrictions

On June 3, 2010, the MOC promulgated the Provisional Administration Measures of Online Games, or the Online Game Measures, which came into effect on August 1, 2010. The Online Game Measures governs the research, development and operation of online games and the issuance and trading services of virtual currency. It specifies that the MOC is responsible for the censorship of imported online games and the filing of records of domestic online games. The procedures for the filing of records of domestic online games must be conducted with the MOC within 30 days after the commencement date of the online operation of such online games or the occurrence date of any material alteration of such online games.

All operators of online games, issuers of virtual currencies and providers of virtual currency trading services, or Online Game Business Operators, are required to obtain Internet Culture Operation Licenses. An Internet Culture Operation License is valid for three years and in case of renewal, the renewal application should be submitted 30 days prior to the expiry date of such license. An Online Game Business Operator should request the valid identity certificate of game users for registration, and notify the public 60 days ahead of the termination of any online game operations or the transfer of online game operational rights. Online Game Business Operators

are also prohibited from (a) setting compulsory matters in the online games without game users' consent; (b) advertising or promoting the online games that contain prohibited content, such as anything that compromise state security or divulges state secrets; and (c) inducing game users to input legal currencies or virtual currencies to gain online game products or services, by way of random draw or other incidental means. It also states that the state cultural administration authorities will formulate the compulsory clauses of a standard online game service agreement, which have been promulgated on July 29, 2010 and are required to be incorporated into the service agreement entered into between the Online Game Business Operators, with no conflicts with the rest of clauses in such service agreements. Guangzhou Huaduo holds a valid Internet Culture Operation License that was last updated in March 2011.

On July 11, 2008, the General Office of the State Council promulgated the Regulation on Main Functions, Internal Organization and Staffing of the GAPP, or the Regulation on Three Provisions. On September 7, 2009, the Central Organization Establishment Commission issued the corresponding interpretations, or the Interpretations on Three Provisions. The Regulation on Three Provisions and the Interpretation on Three Provisions granted the MOC overall jurisdiction to regulate the online gaming industry, and granted the GAPP the authority to issue approvals for the internet publication of online games. Specifically, (a) the MOC is empowered to administrate online games (other than the pre-examination and approval before internet publication of online games); (b) subject to the MOC's overall administration, GAPP is responsible for the pre-examination and approval of the internet publication of online games; and (c) once an online game is launched, the online game will be only administrated and regulated by the MOC. On November 7, 2011, Guangzhou Huaduo obtained an Internet Publishing License for the publication of online games and mobile phone games. The online games we currently offer are domestically produced games, and are published by third parties qualified to publish online games. Approximately 88% of the online games currently available on YY Client have been filed with the GAPP as electronic publications, and the others are still undergoing the filing process.

On September 28, 2009, the GAPP, the NCA and the National Working Group to Eliminate Pornography and Illegal Publications jointly issued the Circular on Consistent Implementation of the Stipulation on the Three Determinations of the State Council and the Relevant Interpretations of the State Commission for Public Sector Reform and the Further Strengthening of the Pre-approval of Online Games and the Approval and Examination of Imported Online Games, or Circular 13. Circular 13 explicitly prohibits foreign investors from directly or indirectly engaging in online gaming business in China, including through variable interest entity structures, or VIE Structures. Foreign investors are not allowed to indirectly control or participate in PRC operating companies' online game operations, whether (a) by establishing other joint ventures, entering into contractual arrangements or providing technical support for such operating companies; or (b) in a disguised form such as by incorporating or directing user registration, user account management or game card consumption into online gaming platforms that are ultimately controlled or owned by foreign companies. Circular 13 reiterates that the GAPP is responsible for the examination and approval of the import and publication of online games and states that downloading from the internet is considered a publication activity, which is subject to approval from the GAPP. Violations of Circular 13 will result in severe penalties. For detailed analysis, see "Risk Factors—Risks Relating to Our Corporate Structure and Industry—We may be adversely affected by the complexity, uncertainties and changes in PRC regulation of internet business and companies."

Anti-fatigue Compliance System and Real-name Registration System

On April 15, 2007, in order to curb addictive online game-playing by minors, eight PRC government authorities, including the GAPP, the Ministry of Education, the Ministry of Public Security and the MIIT, jointly issued a circular requiring the implementation of an anti-fatigue compliance system and a real-name registration system by all PRC online game operators. Under the anti-fatigue compliance system, three hours or less of continuous playing by minors, defined as game players under 18 years of age, is considered to be "healthy", three to five hours is deemed "fatiguing", and five hours or more is deemed "unhealthy." Game operators are required

to reduce the value of in-game benefits to a game player by half if it discovers that the amount of a time a game player spends online has reached the "fatiguing" level, and to zero in the case of the "unhealthy" level.

To identify whether a game player is a minor and thus subject to the anti-fatigue compliance system, a real-name registration system should be adopted to require online game players to register their real identity information before playing online games. Pursuant to a notice issued by the relevant eight government authorities on August 3, 2011, online game operators must submit the identity information of game players to the National Citizen Identity Information Center, a subordinate public institution of the Ministry of Public Security, for verification as of October 1, 2011.

We have developed and implemented an anti-fatigue and compulsory real-name registration system in all our online games, and will cooperate with the National Citizen Identity Information Center to launch the identity verification system upon the issuance of relevant implementing rules. For game players who do not provide verified identity information, we assume that they are minors under 18 years of age. In order to comply with the anti-fatigue rules, we set up our system so that after three hours of playing our online games, minors only receive half of the virtual items or other in-game benefits they would otherwise earn, and after playing for more than five hours, minors would receive no in-game benefits. These restrictions could limit our ability to increase our online games business among minors. Furthermore, if these restrictions were expanded to apply to adult game players in the future, our online games business could be materially and adversely affected. See "Risk Factors—Risks Related to Our Corporate Structure and Our Industry—Intensified government regulation of the internet industry in China could restrict our ability to maintain or increase our user level or the level of user traffic to our YY platform.

Virtual Currency

On January 25, 2007, the Ministry of Public Security, the MOC, the MIIT and the GAPP jointly issued a circular regarding online gambling which has implications for the issuance and use of virtual currency. To curtail online games that involve online gambling while addressing concerns that virtual currency might be used for money laundering or illicit trade, the circular (a) prohibits online game operators from charging commissions in the form of virtual currency in connection with winning or losing of games; (b) requires online game operators to impose limits on use of virtual currency in guessing and betting games; (c) bans the conversion of virtual currency into real currency or property; and (d) prohibits services that enable game players to transfer virtual currency to other players. In February 2007, 14 PRC regulatory authorities jointly issued a circular to further strengthen the oversight of internet cafes and online games. In accordance with the circular, the People's Bank of China, or PBOC, has the authority to regulate virtual currency, including: (a) setting limits on the aggregate amount of virtual currency that can be issued by online game operators and the amount of virtual currency that can be purchased by an individual; (b) stipulating that virtual currency issued by online game operators can only be used for purchasing virtual products and services within the online games and not for purchasing tangible or physical products; (c) requiring that the price for redemption of virtual currency shall not exceed the respective original purchase price; and (d) banning the trading of virtual currency.

On June 4, 2009, the MOC and the MOFCOM jointly issued a notice to strengthen the administration of online game virtual currency. The Virtual Currency Notice requires businesses that (a) issue online game virtual currency (in the form of prepaid cards and/or pre-payment or prepaid card points), or (b) offer online game virtual currency transaction services to apply for approval from the MOC through its provincial branches within three months after the issuance of the notice. The Virtual Currency Notice prohibits businesses that issue online game virtual currency from providing services that would enable the trading of such virtual currency. Any business that fails to submit the requisite application will be subject to sanctions, including, without limitation, mandatory corrective measures and fines.

Under the Virtual Currency Notice, an online game virtual currency transaction service provider means a business providing platform services relating to trading of online game virtual currency among game users. The

Virtual Currency Notice further requires an online game virtual currency transaction service provider to comply with relevant e-commerce regulations issued by the MOFCOM. According to the Guiding Opinions on Online Trading (Interim) issued by the MOFCOM on March 6, 2007, online platform services are trading services provided to online buyers and sellers through a computer information system operated by the service provider.

The Virtual Currency Notice regulates, among others, the amount of virtual currency a business can issue, the retention period of user records, the function of virtual currency and the return of unused virtual currency upon the termination of online services. It prohibits online game operators from distributing virtual items or virtual currency to players based on random selection through lucky draw, wager or lottery which involves cash or virtual currency directly paid by the players. The Virtual Currency Notice bans the issuance of virtual currency by game operators to game players through means other than purchases with legal currency. Any business that does not provide online game virtual currency transaction services is required to adopt technical measures to restrict the transfer of online game virtual currency among accounts of different game players.

In addition, the Online Game Measures promulgated in June 2010 further provide that (i) virtual currency may only be used to purchase services and products provided by the online service provider that issues the currency; (ii) the purpose of issuing virtual currency shall not be malicious appropriation of the user's advance payment; (iii) the storage period of online gamers' purchase record shall not be shorter than 180 days; (iv) the types, price and total amount of virtual currency shall be filed with the cultural administration department at the provincial level. The Online Game Measures stipulate that virtual currency service providers may not provide virtual currency transaction services to minors or for online games that fail to obtain the necessary approval or filings, and that such providers should keep transaction records, accounting records and other relevant information for its users for at least 180 days.

Online Music

On November 20, 2006, the MOC issued Several Suggestions of the MOC on the Development and Administration of Internet Music, or the Suggestions, which became effective on the same date. The Suggestions, among other things, reiterate the requirement for an internet service provider to obtain an Internet Culture Operation License to carry out any business relating to internet music products. In addition, foreign investors are prohibited from operating internet culture businesses. However, the laws and regulations on internet music products are still evolving, and there have not been any provisions clarifying whether music products will be regulated by the Suggestions or how such regulation would be carried out.

On August 18, 2009, the MOC promulgated the Notice on Strengthening and Improving the Content Review of Online Music, or the Online Music Notice. According to the Online Music Notice, only "internet culture operating entities" approved by the MOC may engage in the production, release, dissemination (including providing direct links to music products) and importation of online music products. The content of online music shall be reviewed by or filed with the MOC. Internet culture operating entities should establish a strict self-monitoring system of online music content and set up a special department in charge of such monitoring.

Guangzhou Huaduo holds a valid Internet Culture Operation License covering our provision of online music. More than 99% of the music offered on our websites is sung by grassroots performers along with recorded music. If any music provided through our platform is found to lack necessary filings and/or approvals, we could be requested to cease providing such music or be subject to claims from third parties or penalties from the MOC or its local branches. See "Risk Factors—Risks Relating to Our Corporate Structure and Our Industry—If our PRC consolidated affiliated entities fail to obtain and maintain the requisite licenses and approvals required under the complex regulatory environment for internet-based businesses in China, our business, financial condition and results of operations may be materially and adversely affected." Moreover, the unauthorized posting of online music on our platform by third parties may expose us to the risk of administrative penalties and intellectual property infringement lawsuits. See "Risk Factors—Risks Relating to Our Business—We may be held liable for information or content displayed on, retrieved from or linked to our platform, or distributed to our

users, and PRC authorities may impose legal sanctions on us, including, in serious cases, suspending or revoking the licenses necessary to operate our platform."

In 2011, the MOC greatly intensified its regulation of the provision of online music products. According to the series of Notices on Clearing Online Music Products that are in Violation of Relevant Regulations promulgated by the MOC since January 7, 2011, entities that provide any the following will be subject to relevant penalties or sanctions imposed by the MOC: (a) online music products or relevant services without obtaining corresponding qualifications, (b) imported online music products that have not passed the content review of the MOC or (c) domestically developed online music products that have not been filed with the MOC. Thus far, we believe that we have eliminated from our platform any online music products that may fall into the scope of those prohibited online music products thereunder.

Online Transmission of Audio-Visual Programs

The Measures for the Administration of Publication of Audio-Visual Programs through Internet or Other Information Network, or the Audio-Visual Measures, promulgated by the SARFT on July 6, 2004 and put into effect on October 11, 2004, apply to the activities relating to the opening, broadcasting, integration, transmission or download of audio-visual programs using internet or other information network. Under the Audio-Visual Measures, to engage in the business of transmitting audio-visual programs, a license issued by SARFT is required. Foreign invested enterprises are not allowed to carry out such business.

On April 13, 2005, the State Council promulgated the Certain Decisions on the Entry of the Non- state-owned Capital into the Cultural Industry. On July 6, 2005, five PRC governmental authorities, including the MOC, the SARFT, the GAPP, the CSRC and the MOFCOM, jointly adopted the Several Opinions on Canvassing Foreign Investment into the Cultural Sector. According to these regulations, non-state-owned capital and foreign investors are not allowed to engage in the business of transmitting audio-visual programs through information networks.

To further regulate the provision of audio-visual program services to the public via the internet, including through mobile networks, within the territory of the PRC, the SARFT and the MIIT jointly promulgated the Administrative Provisions on Internet Audio-Visual Program Service, or the Audio-Visual Program Provisions, on December 20, 2007, which came into effect on January 31, 2008. Providers of internet audio-visual program services are required to obtain a License for Online Transmission of Audio-Visual Programs issued by SARFT, or complete certain registration procedures with SARFT. In general, providers of internet audio-visual program services must be either state-owned or state-controlled entities, and the business to be carried out by such providers must satisfy the overall planning and guidance catalog for internet audio-visual program service determined by SARFT. In a press conference jointly held by SARFT and MIIT to answer questions relating to the Audio-Visual Program Provisions in February 2008, SARFT and MIIT clarified that providers of internet audio-visual program services who engaged in such services prior to the promulgation of the Audio-Visual Program Provisions are eligible to register their business and continue their operation of internet audio-visual program services so long as those providers did not violate the relevant laws and regulations in the past. On May 21, 2008, SARFT issued a Notice on Relevant Issues Concerning Application and Approval of License for the Online Transmission of Audio-Visual Programs, which further sets out detailed provisions concerning the application and approval process regarding the License for Online Transmission of Audio-Visual Programs. The notice also states that providers of internet audio-visual program services that engaged in such services prior to the promulgation of the Audio-Visual Program Provisions are eligible to apply for the license so long as their violation of the laws and regulations is minor in scope and can be rectified in a timely manner and they have no records of violation during the last three months prior to the promulgation of the Audio-Visual Program Provisions. Further, on March 31, 2009, SARFT promulgated the Notice on Strengthening the Administration of the Content of Internet Audio-Visual Programs, which reiterates the pre-approval requirements for the audio-visual programs transmitted via the internet, including through mobile networks, where applicable, and

prohibits certain types of internet audio-visual programs containing violence, pornography, gambling, terrorism, superstition or other similarly prohibited elements.

On April 1, 2010, the SARFT issued the Internet Audio-visual Program Services Categories (Provisional), or the Provisional Categories, which classified internet audio-visual program services into four categories.

Guangzhou Huaduo holds a valid License for Online Transmission of Audio-Visual Programs with the business classification of converging and play-on-demand service for certain kinds of audio-visual programs—literary, artistic and entertaining—as prescribed in the Provisional Categories.

Production of Radio and Television Programs

On July 19, 2004, the SARFT issued the Regulations on the Administration of Production of Radio and Television Programs, or the Radio and TV Programs Regulations, which become effective on August 20, 2004. The Radio and TV Programs Regulations require any entities engaging in the production of radio and television programs to obtain a license for such businesses from the SARFT or its provincial branches. Entities with the License for Production and Operation of Radio and TV Programs must conduct their business operations strictly in compliance with the approved scope of production and operations and these entities (except radio and TV stations) must not produce radio and TV programs regarding current political news or similar subjects.

Guangzhou Huaduo holds an effective License for Production and Operation of Radio and TV Programs, issued on October 8, 2011, covering the production, reproduction and publication of broadcasting plays, TV dramas, cartoons (excluding production), special subjects, special columns (excluding current political news category) and entertainment programs.

Regulation on Internet Bulletin Board Services

On November 6, 2000, the MIIT promulgated the Administrative Measures on Internet Bulletin Board Services, or BBS Measures, which required commercial internet information service providers which provide bulletin boards, discussion forums, chat rooms or similar services, or BBS services, to obtain specific approval from the competent telecommunications authorities. Commercial internet information service providers are also required to conspicuously display their ICP license numbers and the rules of the BBS and inform users of the possible legal liabilities and consequences for posting improper comments. Another notice issued by the MIIT in March 2001 further specified the qualifications and requirements for approval of BBS services and emphasized the principles of daily supervision on BBS services.

The above-stated administrative approval or filing requirement for BBS was cancelled on July 4, 2010.

Online Education Services

On July 5, 2000, the Ministry of Education promulgated the Measures for the Administration of Educational Websites and Online Schools. Accordingly, an entity that operates educational websites and online schools is required to obtain prior approval from the competent administrative educational authorities. Educational websites are defined as institutions which establish online information databases by collecting, editing and storing educational information or establish online platform and search tools for educational purposes, and which provide public educational information to website visitors or users through the internet or educational TV stations. These measures also include specific provisions regarding the qualifications and procedures for obtaining the approval for operating educational websites. We currently offer some education-related services on our platform and are applying for the relevant necessary approvals.

Regulation on Advertising Business and Conditions on Foreign Investment

The SAIC is the primary governmental authority regulating advertising activities in China. Regulations that apply to advertising business primarily include:

- Advertisement Law of the People's Republic of China, promulgated by the Standing Committee of the National People's Congress on October 27, 1994 and effective since February 1, 1995;
- Administrative Regulations for Advertising, promulgated by the State Council on October 26, 1987 and effective since December 1, 1987; and
- Implementation Rules for the Administrative Regulations for Advertising, promulgated by the State Council on January 9, 1988 and amended on December 3, 1998, December 1, 2000 and November 30, 2004, respectively.

According to the above regulations, companies that engage in advertising activities must each obtain, from the SAIC or its local branches, a business license which specifically includes operating an advertising business in its business scope. An enterprise engaging in advertising business within the specifications in its business scope does not need to apply for an advertising operation license, provided that such enterprise is not a radio station, television station, newspaper or magazine publisher or any other entity otherwise specified in the relevant laws or administrative regulations. Enterprises conducting advertising activities without such a license may be subject to penalties, including fines, confiscation of advertising income and orders to cease advertising operations. The business license of an advertising company is valid for the duration of its existence, unless the license is suspended or revoked due to a violation of any relevant laws or regulations.

PRC advertising laws and regulations set certain content requirements for advertisements in China, 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. Advertisers, advertising agencies, and advertising distributors are required to ensure that the content of the advertisements they prepare or distribute is true and in complete compliance with applicable laws. In providing advertising services, advertising operators and advertising distributors must review the supporting documents provided by advertisers for 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, advertising distributors 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. Where serious violations occur, the SAIC or its local branches may revoke such offenders' licenses or permits for their advertising business operations.

Under the Administrative Regulations on Foreign-Invested Advertising Enterprises, promulgated in 2008, there is no longer any maximum foreign shareholding percentage restriction applicable to foreign-invested advertising enterprises. However, foreign investors are required to have at least three years prior experience of operating an advertising business outside of China as their main business before receiving approval to directly own a 100% interest in an advertising company in China. Foreign investors with at least two years prior experience of operating an advertising business outside China as their main business are allowed to establish a joint venture with domestic advertising enterprises to operate an advertising business in China.

Intellectual Property Rights

Software Registration

The State Council and the NCA have promulgated various rules and regulations and rules relating to protection of software in China. According to these rules and regulations, software owners, licensees and transferees may register their rights in software with the SCB or its local branches and obtain software copyright

registration certificates. Although such registration is not mandatory under PRC law, software owners, licensees and transferees are encouraged to go through the registration process and registered software rights may be entitled to better protections. As of August 14, 2012, we had registered rights in 41 software programs.

Patents

The National People's Congress adopted the Patent Law of the People's Republic of China in 1984 and amended it in 1992, 2000 and 2008, respectively. A patentable invention, utility model or design must meet three conditions: novelty, inventiveness and practical applicability. Patents cannot be granted for scientific discoveries, rules and methods for intellectual activities, methods used to diagnose or treat diseases, animal and plant breeds or substances obtained by means of nuclear transformation. The Patent Office under the State Intellectual Property Office is responsible for receiving, examining and approving patent applications. A patent is valid for a twenty-year term for an invention and a ten-year term for a utility model or design, starting from the application date. Except under certain specific circumstances provided by law, any third party user must obtain consent or a proper license from the patent owner to use the patent, or else the use will constitute an infringement of the rights of the patent holder.

We have obtained three patents granted from, and 22 patent applications are under review by, the State Intellectual Property Office.

Copyright Law

The Copyright Law of the People's Republic of China, promulgated in 1990 and amended in 2001 and 2010, or the Copyright Law, and its related implementing regulations, promulgated in 2008, are the principal laws and regulations governing the copyright related matters. The amended Copyright law covers internet activities, products disseminated over the internet and software products, among the subjects entitled to copyright protections. Registration of copyright is voluntary, and is administrated by the China Copyright Protection Center.

To address copyright issues relating to the internet, on November 22, 2000, the PRC Supreme People's Court adopted the Interpretations on Some Issues Concerning Applicable Laws for Trial of Disputes over Internet Copyright, or the Interpretations, which were subsequently amended on December 23, 2003 and November 20, 2006. The Interpretations establish joint liability for internet service providers if they participate in, assist in or abet infringing activities committed by any other person through the internet, are aware of the infringing activities committed by their website users through the internet or fail to remove infringing content or take other action to eliminate infringing consequences after receiving a warning with evidence of such infringing activities from the copyright holder. In addition, the internet service providers are liable for copyright infringement if they knowingly upload, transmit or provide any methods, equipment or materials which are intended to bypass or disrupt circumvention technologies designed to protect the copyrights of other people. Upon request, the internet service providers shall provide copyright holders with the registration information of the users who are alleged to be guilty of copyright violations, provided that such copyright holders produce relevant evidence of identification, copyright ownership and infringement. Where an internet service provider takes measures to remove the alleged infringing content after receiving a warning from the relevant copyright holder with good evidence, the PRC courts would not support the claim of the alleged perpetrator of such copyright infringement against the internet service provider for breach of contract.

Under the Copyright Law and its implementation rules, anyone infringing upon the copyrights of others is subject to various civil liabilities, which include stopping the infringement, eliminating the damages, apologizing to the copyright owners and compensating the copyright owners for such owners' actual and other losses resulting from such infringement. If the actual loss of the copyright owner is difficult to calculate, the income received by the offender as a result of the copyright infringement shall be deemed to be the actual loss; or if such income is in itself difficult to calculate, the relevant PRC court may decide the amount of the actual loss up to RMB500,000 for each infringement.

To address the problem of copyright infringement related to content posted or transmitted on the internet, the PRC National Copyright Administration and MIIT jointly promulgated the Measures for Administrative Protection of Copyright Related to Internet on April 29, 2005. These measures, which became effective on May 30, 2005, apply to acts of automatically providing services such as uploading, storing, linking or searching works, audio or video products, or other contents through the internet based on the instructions of internet users who publish contents on the internet, or the Internet Content Providers, without editing, amending or selecting any stored or transmitted content. When imposing administrative penalties upon the act which infringes upon any users' right of communication through information networks, the Measures for Imposing Copyright Administrative Penalties, promulgated in 2009, shall be applied.

Where a copyright holder finds that certain internet content infringes upon its copyright and sends a notice to the relevant internet information service operator, the relevant internet information service operator is required to (i) immediately take measures to remove the relevant contents, and (ii) retain all infringement notices for six months and to record the content, display time and IP addresses or the domain names related to the infringement for 60 days. After any content is removed by an internet information service operator according to the notice of a copyright holder, the content provider may deliver a counter-notice to both the internet information service operator and the copyright holder, stating that the removed content does not infringe upon the copyright of other parties. After the delivery of such counter-notice, the internet information service operator may immediately reinstate the removed contents and shall not bear administrative legal liability for such reinstatement.

An internet information service operator may be subject to cease-and-desist orders and other administrative penalties such as confiscation of illegal income and fines, if it is clearly aware of a copyright infringement through the internet or, although not aware of such infringement, it fails to take measures to remove relevant content upon receipt of the copyright owner's notice of infringement and, as a result, damages public interests. Where there is no evidence to indicate that an internet information service operator is clearly aware of the existence of copyright infringement, or the internet information service operator has taken measures to remove relevant contents upon receipt of the copyright owner's notice, the internet information service provider shall not bear the relevant administrative legal liabilities.

On May 18, 2006, the State Council issued the Protection of the Right of Communication through Information Network, which took effect on July 1, 2006. Under this regulation, an internet information service provider may be exempt from indemnification liabilities under the following circumstances:

- any internet information service provider that provides automatic internet access service upon instructions from its users or provides automatic transmission service for works, performances and audio-visual products provided by its users are not required to assume indemnification liabilities if (a) it has not chosen or altered the transmitted works, performance and audio-visual products and (b) it provides such works, performances and audio-visual products to the designated users and prevents any person other than such designated users from obtaining access.
- any internet information service provider that, for the sake of improving network transmission efficiency, automatically stores and provides to its own users the relevant works, performances and audio-visual products obtained from any other internet information service providers, are not required to assume the indemnification liabilities if (a) it has not altered any of the works, performance or audio-visual products that are automatically stored; (b) it has not affected such original internet information service provider in holding the information about where the users obtain the relevant works, performance and audio-visual products; and (c) when the original internet information service provider revises, deletes or shields the works, performances and audio-visual products, it will automatically revise, delete or shield the same.
- any internet information service provider that provides its users with information memory space for such users to provide the works, performances and audio-visual products to the general public via an informational network are not required to assume the indemnification liabilities if (a) it clearly

indicates that the information memory space is provided to the users and publicizes its own name, contact person and web address; (b) it has not altered the works, performance and audio-visual products that are provided by the users; (c) it is not aware of or has no reason to know that the works, performances and audio-visual products provided by the users infringe upon the copyrights of others; (d) it has not directly derived any economic benefit from the providing of the works, performances and audio-visual products by its users; and (e) after receiving a notice from the copyright holder, it promptly deletes the allegedly infringing works, performances and audio-visual products pursuant to the relevant regulation.

Since 2005, the NCA, together with certain other PRC governmental authorities, have jointly launched annual campaigns specifically aimed to crack down on internet copyright infringement and piracy in China; these campaigns normally last for three to four months every year. According to the Notice of 2010 Campaign to Crack Down on Internet Infringement and Piracy promulgated by the NCA, the Ministry of Public Security and the MIIT on July 19, 2010, the 2010 campaign mainly targeted internet audio and video programs, literature websites, online games, animation, software and art works related to Shanghai World Expo and Guangzhou Asian Games. During the 2010 campaign, starting from late July to the end of October 2010, the local branches of NCA focused on popular movies and TV series, newly published books, online games and animation, music and software and various illegal activities, including, for example, illegal uploading or transmission of a thirty party's works without proper license or permission, sales of pirated audio-video and software through e-commerce platforms, providing search links, information storage, web hosting or internet access services for third parties engaging in copyright infringement or piracy of copyrighted works and the infringement by use of mobile media. In serious cases, the operating permits of the websites engaging illegal activities were revoked, and such websites were ordered to shut down.

We have adopted measures to mitigate copyright infringement risks, including, for instance, establishing a routine reporting and registration system updated on a monthly basis.

Domain Name

In September 2002, the CNNIC issued the Implementing Rules for Domain Name Registration setting forth detailed rules for registration of domain names. On November 5, 2004, the MIIT promulgated the Measures for Administration of Domain Names for the Chinese Internet, or the Domain Name Measures. The Domain Name Measures regulate the registration of domain names, such as the first tier domain name ".cn." In February 2006, the CNNIC issued the Measures on Domain Name Dispute Resolution and relevant implementing rules, pursuant to which the CNNIC can authorize a domain name dispute resolution institution to decide disputes. As of August 14, 2012, we had registered 31 domain names, including YY.com, Duowan.com and Chinaduo.com.

Trademark

The PRC Trademark Law, adopted in 1982 and amended in 1993 and 2001, with its implementation rules adopted in 2002, protects registered trademarks. The Trademark Office of the SAIC handles trademark registrations and grants a protection term of ten years to registered trademarks. Trademark license agreements must be filed with the Trademark Office for record. As of August 14, 2012, we had registered 39 trademarks and had filed 111 trademark applications in China.

Internet Infringement

On December 26, 2009, the Standing Committee of National People's Congress promulgated the Tort Law of the People's Republic of China, or the Tort Law, which became effective on July 1, 2010. Under the Tort Law, an internet user or an internet service provider that infringes upon the civil rights or interests of others through using the internet assumes tort liability. If an internet user infringes upon the civil rights or interests of another through using the internet, the person being infringed upon has the right to notify and request the internet service

provider whose internet services are facilitating the infringement to take necessary measures including the deletion, blocking or disconnection of an internet link. If, after being notified, the internet service provider fails to take necessary measures in a timely manner to end the infringement, it will be jointly and severally liable for any additional harm caused by its failure to act. According to the Tort Law, civil rights and interests include the personal rights and rights of property, such as the right to life, right to health, right to name, right to reputation, right to honor, right of portraiture, right of privacy, right of marital autonomy, right of guardianship, right to ownership, right to usufruct, right to security interests, copyright, patent right, exclusive right to use trademarks, right to discovery, right to equity interests and right of heritage, among others.

Regulation of Internet Content

The PRC government has promulgated measures relating to internet content through a number of governmental agencies, including the MIIT, the MOC and the GAPP. These measures specifically prohibit internet activities, such as the operation of online games, that result in the publication of any content which is found to contain, among others, propagate obscenity, gambling or violence, instigate crimes, undermine public morality or the cultural traditions of the PRC, or compromise state security or secrets. If an ICP license holder violates these measures, its ICP license may be revoked and its websites may be shut down by the relevant government agencies.

Moreover, according to the Notice on the Work of Purification of Online Games jointly issued by the MOC, the MIIT and other governmental authorities in June 2005, online games in China are required to be registered and filed as software products in accordance with the Administrative Measures on Software Products, promulgated in 2000. In addition, pursuant to the Notice on Enhancing the Content Review Work of Online Game Products promulgated by the MOC in 2004, imported online games are subject to content review by the MOC prior to being offered to Chinese internet users.

Information Security and Censorship

Internet content in China is regulated and restricted from a state security standpoint. The National People’s Congress, China’s national legislative body, enacted the Decisions on the Maintenance of Internet Security on December 28, 2000, that may subject persons to criminal liabilities in China for any attempt to: (i) gain improper entry to a computer or system of strategic importance; (ii) disseminate politically disruptive information; (iii) leak state secrets; (iv) spread false commercial information or (v) infringe upon intellectual property rights.

In 1997, the Ministry of Public Security issued the Administration Measures on the Security Protection of Computer Information Network with Internationally Connections, which prohibit using the internet in ways which, among others, result in a leakage of state secrets or a spread of socially destabilizing content. The Ministry of Public Security has supervision and inspection powers in this regard, and relevant local security bureaus may also have jurisdiction. If an ICP license holder violates these measures, the PRC government may revoke its ICP license and shut down its websites.

To comply with the above laws and regulations, we have established an internet information security department to implement measures on information filtering. For example, we have adopted a voice monitor system, and installed on our platform various alerts on sensitive words or abnormal activities of users, channels or groups. We also have a dedicated team that maintains 24-hour surveillance on the information posted on our platform, with different categories for monitoring purposes, according to subject and content. We have also established and follow a strict review process and storage system of relevant records which, in combination with various information security measures, have effectively prevented the public dissemination of statutory prohibited information through our websites in the past. We intend to continue to further update our measurements and system and work closely with relevant authorities to avoid any violation of relevant laws and regulations in the future.

Privacy Protection

PRC laws and regulations do not prohibit internet content providers from collecting and analyzing their users' personal information if appropriate authorizations are obtained. We require our users to accept a user agreement whereby they agree to provide certain personal information to us. PRC laws and regulations prohibit internet content providers from disclosing any information transmitted by users through their networks to any third parties without their authorization unless otherwise permitted by law. If an internet content provider violates these regulations, the MIIT or its local bureaus may impose penalties and the internet content provider may be liable for damages caused to its users.

Regulation of Foreign Currency Exchange and Dividend Distribution

Foreign Currency Exchange. The core regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations, as amended in August 2008, or the FEA Regulations. Under the FEA Regulations, the Renminbi is freely convertible for current account items, including the distribution of dividends, interest payments, trade- and service-related foreign exchange transactions, but not for capital account items, such as direct investments, loans, repatriation of investments and investments in securities outside of China, unless the prior approval of the SAFE is obtained and prior registration with the SAFE is made. On August 29, 2008, SAFE promulgated Circular 142 to regulate the conversion of foreign currency into Renminbi by a foreign-invested enterprise by restricting the ways in which the converted Renminbi may be used. Circular 142 stipulates that the registered capital of a foreign-invested enterprise that has been settled in Renminbi converted from foreign currencies may only be used for purposes within the business scope approved by the applicable governmental authority and cannot be used for equity investments within the PRC. Meanwhile, the SAFE strengthened its oversight of the flow and use of the registered capital of a foreign-invested enterprise settled in Renminbi converted from foreign currencies. The use of such Renminbi capital may not be changed without the SAFE's approval, and may not in any case be repayment of Renminbi loans if the proceeds of such loans have not been used. Violations of Circular 142 may lead to severe penalties including heavy fines. As a result, Circular 142 may significantly limit our ability to transfer the net proceeds from this offering to our other PRC subsidiaries through Huanju Shidai, our wholly owned subsidiary in China, and thus may adversely affect our business expansion in China. We may not be able to convert the net proceeds into Renminbi to invest in or acquire any other PRC companies, or establish other VIEs in the PRC.

Dividend Distribution. The Foreign Investment Enterprise Law, promulgated in 1986 and amended in 2000, and the Administrative Rules under the Foreign Investment Enterprise Law, promulgated in 2001, are the key regulations governing distribution of dividends of foreign-invested enterprises.

Under these regulations, a wholly foreign-invested enterprise in China, or a WFOE, may pay dividends only out of its accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, a WFOE is required to allocate at least 10% of its accumulated profits each year, if any, to statutory reserve funds unless its reserves have reached 50% of the registered capital of the enterprises. These reserves are not distributable as cash dividends. The proportional ratio for withdrawal of rewards and welfare funds for employees shall be determined at the discretion of the WFOE. Profits of a WFOE shall not be distributed before the losses thereof before the previous accounting years have been made up. Any undistributed profit for the previous accounting years may be distributed together with the distributable profit for the current accounting year.

Circular 75. The SAFE issued Circular on Several Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and in Return Investments via Overseas Special Purpose Companies, or Circular No. 75, on October 21, 2005, which became effective on November 1, 2005. Under Circular 75, prior registration with the local SAFE branch is required for PRC residents to establish or to control an offshore company for the purposes of financing that offshore company with assets or equity interests in an onshore enterprise located in the PRC. An amendment to registration or filing with the local SAFE branch by such PRC

resident is also required for the injection of equity interests or assets of an onshore enterprise in the offshore company or overseas funds raised by such offshore company, or any other material change involving a change in the capital of the offshore company.

Circular 75 applies retroactively. PRC residents who have established or acquired control of offshore companies that have made onshore investments in the PRC in the past were required to complete the relevant registration procedures with the local SAFE branch by March 31, 2006. Under the relevant rules, failure to comply with the registration procedures set forth in Circular 75 may lead to restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the increase of its registered capital, the payment of dividends and other distributions to its offshore parent or affiliate and the capital inflow from the offshore entity, and may also subject relevant PRC residents to penalties under PRC foreign exchange administration regulations. PRC residents who control our company from time to time are required to register with the SAFE in relation to their investments in us.

We have completed the foreign exchange registration of PRC resident shareholders of Guangzhou Huaduo, as required by Circular 75, for our financings that were completed before the end of 2010. The Circular 75 registration in relation to the issuance of common shares to Tiger Global Six YY Holdings was completed on February 6, 2012.

Stock Option Rules. The Administration Measures on Individual Foreign Exchange Control were promulgated by the PBOC on December 25, 2006, and their Implementation Rules, issued by the SAFE on January 5, 2007, became effective on February 1, 2007. Under these regulations, all foreign exchange matters involved in employee stock ownership plans and stock option plans participated in by onshore individuals, among others, require approval from the SAFE or its authorized branch. Furthermore, the Notices on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies, or the Stock Option Rules, were promulgated by SAFE on February 15, 2012, that replaced the Application Procedures of Foreign Exchange Administration for Domestic Individuals Participating in Employee Stock Ownership Plans or Stock Option Plans of Overseas Publicly-Listed Companies issued by SAFE on March 28, 2007. Pursuant to the Stock Option Rules, PRC residents who are granted shares or stock options by companies listed on overseas stock exchanges based on the stock incentive plans are required to register with SAFE or its local branches, and PRC residents participating in the stock incentive plans of overseas listed companies shall retain a qualified PRC agent, which could be a PRC subsidiary of such overseas publicly-listed company or another qualified institution selected by such PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plans on behalf of these participants. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, purchase and sale of corresponding stocks or interests, and fund transfer. In addition, the PRC agents are required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agents or the overseas entrusted institution or other material changes. The PRC agents shall, on behalf of the PRC residents who have the right to exercise the employee share options, apply to SAFE or its local branches for an annual quota for the payment of foreign currencies in connection with the PRC residents' exercise of the employee share options. The foreign exchange proceeds received by the PRC residents from the sale of shares under the stock incentive plans granted and dividends distributed by the overseas listed companies must be remitted into the bank accounts in the PRC opened by the PRC agents before distribution to such PRC residents. In addition, the PRC agents shall file each quarter the form for record-filing of information of the Domestic Individuals Participating in the Stock Incentive Plans of Overseas Listed Companies with SAFE or its local branches.

We and our PRC citizen employees who have been granted share options, restricted shares or restricted share units, or PRC optionees, will be subject to the Stock Option Rules when our company becomes an overseas listed company upon the completion of this offering. If we or our PRC optionees fail to comply with the Individual Foreign Exchange Rule and the Stock Option Rules, we and/or our PRC optionees may be subject to fines and other legal sanctions. See "Risk Factors—Risks Relating to Doing Business in China—PRC regulations

relating to offshore investment activities by PRC residents may limit our PRC subsidiaries' ability to increase their registered capital or distribute profits to us or otherwise expose us to liability and penalties under PRC law."

In addition, the State Administration for Taxation has issued circulars concerning employee share options, under which our employees working in the PRC who exercise share options will be subject to PRC individual income tax. Our PRC subsidiaries have obligations to file documents related to employee share options with relevant tax authorities and to withhold individual income taxes of those employees who exercise their share options. If our employees fail to pay or if we fail to withhold their income taxes as required by relevant laws and regulations, we may face sanctions imposed by the PRC tax authorities or other PRC government authorities.

Regulation on Tax

PRC Enterprise Income Tax

The PRC enterprise income tax is calculated based on the taxable income determined under the applicable EIT Law and its implementation rules. On March 16, 2007, the National People's Congress of China enacted the New EIT Law, which became effective on January 1, 2008. On December 6, 2007, the State Council promulgated the implementation rules to the New EIT Law, which also became effective on January 1, 2008. The New EIT Law imposes a uniform enterprise income tax rate of 25% on all resident enterprises in China, including foreign-invested enterprises and domestic enterprises, unless they qualify for certain exceptions, and terminates most of the tax exemptions, reductions and preferential treatment available under the previous tax laws and regulations. According to the New EIT Law and relevant regulations, subject to the approval of competent tax authorities, the income tax of an enterprise that has been determined to be a high and new technology enterprise shall be reduced to a preferential rate of 15%.

Moreover, under the New EIT Law, enterprises organized under the laws of jurisdictions outside China with their "de facto management bodies" located within China may be considered PRC resident enterprises and are therefore subject to PRC enterprise income tax at the rate of 25% on their worldwide income.

Although we do not believe that our company should be treated as a PRC resident enterprise for PRC tax purposes, substantial uncertainty exists as to whether we will be deemed to be such by the relevant authorities. In the event that we are considered a PRC resident enterprise, we would be subject to the PRC enterprise income tax at the rate of 25% on our worldwide income. See "Risk Factors—Risks Relating to Doing Business in China—Under the PRC enterprise income tax law, we may be classified as a PRC "resident enterprise," which could result in unfavorable tax consequences to us and our shareholders and have a material adverse effect on our results of operations and the value of your investment."

In addition, although the New EIT Law provides that dividend income between "qualified resident enterprises" is exempted income, and the Implementation Rules refer to "qualified resident enterprises" as enterprises with "direct equity interest", it is unclear whether dividends we receive from our PRC subsidiaries are eligible for exemption.

PRC Business Tax

Pursuant to applicable PRC tax regulations, any entity or individual conducting business in the service industry is generally required to pay a business tax at the rate of 5% on the revenues generated from providing such services. However, if the services provided are related to technology development and transfer, such business tax may be exempted subject to the approval of relevant tax authorities. In addition, online game operating business is subject to 3.3% business tax and surcharges pursuant to applicable PRC tax regulations.

Cultural Development Fee

According to applicable PRC tax regulations or rules, advertising service providers are generally required to pay a cultural development fee at the rate of 3% on the revenues (a) which are generated from providing advertising services and (b) which are also subject to the business tax.

Dividends Withholding Tax

Under the Old EIT Law that was effective prior to January 1, 2008, dividends paid to foreign investors by foreign-invested enterprises, such as dividends paid to us by Huanju Shidai or Zhuhai Duowan Technology, our PRC subsidiaries, were exempt from PRC withholding tax. We are a Cayman Islands holding company and substantially all of our income may come from dividends we receive from our subsidiaries located in the PRC. Pursuant to the New EIT Law and its implementation rules, dividends generated after January 1, 2008 and distributed to us by our PRC subsidiaries are subject to withholding tax at a rate of 10%.

As uncertainties remain regarding the interpretation and implementation of the New EIT Law and its implementation rules, we cannot assure you that, if we are deemed a PRC resident enterprise, any dividends to be distributed by us to our non-PRC shareholders and ADS holders would not be subject to any PRC withholding tax. See "Risk Factors—Risks Relating to Doing Business in China—Under the PRC enterprise income tax law, we may be classified as a PRC "resident enterprise," which could result in unfavorable tax consequences to us and our shareholders and have a material adverse effect on our results of operations and the value of your investment."

Labor Laws and Social Insurance

The principle laws that govern employment include:

- Labor Law of the People's Republic of China, promulgated by the Standing Committee of the National People's Congress on July 5, 1994, effective since January 1, 1995 and amended on August 27, 2009; and
- Labor Contract Law of the People's Republic of China, promulgated by the Standing Committee of the National People's Congress on June 29, 2007 and effective since January 1, 2008.

According to the Labor Law and Labor Contract Law, employers must execute written labor contracts with full-time employees. All employers must compensate their employees with wages equal to at least the local minimum wage standards. All employers are required to establish a system for labor safety and sanitation, strictly comply with state rules and standards and provide employees with workplace safety training. Violations of the PRC Labor Contract Law and the PRC Labor Law may result in the imposition of fines and other administrative penalties. For serious violations, criminal liability may arise.

In addition, employers in China are required to provide employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, work-related injury insurance, medical insurance and housing funds.

We have caused all of our full-time employees to enter into written labor contracts with us and have provided and currently provide our employees with the proper welfare and employment benefits.

New M&A Regulations and Overseas Listings

On August 8, 2006, six PRC governmental agencies jointly promulgated the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the New M&A Rule, which became effective on September 8, 2006. The New M&A Rule requires offshore special purpose vehicles formed to pursue overseas listing of equity interests in PRC companies and controlled directly or indirectly by PRC companies or individuals to obtain the approval of the Chinese Securities Regulatory Commission, or the CSRC, prior to the listing and trading of such special purpose vehicle's securities on any stock exchange overseas.

The application of the M&A Rules remains unclear. Based on the understanding on the current PRC laws, rules and regulations and the M&A Rules of our PRC Legal Counsel, Zhong Lun Law Firm, prior approval from

the CSRC is not required under the M&A Rules for the listing and trading of our ADSs on the Nasdaq Global Market because (a) our PRC subsidiaries, Huanju Shidai and Zhuhai Duowan Technology, are foreign-invested enterprises established by foreign enterprises, (b) we did not acquire any equity interest or assets of a PRC domestic company owned by PRC companies or individuals as defined under the M&A Rules, and (c) there is no provision that clearly classifies the contractual arrangements among our PRC subsidiary, Huanju Shidai, our PRC consolidated affiliated entities and their shareholders as a transaction regulated by the M&A Rules. However, as there has been no official interpretation or clarification of the M&A Rules, there is uncertainty as to how this regulation will be interpreted or implemented.

Considering the uncertainties that exist with respect to the issuance of new laws, regulations or interpretation and implementing rules, the opinion of Zhong Lun Law Firm, summarized above, is subject to change. If the CSRC or another PRC regulatory agency subsequently determines that prior CSRC approval was required, we may face regulatory actions or other sanctions from the CSRC or other PRC regulatory agencies. For more information and discussion on this, see "Risk Factors—Risks Relating to Doing Business in China—The approval of the China Securities Regulatory Commission may be required in connection with this offering and, if required, we cannot assure you that we will be able to obtain such approval."

Table of Contents

MANAGEMENT

Directors and Executive Officers

The following table sets forth information regarding our executive officers and directors as of the date of this prospectus.

Directors and Executive Officers	Age	Position/Title
Jun Lei	41	Chairman of the Board and Director
David Xueling Li	38	Chief Executive Officer and Director
Qin Liu	38	Director
Alexander Barrett Hartigan	35	Director
Jenny Hong Wei Lee	39	Director
Tony Bin Zhao	40	Director and Chief Technology Officer
Nazar Yasin	34	Director
Eric He	51	Chief Financial Officer
Jin Cao	38	General Manager of Website Department
Rongjie Dong	34	General Manager of Games Department

Mr. Jun Lei is our co-founder and has been our chairman since our inception. From October 1998 to December 2007, Mr. Lei served as the chief executive officer of Kingsoft Corporation, a China-based software and online games company listed on the Stock Exchange of Hong Kong, and has recently been appointed as Chairman of its board of directors. From January 1992 to October 1998, Mr. Lei served in various capacities at Kingsoft including as general manager and software developer. From April 2000 to March 2005, Mr. Lei co-founded and served as chairman of Joyo.com which, during his tenure, was sold to Amazon, becoming Amazon China. Since November 2003, Mr. Lei has served on the board of directors of Wuhan University. In addition, Mr. Lei is active in private investments and currently serves as a director or advisor in several privately held companies that he founded or invested in. Mr. Lei received his bachelor's degree in computer science from Wuhan University in 1991.

Mr. David Xueling Li is our co-founder and has been our chief executive officer since our inception. Mr. Li is primarily responsible for our overall management, major decision-making and strategic planning, including research and development. Before founding our company, Mr. Li worked at Netease.com, Inc from July 2003 to April 2005 and served as its chief editor. In 2000, Mr. Li founded CFP.cn, a website that provided a copyright trading platform for journalists and amateur photographers. Mr. Li received a bachelor's degree in philosophy from Renmin University of China in 1997.

Mr. Qin Liu has been a director of our company since June 2008. Mr. Liu has been a director of Morningside China TMT Fund I, L.P. since its formation in 2008, where he is primarily responsible for managing early-stage investments in the internet, wireless, media, entertainment and consumer services sectors in China. He also serves as a director in several non-public portfolio companies of the fund. From 2000 through 2008, Mr. Liu worked at Morningside IT Management Services (Shanghai) Co., Ltd. and established its print media business and served as publisher of The Bund, an upscale lifestyle weekly publication. Mr. Liu received a master's degree in business administration, or MBA, from China Europe International Business School in 1999 and a bachelor's degree in electrical engineering from Beijing Science & Technology University in 1993.

Mr. Alexander Hartigan has been our director since August 2008. Since 2006, Mr. Hartigan has been the managing director of Steamboat Ventures Asia, L.P., where he manages investments in the technology, media and consumer sectors in China. He currently serves as a director in several non-public portfolio companies of Steamboat Ventures Asia, L.P. Mr. Hartigan has over 10 years of experience in the venture capital industry. Prior to joining Steamboat Ventures Asia, L.P., Mr. Hartigan served as a principal at Panasonic Ventures from 1999 through 2003. Mr. Hartigan received an MBA degree from Harvard Business School in 2005 and a bachelor's degree in government from Georgetown University in 1998.

Ms. Jenny Hong Wei Lee has served as our director since December 2009. Ms. Lee is a director of Hisoft Technology International Limited, a leading China-based provider of outsourced information technology and research and development services, and 21Vianet Group, Inc., a leading China-based carrier-neutral Internet data center services provider; both companies are listed on the Nasdaq Global Market. Ms. Lee is a managing director of Granite Global Ventures III L.L.C., and is also a general partner of Granite Global Ventures III L.P. and GGV III Entrepreneurs Fund L.P. From 2002 to 2005, Ms. Lee served as a vice president of JAFCO Asia. Ms. Lee received her bachelor's degree in electrical engineering in 1994 and master's degree in engineering in 1995 from Cornell University. Ms. Lee also has an MBA degree from Kellogg School of Management at Northwestern University in 2001.

Mr. Tony Bin Zhao has been the chief technology officer of our company since 2008. He has served as a director since December 2009. Prior to joining us, he founded NeoTasks, LLC in November 2004 and served as its chairman and chief technology officer until 2008. From July to October 2004, he was a senior consultant at Tencent.com. From July 1997 to July 2004, he served as a senior engineer at WebEx Communications Inc. and was responsible for the establishment of audio/video session and backend servers. From 1995 to 1997, he worked as the manager of software department at Beijing Sunstep Technologies Limited. He also founded Beijing Dacheng Infrastructure Projects Consulting Limited in 1994. Mr. Zhao received a bachelor's degree in radio and electronics from Peking University in 1992.

Mr. Nazar Yasin has been our director since July 2011. Mr. Yasin has been at Tiger Global Management since 2010. Previously he worked with a number of companies in the technology, media and telecom space. From May 2009 to June 2010, he served as chief executive officer at Forticom, an internet company. From August 2006 to April 2009, he was an investment banker at Goldman Sachs. Mr. Yasin received a bachelor's degree in industrial engineering from the Georgia Institute of Technology in 2000, a Doctor of Jurisprudence degree from Northwestern University in 2006 and an MBA from Kellogg School of Management at Northwestern University.

Mr. Eric He has been our chief financial officer since August 2011. He currently also serves as an independent director of Yangxun Computer Technology (Shanghai) Co. Ltd. and Acorn International, Inc., an NYSE-listed company. Prior to joining us, Mr. He served as the chief financial officer of Giant Interactive Group, Inc., an NYSE-listed company, from March 2007 to August 2011. He served as the chief strategy officer of Ninetowns Internet Technology Group from 2004 to 2007. From 2002 to 2004, he served as a private equity investment director for AIG Global Investment Corp (Asia) Ltd. Mr. He received a bachelor's degree in accounting from National Taipei University and an MBA degree from the Wharton School of Business at the University of Pennsylvania. Mr. He is a Certified Public Accountant and Chartered Financial Analyst in the United States.

Mr. Jin Cao has been the vice president of Guangzhou Duowan since 2008 and is currently the general manager of our website department. From June 2005 to October 2008, he served as the president of NeoTasks Inc. From January 2000 to February 2006, he served as the chief representative of FATWIRE Corp. From August 1995 to August 1997, he was a senior programmer for the China Aviation and Space Authority (CASA). He founded niba.com, an online video streaming company, in 2006. Mr. Cao received a bachelor's degree in industrial engineering from Tianjin University in 1995 and a master's degree in industrial engineering from University of Cincinnati in 1999.

Mr. Rongjie Dong has been the president of the technology department of Guangzhou Huaduo since October 2006 and is currently the general manager of our games department. Prior to joining us, he served as product manager and head of the technology department of 163.com from 2000 to 2006. Mr. Dong received his bachelor's degree in computer hardware from Beijing Information Engineering Institute (now known as Beijing Information Science and Technology University) in 1999.

Employment Agreements

We have entered into employment agreements with our senior executive officers. We may terminate a senior executive officer's employment for cause at any time without remuneration for certain acts of the officer, such as being convicted of any criminal conduct, any act of gross or willful misconduct or any serious, willful, grossly negligent or persistent breach of any employment agreement provision, or engaging in any conduct which may make the continued employment of such officer detrimental to our company. We may also terminate a senior executive officer's employment by giving three months' prior written notice. A senior executive officer may terminate his or her employment at any time by giving three months' written notice, provided that such notice may only be given by the officer any time after the third anniversary of his or her employment.

Each senior executive officer has agreed to hold all information, know-how and records in any way connected with the business of our company, including, without limitation, all formulae, designs, specifications, drawings, data, operations and testing procedures, manuals and instructions and all customer and supplier lists, sales information, business plans and forecasts and all technical or other expertise and all computer software of our company, in strict confidence during and after his or her employment. Each officer also agrees that we shall own all the intellectual property developed by such officer during his or her employment.

Board of Directors

Our board of directors currently consists of seven directors. additional independent directors will join the board upon the effectiveness of our registration statement on Form F-1, of which this prospectus is a part. A director is not required to hold any shares in our company to qualify to serve as a director. A director may vote with respect to any contract, proposed contract, or arrangement in which he or she is materially interested. A director may exercise all the powers of the company to borrow money, mortgage its business, property and uncalled capital, and issue debentures or other securities whenever money is borrowed or as security for any obligation of the company or of any third party.

Under the investors' rights agreement and our memorandum and articles of association currently in effect, for as long as Morningside China TMT Fund I, L.P. and Favour Star Limited, Steamboat Ventures Asia, L.P., Granite Global Ventures III L.P. and GGV III Entrepreneurs Fund L.P. and Tiger Global Six YY Holdings each holds a number of shares of our company, each of them has the right to appoint one director to our board of directors. Such shareholders' right to appoint directors will automatically terminate upon the completion of this offering. Among our existing directors, Mr. Liu was jointly appointed by Favour Star Limited and Morningside China TMT Fund I, L.P., Mr. Hartigan was appointed by Steamboat Ventures Asia, L.P., Ms. Lee was jointly appointed by Granite Global Ventures III L.P. and GGV III Entrepreneurs Fund L.P., and Mr. Yasin was appointed by Tiger Global Six YY Holdings.

Committees of the Board of Directors

Prior to the completion of this offering, we intend to establish an audit committee, a compensation committee and a corporate governance and nominating committee under the board of directors. We intend to adopt a charter for each of the three committees prior to the completion of this offering. Each committee's members and functions are described below.

***Audit Committee*.** Our audit committee will consist of Messrs. , , and , and will be chaired by Mr. . Mr. and Mr. satisfy the "independence" requirements of Rule 5605(c)(2) of the Listing Rules of the Nasdaq Global Market and meet the independence standards under Rule 10A-3 under the Securities Exchange Act of 1934, as amended. We have determined that Mr. qualifies as an "audit committee financial expert." The audit committee will oversee our

accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee will be responsible for, among other things:

- selecting the independent registered public accounting firm and pre-approving all auditing and non-auditing services permitted to be performed by the independent registered public accounting firm;
- reviewing with the independent registered public accounting firm any audit problems or difficulties and management's response;
- reviewing and approving all proposed related party transactions, as defined in Item 404 of Regulation S-K under the Securities Act;
- discussing the annual audited financial statements with management and the independent registered public accounting firm;
- reviewing major issues as to the adequacy of our internal controls and any special audit steps adopted in light of any material control deficiencies;
- annually reviewing and reassessing the adequacy of our audit committee charter;
- meeting separately and periodically with management and the independent registered public accounting firm; and
- reporting regularly to the board.

Compensation Committee. Our compensation committee will consist of Messrs. , and , and will be chaired by Mr. . Mr. and Mr. satisfy the "independence" requirements of Rule 5605(c)(2) of the Listing Rules of the Nasdaq Global Market. The compensation committee will assist the board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. Our directors may not be present at any committee meeting during which their compensation is deliberated upon. The compensation committee will be responsible for, among other things:

- reviewing the total compensation package for our executive officers and making recommendations to the board with respect to it;
- approving and overseeing the total compensation package for our executives other than the three most senior executives;
- reviewing the compensation of our directors and making recommendations to the board with respect to it; and
- periodically reviewing and approving any long-term incentive compensation or equity plans, programs or similar arrangements, annual bonuses, and employee pension and welfare benefit plans.

Corporate Governance and Nominating Committee. Our nominating committee will consist of Messrs. , , and , and will be chaired by Mr. . Mr. and Mr. satisfy the "independence" requirements of Rule 5605(c)(2) of the Listing Rules of the Nasdaq Global Market. The nominating committee will assist the board in selecting individuals qualified to become our directors and in determining the composition of the board and its committees. The nominating committee will be responsible for, among other things:

- recommending nominees to the board for election or re-election to the board, or for appointment to fill any vacancy on the board;
- reviewing annually with the board the current composition of the board with regards to characteristics such as independence, age, skills, experience and availability of service to us;

- selecting and recommending to the board the names of directors to serve as members of the audit committee and the compensation committee, as well as of the nominating committee itself; and
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.

Duties of Directors

Under Cayman Islands law, our directors have a common law duty of loyalty to act honestly in good faith with a view to our best interests. Our directors also have a duty to exercise the skill they actually possess and such care and diligence that a reasonably prudent person would exercise in comparable circumstances. In fulfilling their duty of care to us, our directors must ensure compliance with our second amended and restated memorandum and articles of association. You should refer to “Description of Share Capital—Differences in Corporate Law” for additional information on our standard of corporate governance under Cayman Islands law.

Terms of Directors and Officers

Our officers are elected by and serve at the discretion of the board. Our directors are not subject to a term of office and hold office until such time as they are removed from office by special resolution or the unanimous written resolution of all shareholders. A director will be removed from office automatically if, among other things, the director (1) becomes bankrupt or makes any arrangement or composition with his creditors; or (2) dies or is found by our company to be of unsound mind.

Compensation of Directors and Executive Officers

For the fiscal year ended December 31, 2011, we paid an aggregate of approximately RMB2.8 million (US$0.4 million) in cash to our executive officers, and we did not pay any cash compensation to our non-executive directors. For details on the share incentive grants to our officers and directors, see “—Share Incentive Plans.”

Share Incentive Plans

We have adopted two share incentive plans, namely, the 2009 Scheme and the 2011 Plan. The purpose of these two share incentive plans is to attract and retain the best available personnel by linking the personal interests of the members of the board, officers, employees and consultants to the success of our business and by providing such individuals with an incentive for outstanding performance to generate superior returns for our shareholders. As of September 1, 2012, options to purchase 17,870,425 common shares, 71,055,974 restricted shares and 23,555,621 restricted share units were outstanding under the 2009 Scheme and 2011 Plan. As of September 1, 2012, 14,839,242 restricted shares, granted to management outside of the 2009 Scheme and the 2011 Plan, were outstanding.

2009 Employee Equity Incentive Scheme

We adopted the 2009 Scheme in December 2009. In September 2011, YY Inc. (a) assumed all the rights and obligations of Duowan Entertainment Corp. under all share-based compensation previously issued by Duowan Entertainment Corp., including under the relevant award agreement and under the 2009 Scheme, if applicable, and (b) undertook to issue its own common shares upon the exercise of any share-based compensation awards previously issued by Duowan Entertainment Corp., subject to compliance with the terms and conditions of the relevant award agreements and the 2009 Scheme, if applicable.

Under the 2009 Scheme, the maximum number of shares in respect of which options or restricted shares may be granted is 118,166,946.

The following paragraphs summarize the terms of the 2009 Scheme.

Types of Awards. The following briefly describe the principal features of the various awards that may be granted under the 2009 Scheme.

- *Options.* Options provide for the right to purchase a specified number of our common shares at a specified price and usually will become exercisable at the discretion of our plan administrator in one or more installments after the grant date. The option exercise price may be paid, subject to the discretion of the plan administrator, in cash or check, in our common shares which have been held by the option holder for such period of time as may be required to avoid adverse accounting consequences, in other property with value equal to the exercise price, through a broker-assisted cashless exercise, or by any combination of the foregoing.
- *Restricted Shares.* A restricted share award is the grant of our common shares which are subject to certain restrictions and may be subject to risk of forfeiture. Unless otherwise determined by our plan administrator, a restricted share is nontransferable and may be forfeited or repurchased by us upon termination of employment or service during a restricted period. Our plan administrator may also impose other restrictions on the restricted shares, such as limitations on the right to vote or the right to receive dividends.

Plan Administration. Our board or a committee of one or more members of our board duly authorized for the purpose of the 2009 Scheme can act as the plan administrator.

Award Agreement. Options or restricted shares granted under the 2009 Scheme are evidenced by an award agreement that sets forth the terms, conditions and limitations for each grant.

Option Exercise Price. The exercise price in respect of any option shall be fixed by reference to the date upon which the option (or the relevant part thereof) is granted, and shall be, at the election of the plan administrator, (a) the latest valuation price per share certified by a third party valuer prior to the date of grant of the relevant option (or relevant part thereof) or (b) the latest price per share at which we have issued any shares prior to the date of grant of the relevant option (or relevant part thereof).

Eligibility. We may grant awards to our employees, officers and directors or consultants to our members.

Term of the Awards. The 2009 Scheme shall be valid and effective for a period of ten years from the date of effectiveness. The term of each option or restricted share grant shall be ten years from the date of the grant.

Vesting Schedule. In general, the plan administrator determines the vesting schedule, which is set forth in the award agreement.

Transfer Restrictions. Awards for options or restricted shares may not be transferred in any manner by the award holders and may be exercised only by such holders, subject to limited exceptions. Restricted shares may not be transferred during the period of restriction.

Termination. The plan administrator may at any time terminate the operation of the 2009 Scheme.

Prior to the adoption of the 2009 Scheme, we granted certain share options to our employees pursuant to certain share option agreements which carried substantially the same terms and conditions with those stipulated in the 2009 Scheme.

2011 Share Incentive Plan

We adopted the 2011 Plan in September 2011.

Under the 2011 Plan, the maximum number of shares in respect of which options or restricted shares may be granted is 43,000,000.

The following paragraphs summarize the terms of the 2011 Plan.

Types of Awards. The following briefly describe the principal features of the various awards that may be granted under the 2011 Plan.

- *Options.* Options provide for the right to purchase a specified number of our common shares at a specified price and usually will become exercisable at the discretion of our plan administrator in one or more installments after the grant date. The option exercise price may be paid, subject to the discretion of the plan administrator, in cash or check, in our common shares which have been held by the option holder for such period of time as may be required to avoid adverse accounting consequences, in other property with value equal to the exercise price, through a broker-assisted cashless exercise, or by any combination of the foregoing.
- *Restricted Shares.* A restricted share award is the grant of our common shares which are subject to certain restrictions and may be subject to risk of forfeiture. Unless otherwise determined by our plan administrator, a restricted share is nontransferable and may be forfeited or repurchased by us upon termination of employment or service during a restricted period. Our plan administrator may also impose other restrictions on the restricted shares, such as limitations on the right to vote or the right to receive dividends.
- *Restricted Share Units.* A restricted share unit award is the grant of the right to receive a common share at a future date and may be subject to forfeiture. Our plan administrator has the discretion to set performance objectives or other vesting criteria that will determine the number or value of restricted share units to be granted. Unless otherwise determined by our plan administrator, a restricted share unit is nontransferable and may be forfeited or repurchased by us upon termination of employment or service during a restricted period. Our plan administrator, at the time of grant, specifies the dates on which the restricted share units become fully vested.

Plan Administration. Our board or a committee of one or more members of our board duly authorized for the purpose of the 2011 Plan can act as the plan administrator.

Award Agreement. Options or restricted shares granted under the 2011 Plan are evidenced by an award agreement that sets forth the terms, conditions and limitations for each grant.

Option Exercise Price. The exercise price in respect of any option shall be determined by the plan administrator and set forth in the award agreement which may be a fixed or variable price related to the fair market value of the shares. The exercise price per share subject to an option may be amended or adjusted in the absolute discretion of the plan administrator, the determination of which shall be final, binding and conclusive.

Eligibility. We may grant awards to our employees, consultants or directors.

Term of the Awards. The 2011 Plan shall be valid and effective for a period of ten years from the date of effectiveness. The term of each option or restricted share grant shall be ten years from the date of the grant.

Vesting Schedule. In general, the plan administrator determines the vesting schedule, which is set forth in the award agreement.

Transfer Restrictions. Awards for options or restricted shares may not be transferred in any manner by the award holders and may be exercised only by such holders, subject to limited exceptions. Restricted shares may not be transferred during the period of restriction.

Termination. The plan administrator may at any time terminate the operation of the 2011 Plan.

The following table summarizes, as of September 1, 2012, the outstanding options granted to our executive officers, directors and other individuals as a group.

	Common Shares Underlying Options Awarded	Exercise Price (US$/Share)	Date of Grant	Date of Expiration
Rongjie Dong	1,465,060	0.004898	January 1, 2008	December 31, 2016
	5,443,900	0.005510	January 1, 2008	December 31, 2017
	1,219,610	0.006735	January 1, 2009	December 31, 2018
Other Individuals as a Group	1,137,290	—	January 1, 2008	December 31, 2015
	3,189,231	0.005510	January 1, 2008	December 31, 2017
	5,415,334	0.006735	January 1, 2009	December 31, 2018
Total	17,870,425			

The following table summarizes, as of September 1, 2012, the outstanding restricted shares granted to our executive officers, directors and other individuals as a group.

Name	Restricted Shares Granted	Date of Grant
Tony Bin Zhao	2,554,401	February 1, 2010
	3,000,000	January 1, 2011
Jin Cao	1,702,934	February 1, 2010
Rongjie Dong	3,750,000	January 1, 2010
Jun Lei	14,839,242[(1)]	February 23, 2010
Other Individuals as a Group	18,383,197	January 1, 2010
	19,210,000	July 1, 2010
	500,000	October 1, 2010
	7,116,200	January 1, 2011
Total	71,055,974	

(1) These common shares were issued to Mr. Lei in February 2010 and are included in the number of outstanding common shares as of the date of this prospectus. These common shares are subject to a service condition with a two-year vesting period, and the service condition will be fully satisfied in February 2014 if Mr. Lei remains a director of our company until then.

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The following table summarizes, as of September 1, 2012, the outstanding restricted share units granted to our executive officers, directors and other individuals as a group.

Name	Common Shares Underlying Restricted Share Units Granted	Date of Grant	Vesting Schedule
Tony Bin Zhao	3,000,000	March 31, 2012	4 years(1)
Eric He	4,000,000	September 16, 2011	5 years(2)
Other Individuals as a Group	4,822,300	September 16, 2011	16-18 quarters(3)
	1,618,000	January 1, 2012	4 years(4)
	3,431,021	March 31, 2012	2-4 years(5)
	533,000	July 15, 2012	4 years(6)
	6,151,300	September 1, 2012	4 years(7)
Total	23,555,621		

(1) These RSUs were granted on March 31, 2012 and were scheduled to vest starting January 1, 2012.
(2) These RSUs were granted on September 16, 2011 and were scheduled to vest starting August 15, 2011.
(3) These RSUs were granted on September 16, 2011 and were scheduled to vest starting July 1, 2011.
(4) These RSUs were granted on January 1, 2012 and were scheduled to vest starting January 1, 2012.
(5) These RSUs were granted on March 31, 2012, among which 1,975,921 common shares underlying RSUs were scheduled to vest starting January 1, 2012 and 1,504,200 common shares underlying RSUs were scheduled to vest starting February 1, 2012.
(6) These RSUs were granted on July 15, 2012 and were scheduled to vest starting July 1, 2012.
(7) These RSUs were granted on September 1, 2012, among which 2,050,000 common shares underlying RSUs were scheduled to vest starting July 1, 2012 and 4,101,300 common shares underlying RSUs were scheduled to vest starting August 1, 2012.

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PRINCIPAL [AND SELLING] SHAREHOLDERS

The following table sets forth information concerning the beneficial ownership of our common shares as of the date of this prospectus, assuming the planned conversion of all of our series A, B, C-1 and C-2 preferred shares into 359,424,310 Class B common shares, by:

- each of our directors and executive officers;
- each person known to us to beneficially own more than 5% of our common shares; and
- [each selling shareholder.]

We will adopt a dual class common share structure immediately upon the completion of this offering. The calculations in the table below assume that there are common shares outstanding as of the date of this prospectus, including Class B common shares convertible from our outstanding preferred shares and Class A common shares to be sold by us in this offering in the form of ADSs, outstanding immediately after the completion of this offering, and that the underwriters do not exercise their over-allotment option.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days, including through the exercise of any option, warrant or other right, vesting of restricted share units or the conversion of any other security. These shares, however, are not included in the computation of the percentage ownership of any other person.

	Common Shares Beneficially Owned Prior to This Offering[1]		Class A Common Shares Being Sold in This Offering[2]		Class A Common Shares Beneficially Owned After This Offering[3]		Class B Common Shares Beneficially Owned After This Offering[4]		Voting Power After This Offering[5]
	Number	%	Number	%	Number	%	Number	%	%
Directors and Executive Officers:*									
Jun Lei[6]	215,241,483	23.5							
David Xueling Li[7]	215,241,483	23.5							
Qin Liu[8]	178,513,370	19.5							
Alexander Barrett Hartigan[9]	110,527,830	12.1							
Jenny Hong Wei Lee[10]	80,833,340	8.8							
Tony Bin Zhao[11]	19,684,180	2.1							
Nazar Yasin[12]	76,710,648	8.4							
Eric He	—	—							
Jin Cao[13]	9,205,890	1.0							
Rongjie Dong[14]	9,851,118	1.1							
All directors and executive officers as a group	915,809,342	100.0							
Principal [and Selling] Shareholders:									
Top Brand Holdings Limited[15]	215,241,483	23.8							
YYME Limited[16]	215,241,483	23.8							
Morningside China TMT Fund I, L.P.[17]	113,575,140	12.6							
Steamboat Ventures Asia, L.P.[18]	110,527,830	12.2							
Granite Global Ventures III L.P.[19]	79,539,740	8.8							
Tiger Global Six YY Holdings[20]	76,710,648	8.5							
Favour Star Limited[21]	64,938,230	7.2							

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Notes:

*	Except for Mr. Jun Lei, Mr. Qin Liu, Mr. Alexander Barrett Hartigan, Ms. Jenny Hong Wei Lee, Mr. Tony Bin Zhao, Mr. Nazar Yasin and Mr. Rongjie Dong, the business address of our directors and executive officers is c/o Building 3-08, Yangcheng Creative Industry Zone, No. 309 Huangpu Avenue Middle, Tianhe District, Guangzhou, 510655, PRC.
(1)	The number of common shares outstanding in calculating the percentages for each listed person or group includes the common shares underlying the options held by such person or group exercisable, or restricted shares or restricted share units that will become vested, within 60 days of the date of this prospectus. Percentage of beneficial ownership of each listed person or group prior to this offering is based on (i) 902,765,224 common shares outstanding as of the date of this prospectus, including 359,424,310 common shares convertible from our outstanding preferred shares, and (ii) the number of common shares underlying options exercisable by such person or group, or restricted shares or restricted share units that will become vested, within 60 days of the date of this prospectus.
(2)	For each person and group included in this column, percentage ownership is calculated by dividing the number of shares to be converted into Class A common shares and sold by the selling shareholders at the time of this offering, by the sum of , being the total number of Class A common shares to be sold by us and the selling shareholders in this offering, assuming the underwriters do not exercise their over-allotment option.
(3)	For each person and group included in this column, percentage ownership is calculated by dividing the number of Class A common shares beneficially owned by such person or group, including shares that such person or group has the right to acquire within 60 days of the date of this prospectus, by , being the sum of the total number of Class A common shares outstanding immediately after the completion of this offering, and the number of Class A common shares that such person or group has the right to acquire within 60 days of the date of this prospectus.
(4)	For each person and group in this column, percentage ownership is calculated by dividing the number of Class B common shares beneficially owned by such person or group by , being the total number of Class B common shares outstanding immediately after the completion of this offering.
(5)	For each person or group included in this column, the percentage of total voting power represents voting power based on both Class A and Class B common shares held by such person or group with respect to all of our outstanding Class A and Class B common shares as one class. Each holder of Class A common shares is entitled to one vote per share. Each holder of our Class B common shares is entitled to ten votes per share on all matters requiring a shareholders' vote. Our Class B common shares are convertible at any time by the holder into Class A common shares on a one-for-one basis, whereas Class A common shares are not convertible into Class B common shares under any circumstances.
(6)	Representing 215,241,483 common shares held by Top Brand Holdings Limited, a BVI company wholly owned and controlled by Mr. Lei. Among these common shares, 14,839,242 common shares are subject to a service condition with a two-year vesting period, and the service condition will be fully satisfied in February 2014 if Mr. Lei remains a director of our company until then. The business address of Mr. Lei is Juanshitiandi Tower A, 12th Floor, Chaoyang District, Beijing 100102, PRC.
(7)	Representing 215,241,483 common shares held by YYME Limited, a BVI company wholly owned and controlled by Mr. Li.
(8)	Representing 10,450,230 common shares and 54,488,000 series A preferred shares held by Favour Star Limited and 81,612,930 series A preferred shares, 20,414,870 series B preferred shares, 1,547,420 series C-1 preferred shares and 9,999,920 series C-2 preferred shares held by Morningside China TMT Fund I, L.P. Mr. Liu is a director of our company jointly appointed by Morningside China TMT Fund I, L.P. and Favour Star Limited. The business address of Mr. Liu is No. 5, Lane 249, Anfu Road, Shanghai 200031, PRC.
(9)	Representing 81,658,990 series B preferred shares, 3,869,040 series C-1 preferred shares and 24,999,800 series C-2 preferred shares held by Steamboat Ventures Asia, L.P. Mr. Hartigan is a director of our company appointed by Steamboat Ventures Asia, L.P. The business address of Mr. Hartigan is c/o Unit 1002-1004, One Corporate Ave, 222 Hu Bin Road, Shanghai 200021, PRC.
(10)	Representing 10,659,950 series C-1 preferred shares and 68,879,790 series C-2 preferred shares held by Granite Global Ventures III L.P. and 173,460 series C-1 preferred shares and 1,120,140 series C-2 preferred shares held by GGV III Entrepreneurs Fund L.P. Ms. Lee is a director of our company appointed by Granite Global Ventures III L.P. and GGV III Entrepreneurs Fund L.P. The business address of Ms. Lee is Unit 3501-3504, Two IFC, 8 Century Avenue, Pudong District, Shanghai 200120, PRC.
(11)	Representing 1,915,800 common shares underlying the restricted shares that became fully vested as of the date of this prospectus held by Mr. Tony Bin Zhao and 17,768,380 common shares held by YY TZ Limited, a BVI company. YY TZ Limited is ultimately wholly owned by a trust established for the benefit of Mr. Zhao's family. Mr. Zhao is deemed to hold the investment power over the trust. The business address of Mr. Zhao is 601-3-161, Tianfu Road, Tianhe District, Guangzhou City, Guangdong Province, PRC. The business address of YY TZ Limited is c/o Tony Bin Zhao, Building 3-08, Yangcheng Creative Industry Zone, No. 309 Huangpu Avenue Middle, Tianhe District, Guangzhou 510655, PRC.
(12)	Representing 76,710,648 common shares held by Tiger Global Six YY Holdings. Mr. Yasin is a director of our company appointed by Tiger Global Six YY Holdings. The business address of Mr. Yasin is 101 Park Avenue, 48th Floor, New York, NY 10178.
(13)	Representing 1,277,200 common shares underlying the restricted shares that became fully vested as of the date of this prospectus held by Mr. Jin Cao and 7,928,690 common shares held by CJ Entertainment Limited, a British Virgin Islands company. CJ Entertainment Limited is ultimately wholly owned by a trust established for the benefit of Mr. Cao's family. Mr. Cao is deemed to hold the investment power over the trust. The business address of CJ Entertainment Limited is c/o Jin Cao, Building 3-08, Yangcheng Creative Industry Zone, No. 309 Huangpu Avenue Middle, Tianhe District, Guangzhou, 510655, PRC.

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(14) Representing 9,851,118 common shares underlying the restricted shares and options that became fully vested as of the date of this prospectus held by Green Leaf Global Limited, a BVI company wholly owned and controlled by Mr. Dong. The business address of Green Leaf Global Limited is c/o Rongjie Dong, 4th floor, Youhua Business Center, Yingbin North Road, Xiangzhou District, Zhuhai 519080, PRC.

(15) Representing 215,241,483 common shares held by Top Brand Holdings Limited, a British Virgin Islands company wholly owned and controlled by Mr. Lei. The business address of Top Brand Holdings Limited is c/o Jun Lei, Juanshitiandi Tower A, 12th Floor, Chaoyang District, Beijing 100102, PRC. Among these common shares, 14,839,242 common shares are subject to a service condition with a two-year vesting period, and the service condition will be fully satisfied in February 2014 if Mr. Lei remains a director of our company until then.

(16) Representing 215,241,483 common shares held by YYME Limited, a British Virgin Islands company wholly owned and controlled by Mr. Li. The business address of YYME Limited is c/o David Xueling Li, Building 3-08, Yangcheng Creative Industry Zone, No. 309 Huangpu Avenue Middle, Tianhe District, Guangzhou, 510655, PRC.

(17) Representing 81,612,930 series A preferred shares, 20,414,870 series B preferred shares, 1,547,420 series C-1 preferred shares and 9,999,920 series C-2 preferred shares held by Morningside China TMT Fund I, L.P. Morningside China TMT Fund I, L.P. is controlled by Morningside China TMT GP, L.P., its general partner. Morningside China TMT GP, L.P. is in turn controlled by TMT General Partner Ltd., its general partner. Qin Liu and Jianming Shi, directors of TMT General Partner Ltd., have beneficial interest in TMT General Partner Ltd. and are deemed to share the voting and investment power over such shares held by TMT General Partner Ltd. The business address of Morningside China TMT Fund I, L.P. is 22/F, Hang Lung Center, 2-20 Paterson Street, Causeway Bay, Hong Kong.

(18) Representing 81,658,990 series B preferred shares, 3,869,040 series C-1 preferred shares and 24,999,800 series C-2 preferred shares held by Steamboat Ventures Asia, L.P. Steamboat Ventures Asia, L.P. is controlled by Steamboat Ventures Asia Manager, L.P., its general partner, which is in turn controlled by Steamboat Ventures Asia GP, Ltd., its general partner. Steamboat Ventures Asia GP, Ltd. is controlled by John Ball, who is deemed to hold the voting and investment power over such shares held by Steamboat Ventures Asia GP, Ltd. The business address of Steamboat Ventures Asia, L.P. is c/o Walkers SPV Limited, P.O. Box 908GT, Mary Street George Town, Grand Cayman, Cayman Islands.

(19) Representing 10,659,950 series C-1 preferred shares and 68,879,790 series C-2 preferred shares held by Granite Global Ventures III L.P. Granite Global Ventures III L.P. is controlled by Granite Global Ventures L.L.C., its sole general partner. Scott Bonham, Hany Nada, Glenn Soloman, Thomas Ng, Jixun Foo, Hongwei Jenny Lee, Jessie Jin and Fumin Zhuo are managing directors of Granite Global Ventures L.L.C. and are deemed to share the voting and investment power over such shares held by Granite Global Ventures L.L.C. The business address of Granite Global Ventures III L.P. is 2494 Sand Hill Road, Suite 100, Menlo Park, CA 94025, USA.

(20) Representing 76,710,648 common shares held by Tiger Global Six YY Holdings. Tiger Global Six YY Holdings is ultimately controlled by Charles P. Coleman III. The registered address of Tiger Global Six YY Holdings is TwentySeven, Cybercity, Ebene, Mauritius.

(21) Representing 10,450,230 common shares and 54,488,000 series A preferred shares held by Favour Star Limited. Favour Star Limited is wholly owned by Morningside Technology Investments Limited, which is in turn wholly owned by Morningside CyberVentures Holdings Limited. The ultimate beneficial owner of Morningside CyberVentures Holdings Limited is a family trust established by and for the benefit of Mdm. Chan Tan Ching Fen, who is deemed to hold the voting and investment power over such shares held by Morningside CyberVentures Holdings Limited. The business address of Favour Star Limited is 2nd Floor, Le Prince de Galles, 3-5 Avenue des Citronniers, MC 98000 Monaco.

As of the date of this prospectus, none of our outstanding common shares on an as converted basis is held by record holders in the United States. None of our shareholders has informed us that it is affiliated with a registered broker-dealer or is in the business of underwriting securities. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company. See “Description of Share Capital—History of Securities Issuances” for a description of issuances of our common shares and preferred shares that have resulted in significant changes in ownership held by our major shareholders.

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RELATED PARTY TRANSACTIONS

Contractual Arrangements

Please see “Corporate History and Structure” for a description of the contractual arrangements among Huanju Shidai, Beijing Tuda and the shareholders of Beijing Tuda and the contractual arrangements among Huanju Shidai, Guangzhou Huaduo and the shareholders of Guangzhou Huaduo.

Transactions with Affiliates

In July 2010, Guangzhou Huaduo entered into a loan agreement with Zhuhai Daren and the shareholders of Zhuhai Daren, pursuant to which Guangzhou Huaduo agreed to provide interest-free loans of up to RMB2.0 million in the aggregate to Zhuhai Daren. The amount and timing of drawdown on the loan is at Zhuhai Daren’s option. Guangzhou Huaduo holds 30% equity interest in Zhuhai Daren. Zhuhai Daren borrowed RMB1.5 million in 2010 from Guangzhou Huaduo and RMB0.5 million (US$0.1 million) in 2011. As of June 30, 2012, Zhuhai Daren had repaid part of the loan but still owed us RMB1.4 million (US$0.2 million); this outstanding amount is scheduled to be repaid during the year 2012, and we expect it to be fully repaid by December 31, 2012.

Guangzhou Huaduo and Zhuhai Daren have entered into an oral arrangement under which they cooperate with respect to the operation of Daren Farm, an online game developed by Zhuhai Daren, and share revenues generated by the game. In addition, in January 2009, Guangzhou Huaduo and Zhuhai Daren entered into a cooperation agreement, under which Guangzhou Huaduo and Zhuhai Daren agreed to cooperate with respect to the operation of Daren Qipai, another online game developed by Zhuhai Daren. Under the agreement, Guangzhou Huaduo agreed to promote, and provide the users with access to, Daren Qipai on its website. Zhuhai Daren agreed to provide services relating to research, development, upgrade and maintenance of Daren Qipai. In the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, the aggregate online game revenues sharing from Zhuhai Daren was RMB0.8 million, RMB1.7 million, RMB4.5 million (US$0.7 million) and RMB2.9 million (US$0.5 million), respectively.

In 2010 and 2011, Guangzhou Huaduo and Guangzhou Shanghang Information Technical Co., Ltd., or Guangzhou Shanghang, entered into certain server co-location agreements, under which Guangzhou Shanghang provides Guangzhou Huaduo with bandwidth and server co-location services in different cities in China. In addition, Guangzhou Huaduo and Guangzhou Shanghang entered into two content delivery network acceleration service agreements, under which Guangzhou Shanghang provides content delivery network acceleration services to Guangzhou Huaduo. Guangzhou Shanghang is 28% owned by Mr. Jun Lei, our co-founder and chairman, including approximately 7% beneficially owned by Mr. David Xueling Li, our chief executive officer and director. In the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, the bandwidth costs Guangzhou Huaduo paid to Guangzhou Shanghang were nil, RMB1.8 million, RMB22.0 million (US$3.5 million) and RMB6.0 million (US$0.9 million), respectively.

Kingsoft, through third party advertising agencies, has in the past placed advertisements on Duowan.com and we expect that Kingsoft may continue to do so in the future. We indirectly derived revenues through such third party advertising agencies from Kingsoft in each of the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, none of which were in material amounts. Mr. Jun Lei, our co-founder and chairman, is currently chairman, non-executive director and minority shareholder of Kingsoft.

In January 2011, Guangzhou Huaduo entered into an agreement to invest RMB1.0 million in Zhuhai Qi Ao Yacht Club Co., Ltd., or Zhuhai Qi Ao, which was 100% owned by Mr. Lei. Zhuhai Qi Ao provides professional services and facilities for yacht owners in China. As of December 31, 2011, we and Mr. Lei owned 10.0% and 90.0% of Zhuhai Qi Ao, respectively. As of June 30, 2012, we have disposed of our 10.0% equity interest in Zhuhai Qi Ao in exchange for a payment of RMB1.0 million (US$0.2 million) from Mr. Lei.

In February 2011, Guangzhou Huaduo entered into an agreement to invest RMB2.5 million in Zhuhai JinShan Kuaikuai Technology Co., Ltd., or JinShan Kuaikuai, which was 100% indirectly owned by Kingsoft. Upon such investment, we own and Kingsoft indirectly owns 20.8% and 62.5% of JinShan KuaiKuai, respectively, with the remaining 16.7% equity interest owned by a third party. JinShan Kuai Kuai provides online game technological research services in China.

In November 2011, Guangzhou Huaduo entered into a loan agreement with Zhuhai Lequ Technology Co., Ltd., pursuant to which Guangzhou Huaduo was to provide an interest-free loan to Zhuhai Lequ Technology Co., Ltd. In March 2012, Beijing Tuda invested RMB1 million in, and held a 76.9% equity interest in, Zhuhai Lequ Technology Co., Ltd. As of June 30, 2012, Zhuhai Lequ Technology Co., Ltd.'s outstanding loan under this loan agreement was RMB0.5 million (US$0.1 million). We expect the loan to be fully repaid by December 31, 2012. We have also agreed to reduce our equity holding in Zhuhai Lequ Technology Co., Ltd. to 6.7% by transferring 70.2% of its equity interest we currently hold to its founders as soon as practicable.

In July 2012, we sold our equity interest in Shenzhen Yingpeng Information Technology Company Limited to Xiaomi Corporation for a cash consideration of RMB2.0 million (US$0.3 million). Mr. Lei Jun, our co-founder and chairman, is currently chairman of Xiaomi Corporation.

Investors' Rights Agreement and Right of First Refusal and Co-Sale Agreement

See "Description of Share Capital—Investors' Rights Agreement and Right of First Refusal and Co-Sale Agreement."

Employment Agreements

See "Management—Employment Agreements."

Share Incentives

See "Management—Share Incentive Plans."

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DESCRIPTION OF SHARE CAPITAL

We were incorporated as an exempted company with limited liability under the Companies Law of the Cayman Islands on July 22, 2011. Our affairs are currently governed by our amended and restated memorandum and articles of association and the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, which we refer to as the Companies Law below.

As of the date hereof, our authorized share capital consists of 4,640,575,690 common shares with a par value of US$0.00001 each and 359,424,310 preferred shares with a par value of US$0.00001 each, of which 136,100,930 preferred shares are designated as series A preferred shares, 102,073,860 preferred shares are designated as series B preferred shares, 16,249,870 preferred shares are designated as series C-1 preferred shares and 104,999,650 preferred shares are designated as series C-2 preferred shares. As of the date of this prospectus, there are 543,340,914 common shares, 136,100,930 series A preferred shares, 102,073,860 series B preferred shares, 16,249,870 series C-1 preferred shares and 104,999,650 series C-2 preferred shares issued and outstanding.

We plan to adopt our second amended and restated memorandum and articles of association, which will become effective upon the completion of this offering. Our second amended and restated memorandum and articles of association will provide that, upon the closing of this offering, we will have two classes of shares, the Class A common shares and Class B common shares. The following are summaries of material provisions of our second amended and restated memorandum and articles of association and the Companies Law insofar as they relate to the material terms of our common shares. You should read the form of our second amended and restated memorandum and articles of association, which have been filed as exhibits to the registration statement of which this prospectus is a part.

Common Shares

The following discussion primarily concerns our common shares and the rights of holders of common shares. Upon the closing of this offering, our common shares will be divided into Class A common shares and Class B common shares. Holders of Class A common shares and Class B common shares will have the same rights except for voting and conversion rights. The holders of ADSs will not be treated as our shareholders and will be required to surrender their ADSs for cancellation and withdrawal from the depositary facility in which the Class A common shares are held in accordance with the provisions of the deposit agreement in order to exercise shareholders' rights in respect of the Class A common shares. The depositary will agree, so far as it is practical, to vote or cause to be voted the amount of Class A common shares represented by ADSs in accordance with the non-discretionary written instructions of the holders of such ADSs. See "Description of American Depositary Shares—Voting Rights."

All of our outstanding common shares are fully paid and non-amenable. Certificates representing our common shares are issued in the registered form. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their common shares.

General meetings may be called only by the chairman of our board of directors or a majority of our board of directors and may not be called by any other person.

Meetings

Shareholders' meetings may be convened by a majority of our board of directors or chairman. Advance notice of at least ten calendar days is required for the convening of our annual general meeting and any other general meeting of our shareholders. A quorum required for a meeting of shareholders consists of at least two shareholders present or by proxy, representing not less than one-third in nominal value of the total issued voting shares in our company.

Notwithstanding that a meeting is called by shorter notice than that mentioned above, but, subject to the Companies Law, it will be deemed to have been duly called, if it is so agreed (a) in the case of a meeting called

as an annual general meeting by all of our shareholders entitled to attend and vote at the meeting; and (b) in the case of any other meeting, by a majority in number of the shareholders holding not less than 95% in nominal value of the issued shares giving that right.

No business other than the appointment of a chairman may be transacted at any general meeting unless a quorum is present at the commencement of business. However, the absence of a quorum will not preclude the appointment of a chairman. If present, the chairman of our board of directors shall be the chairman presiding at any shareholders' meetings.

A corporation being a shareholder shall be deemed for the purpose of our second amended and restated articles of association to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting or at any relevant general meeting of any class of our shareholders. Such duly authorized representative shall be entitled to exercise the same powers on behalf of the corporation that he represents as that corporation could exercise if it were our individual shareholder.

The quorum for a separate general meeting of the holders of a separate class of shares is described in "—Modification of Rights" below.

Our second amended and restated articles of association do not allow our shareholders to approve matters to be determined at shareholders' meetings by way of written resolutions without a meeting.

Voting Rights

In respect of all matters requiring a shareholders' vote, each Class A common share is entitled to one vote, and each Class B common share is entitled to ten votes, voting together as one class. Voting at any shareholders' meeting, or on a poll, is by show of hands of shareholders who are present in person or by proxy (or, in the case of a shareholder being a corporation, by its duly authorized representative) for each fully paid share of which such shareholders hold.

No shareholder shall be entitled to vote or be reckoned in a quorum, in respect of any share, unless such shareholder is duly registered as our shareholder and all calls or installments due by such shareholder to us have been paid.

If a clearing house (or its nominee(s)) or a central depositary entity, being a corporation, is our shareholder, it may authorize such person or persons as it thinks fit to act as its representative(s) at any meeting or at any meeting of any class of shareholders provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision is entitled to exercise the same powers on behalf of the clearing house or central depositary entity (or its nominee(s)) as if such person was the registered holder of our shares held by that clearing house or central depositary entity (or its nominee(s)) including the right to vote individually in a show of hands.

While there is nothing under the laws of the Cayman Islands which specifically prohibits or restricts the creation of cumulative voting rights for the election of directors of our company, it is not a concept that is accepted as a common practice in the Cayman Islands, and our company has made no provisions in our second amended and restated articles of association to allow cumulative voting for such elections.

Conversion

Each Class B common share is convertible into one Class A common share at any time by the holder thereof. Class A common shares are not convertible into Class B common shares under any circumstances. Upon

any transfer of Class B common shares by a holder to any person or entity which is not an affiliate of such holder and which is not any of our founders or any affiliates of our founders, such Class B common shares shall be automatically and immediately converted into the equivalent number of Class A common shares. In addition, if at any time, Mr. David Xueling Li, Mr. Tony Bin Zhao and Mr. Jin Cao and their affiliates collectively beneficially own less than 5% of the total number of the issued and outstanding common shares, each issued and outstanding Class B common share will be automatically and immediately converted into one Class A common share, and we will not issue any Class B common shares thereafter. Furthermore, if at any time more than 50% of the ultimate beneficial ownership of any holder of Class B common shares (other than our founders or our founders' affiliates) changes, each such Class B common share will be automatically and immediately converted into one Class A common share.

Variations of rights of shares

All or any of the rights attached to any class of shares may be varied either with the written consent of the holders of a majority of the issued shares of that class or with the sanction of an ordinary resolution passed at a general meeting of the holders of the shares of that class.

Calls on Shares and Forfeiture of Shares

Subject to our second amended and restated memorandum and articles of association which will become effective upon the completion of this offering and to the terms of allotment, our directors may from time to time make such calls upon the members in respect of any amounts unpaid on the shares held by them. The shares that have been called upon and remain unpaid on the specified time are subject to forfeiture.

Protection of Minority Shareholders

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and regarding which the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having its share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and to report thereon in such manner as the Grand Court of the Cayman Islands shall direct.

Any of our shareholders may petition the Grand Court of the Cayman Islands which may make a winding up order if the Grand Court of the Cayman Islands is of the opinion that it is just and equitable that we should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of our affairs in the future, (b) an order requiring us to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained we have omitted to do, (c) an order authorizing civil proceedings to be brought in our name and on our behalf by the shareholder petitioner on such terms as the Grand Court of the Cayman Islands may direct, or (d) an order providing for the purchase of the shares of any of our shareholders by other shareholders or us and, in the case of a purchase by us, a reduction of our capital accordingly.

Generally, claims against us must be based on the general laws of contract or tort applicable in the Cayman Islands or individual rights as shareholders as established by our second amended and restated articles of association.

Pre-Emption Rights

There are no pre-emption rights applicable to the issue of new shares under either Cayman Islands law or our second amended and restated memorandum and articles of association.

Liquidation Rights

Subject to any future shares which are issued with specific rights, (a) if we are wound up and the assets available for distribution among our shareholders are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed pari passu among those shareholders in proportion to the amount paid up at the commencement of the winding up on the shares held by them, respectively, and (b) if we are wound up and the assets available for distribution among the shareholders as such are insufficient to repay the whole of the paid-up capital, those assets shall be distributed so that, as nearly as may be, the losses shall be borne by the shareholders in proportion to the capital paid up at the commencement of the winding up on the shares held by them, respectively.

If we are wound up (whether the liquidation is voluntary or by the court), the liquidator may with the sanction of our special resolution and any other sanction required by the Companies Law, divide among our shareholders in specie or kind the whole or any part of our assets (whether or not they shall consist of property of the same kind) and may, for such purpose, set such value as the liquidator deems fair upon any property to be divided and may determine how such division shall be carried out as between the shareholders or different classes of shareholders. The liquidator may also vest the whole or any part of these assets in trustees upon such trusts for the benefit of the shareholders as the liquidator shall think fit, but so that no shareholder will be compelled to accept any assets, shares or other securities upon which there is a liability.

The consideration received by each holder of a Class A common share and a holder of a Class B common share will be the same in any liquidation event.

Modification of Rights

Alterations to our second amended and restated memorandum and articles of association may only be made by special resolution, meaning a majority of not less than two-thirds of votes cast at a shareholders' meeting.

If at any time, our share capital is divided into different classes of shares, all or any of the special rights attached to any class of shares may, subject to the provisions of the Companies Law, be varied with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class. Consequently, the rights of any class of shares cannot be detrimentally altered without a majority of two-thirds of the vote of all of the shares in that class. The provisions of our second amended and restated articles of association relating to general meetings shall apply similarly to every such separate general meeting, but so that the quorum for the purposes of any such separate general meeting or at the adjourned meeting shall be a person or persons together holding (or represented by proxy) on the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class, that every holder of shares of the class shall be entitled on a poll to one vote for every such share held by such holder and that any holder of shares of that class present in person or by proxy may demand a poll.

The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* with such existing class of shares.

Alteration of Capital

We may from time to time by ordinary resolution in accordance with the Companies Law alter the conditions of our second amended and restated memorandum of association to:

- increase our capital by such sum, to be divided into shares of such amounts, as the resolution shall prescribe;
- consolidate and divide all or any of our share capital into shares of larger amounts than our existing shares;

- cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law;
- sub-divide our shares or any of them into shares of smaller amount than is fixed by our second amended and restated memorandum of association, subject nevertheless to the Companies Law, so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such subdivision, one or more of the shares may have any such preferred or other special rights over, or may have such deferred rights or be subject to any such restrictions as compared with the others, as we have power to attach to unissued or new shares; and
- divide shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares, attach to the shares respectively any preferential, deferred, qualified or special rights, privileges, conditions or such restrictions that in the absence of any such determination in a general meeting may be determined by our directors.

We may, by special resolution, subject to any confirmation or consent required by the Companies Law, reduce our share capital or any capital redemption reserve in any manner authorized by law.

Transfer of Shares

Subject to any applicable restrictions set forth in our second amended and restated articles of association, including, for example, the board of directors' discretion to refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve, or any share issued under share incentive plans for employees upon which a restriction on transfer imposed thereby still subsists, or a transfer of any share to more than four joint holders, any of our shareholders may transfer all or any of his or her shares by an instrument of transfer in the usual or common form or in a form prescribed by the Nasdaq Global Market or in another form that our directors may approve.

Our directors may decline to register any transfer of any share which is not paid up or on which we have a lien. Our directors may also decline to register any transfer of any share unless:

- the instrument of transfer is lodged with us and is accompanied by the certificate for the shares to which it relates and such other evidence as our directors may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is in respect of only one class of share;
- the instrument of transfer is properly stamped (in circumstances where stamping is required); and
- fee of such maximum sum as the Nasdaq Global Market may determine to be payable or such lesser sum as our directors may from time to time require is paid to us in respect thereof.

If our directors refuse to register a transfer, they shall, within three months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, after compliance with any notice requirement of the Nasdaq Global Market, be suspended and the register closed at such times and for such periods as our directors may from time to time determine; provided, however, that the registration of transfers shall not be suspended nor the register closed for more than 30 days in any year as our directors may determine.

Register of Members

In accordance with Section 48 of the Companies Law, the register of members is prima facie evidence of the registered holder or member of shares of a company. Therefore, a person becomes a registered holder or member

of shares of the company only upon entry being made in the register of members. Our directors will maintain one register of members, at the office of Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands, which provides us with corporate administrative services. We will perform the procedures necessary to register the shares in the register of members as required in "PART III—Distribution of Capital and Liability of Members of Companies and Associations" of the Companies Law, and will ensure that the entries on the register of members are made without any delay.

The depositary will be included in our register of members as the only holder of the common shares underlying the ADSs in this offering. The shares underlying the ADSs are not shares in bearer form, but are in registered form and are "non-negotiable" or "registered" shares in which case the shares underlying the ADSs can only be transferred on the books of the company in accordance with Section 166 of the Companies Law.

In the event that we fail to update our register of members, the recourse of investors is directly to the depositary under the terms of the deposit agreement, which is governed by New York law. The depositary will have recourse against us under the terms of the deposit agreement, and also will hold a share certificate evidencing the depositary as the registered holder of shares underlying the ADSs. Further, Section 46 of the Companies Law provides for recourse to be available to our investors in case we fail to update our register of members. In the event we fail to update our register of member, the depositary, as the aggrieved party, may apply for an order with the courts of the Cayman Islands for the rectification of the register.

Share Repurchases

We are empowered by the Companies Law and our second amended and restated articles of association to purchase our own shares, subject to certain restrictions. Our directors may only exercise this power on our behalf, subject to the Companies Law, our second amended and restated memorandum and articles of association and to any applicable requirements imposed from time to time by the Nasdaq Global Market, the Securities and Exchange Commission, or the SEC, or by any other recognized stock exchange on which our securities are listed.

Dividends

Subject to the Companies Law, our company in a general meeting or our directors may declare dividends in any currency to be paid to our shareholders. Dividends may be declared and paid out of our profits, realized or unrealized, or from any reserve set aside from profits which our directors determine is no longer needed. Our board of directors may also declare and pay dividends out of the share premium account or any other fund or account that can be authorized for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provides, (a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated for this purpose as paid up on that share and (b) all dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

Our directors may also pay interim dividends, whenever our financial position, in the opinion of our directors, justifies such payment.

Our directors may deduct from any dividend or bonus payable to any shareholder all sums of money (if any) presently payable by such shareholder to us on account of calls or otherwise.

No dividend or other money payable by us on or in respect of any share shall bear interest against us.

In respect of any dividend proposed to be paid or declared on our share capital, our directors may resolve and direct that (a) such dividend be satisfied wholly or in part in the form of an allotment of shares credited as

fully paid up, provided that our shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof if our directors so determine) in cash in lieu of such allotment or (b) the shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as our directors may think fit. Our shareholders may, upon the recommendation of our directors, by ordinary resolution resolve in respect of any particular dividend that, notwithstanding the foregoing, a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend interest or other sum payable in cash to the holder of shares may be paid by check or warrant sent by mail addressed to the holder at his registered address, or addressed to such person and at such addresses as the holder may direct. Every check or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the check or warrant by the bank on which it is drawn shall constitute a good discharge to us.

All dividends unclaimed for one year after having been declared may be invested or otherwise made use of by our board of directors for the benefit of our company until claimed. Any dividend unclaimed after a period of six years from the date of declaration of such dividend shall be forfeited and reverted to us.

Whenever our directors have resolved that a dividend be paid or declared, our directors may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe for our securities or securities of any other company. Where any difficulty arises with regard to such distribution, our directors may settle it as they think expedient. In particular, our directors may issue fractional certificates, ignore fractions altogether or round the same up or down, fix the value for distribution purposes of any such specific assets, determine that cash payments shall be made to any of our shareholders upon the footing of the value so fixed in order to adjust the rights of the parties, vest any such specific assets in trustees as may seem expedient to our directors, and appoint any person to sign any requisite instruments of transfer and other documents on behalf of the persons entitled to the dividend, which appointment shall be effective and binding on our shareholders.

Untraceable Shareholders

We are entitled to sell any shares of a shareholder who is untraceable, provided that:

- all checks or warrants in respect of dividends of such shares, not being less than three in number, for any sums payable in cash to the holder of such shares have remained un-cashed for a period of 12 years prior to the publication of the advertisement and during the three months referred to in the third bullet point below;
- we have not during that time received any indication of the whereabouts or existence of the shareholder or person entitled to such shares by death, bankruptcy or operation of law; and
- we, if so required by the rules of the Nasdaq Global Market, have caused an advertisement to be published in newspapers in accordance with such applicable rules giving notice of our intention to sell these shares, and a period of three months (or such shorter period as permitted under the applicable rules) has elapsed since such advertisement.

The net proceeds of any such sale shall belong to us, and when we receive these net proceeds we shall become indebted to the former shareholder for an amount equal to such net proceeds.

Inspection of Books and Records

Holders of our common shares will have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records. However, we will provide our shareholders with annual audited financial statements. See “Where You Can Find Additional Information.”

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History of Securities Issuances

On July 22, 2011, YY Inc. was established. On September 6, 2011, YY Inc. entered into a share exchange agreement with then shareholders of Duowan BVI, under the terms of which YY Inc. issued one preferred or common share in exchange for each of the preferred or common share that these shareholders held in Duowan BVI. As a result of the share exchange, YY Inc. became our group's ultimate holding company.

The following is a summary of our securities issuance of Duowan BVI during the past three years, which were outstanding prior to the share exchange between Duowan BVI and YY Inc.

Common Shares, Preferred Shares and Warrant Grants

In December 2009, Duowan BVI issued to Granite Global Ventures III L.P., GGV III Entrepreneurs Fund L.P., Steamboat Ventures Asia, L.P. and Morningside China TMT Fund I, L.P. 21,755, 354, 7,896 and 3,158 series C-1 preferred shares to for considerations of US$0.9 million , US$13.9 thousands, US$0.3 million and US$0.1 million, respectively, and 140,571, 2,286, 51,020 and 20,408 series C-2 preferred shares for considerations of US$6,9 million, US$0.1 million, US$2.5 million and US$1.0 million, respectively.

In July 2010, Duowan BVI effected a 1:490 share split. After the share split, it issued 13,369,813 and 29,678,483 common shares to Messrs. David Xueling Li and Jun Lei, respectively, in exchange for their agreeing to enter into certain employment agreements and restricted share agreements with Duowan BVI.

In August 2010, Duowan BVI issued 17,768,380 and 7,928,690 common shares to Messrs. Tony Bin Zhao and Jin Cao pursuant to their exercises of the warrants.

In January 2011, Duowan BVI issued to Tiger Global Six YY Holdings 25,570,216 common shares for consideration of US$25.0 million and a warrant to purchase 25,570,216 common shares for consideration of US$25.0 million. In February 2011, Duowan BVI issued to Tiger Global Six YY Holdings additional 25,570,216 common shares for consideration of US$25.0 million. In July 2011, Duowan BVI issued to Tiger Global Six YY Holdings 25,570,216 common shares pursuant to its exercise of the warrant.

In August 2011, Morningside Technology Investments Limited transferred 10,450,230 common shares to Favour Star Limited and ceased to be a shareholder of Duowan BVI.

Option and Restricted Share Grants

Duowan BVI has granted options to purchase its common shares and restricted shares to certain of our directors, executive officers and employees and consultants, some under our 2009 Scheme, for their past and future services. As of September 1, 2012, there were, in the aggregate, 17,870,425 of our common shares underlying our outstanding options, 71,055,974 restricted shares and 23,555,621 restricted share units outstanding under the 2009 Scheme and the 2011 Plan. See "Management—Share Incentive Plans."

As part of our preparations in anticipation of this offering, YY Inc. was established in July 2011 and one subscriber share with a par value of US$0.01 was allotted and issued to Mr. David Xueling Li. In August 2011, YY Inc. divided its share capital of US$50,000 into 4,640,575,690 common shares of a par value of US$0.00001 each, and 359,424,310 preferred shares of a par value of US$0.00001 each, of which 136,100,930 shares were designated series A preferred shares, 102,073,860 shares were designated series B preferred shares, 16,249,870 shares were designated series C-1 preferred shares, and 104,999,650 shares were designated series C-2 preferred shares, and at the same time, issued a total of 4,640,575,690 common shares in exchange for the existing common shares of Duowan BVI, as well as 136,100,930 series A preferred shares, 102,073,860 series B preferred shares, 16,249,870 series C-1 preferred shares and 104,999,650 series C-2 preferred shares in exchange for all the common and preferred shares previously held in Duowan BVI.

Investors' Rights Agreement and Right of First Refusal and Co-Sale Agreement

In connection with our issuance of series A, B, C-1 and C-2 preferred shares, we and all our shareholders entered into an investors' rights agreement and a right of first refusal and co-sale agreement in August 2011. The investors' rights agreement was entered into by and among YY Inc., its subsidiaries and affiliated Chinese entities, certain directors and executive officers, namely Mr. Xueling Li, Mr. Jun Lei, Mr. Bin Zhao and Mr. Jin Cao, Favor Star Limited, Morningside China TMT Fund I, L.P., Steamboat Ventures Asia, L.P., Granite Global Ventures III L.P., GGV III Entrepreneurs Fund L.P. and Tiger Global Six YY Holdings.

Under the investors' rights agreement and our amended and restated memorandum and articles of association, our series A, B, C-1 and C-2 preferred shareholders are entitled to registration rights and certain preferential rights, including non-cumulative dividend rights, liquidation preference, veto rights on certain corporate matters, right of first refusal and co-sale right in the event that any of our founders proposes to sell, pledge or otherwise transfer any shares of us and our company does not fully exercise its right of first refusal. Except for the registration rights, all preferred shareholders' rights will automatically terminate upon the completion of this offering.

Registration Rights

Pursuant to our investors' rights agreement, we have granted certain registration rights to our shareholders. As of the date of this prospectus, there were 446,585,188 shares entitled to registration rights pursuant to the investors' rights agreement. Set forth below is a description of the registration rights granted under the agreement.

Demand Registration Rights. At any time following the date that is earlier of (i) three years following August 19, 2008 and (ii) six months following the effective date of the registration statement of which this prospectus is a part, upon a written request from the holders of at least 25% of the registrable securities held by our preferred shareholders, we shall file a registration statement on a form other than Form F-3 covering the offer and sale of the registrable securities held by the requesting shareholders and other holders of registrable securities who choose to participate in the offering, if the offering covers at least 20% of the then outstanding registrable securities or if the reasonable anticipated offering price to the public, net of selling expenses, would exceed US$10.0 million. Registrable securities include, among others, our common shares not previously sold to the public and common shares issued or issued upon conversion of the preferred shares.

However, we are not obligated to proceed with a demand registration if we have, within any six-month period, already effected a registration under the Securities Act pursuant to the exercise of the holders' demand registration rights. We have the right to defer filing of a registration statement for up to 90 days if our board of directors determines in good faith that the filing of a registration statement would be materially detrimental to us, but we cannot exercise the deferral right more than once in any 12-month period.

Form F-3 Registration Rights. When we are eligible for registration on Form F-3, upon a written request from any holders of the registrable securities held by our preferred shareholders, we shall file a registration statement on Form F-3 covering the offer and sale of the registrable securities.

We are not obligated to effect a Form F-3 registration, among other things, if we have, within any six-month period, already effected a registration under the Securities Act pursuant to the exercise of the holders' Form F-3 registration rights, or the dollar amount of securities to be sold is of an aggregate price to the public of less than US$1.0 million. We have the right to defer filing of a registration statement for up to 90 days if our board of directors, including a majority of the directors appointed by the preferred shareholders and Tiger Global Six YY Holdings, determines in good faith that the filing of a registration statement would be materially detrimental to us, but we cannot exercise the deferral right more than once in any 12-month period.

Piggyback Registration Rights. If we propose to file a registration statement for a public offering of our common shares on a form that would be suitable only for registrable securities, we must offer holders of

registrable securities an opportunity to include in that registration all or any part of their registrable securities. The underwriters of any underwritten offering have the right to limit the number of shares with registration rights to be included in the registration statement, subject to certain limitations.

Expenses of Registration. We will pay all expenses relating to any demand, Form F-3, or piggyback registration.

Termination of Obligations. We shall have no obligation to effect any demand, Form F-3, or piggyback registration (a) five years after the completion of this offering, (b) if, in the opinion of counsel to us satisfactory to the holder, all such registrable securities proposed to be sold by a holder may then be sold under Rule 144 or another similar exemption under the Securities Act in one transaction without exceeding the volume limitations thereunder or (c) upon a liquidation event.

Differences in Corporate Law

The Companies Law of the Cayman Islands is modeled after that of the United Kingdom but does not follow recent United Kingdom statutory enactments. In addition, the Companies Law differs from laws applicable to United States corporations and their shareholders. Set forth below is a summary of the significant differences between the provisions of the Companies Law applicable to us and the laws applicable to companies incorporated in the United States and their shareholders.

Mergers and Similar Arrangements. The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company; and (b) a “consolidation” means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies in the consolidated company. A merger of two or more constituent companies under Cayman Islands law requires a plan of merger or consolidation to be approved by the directors of each constituent company and (a) authorization by a special resolution of the members of each constituent company and (b) such other authorization, if any, as may be specified in such constituent company’s articles of association.

A merger between a Cayman parent company and its Cayman subsidiary or subsidiaries does not require authorization by a resolution of shareholders. For this purpose a subsidiary is a company of which at least 90% of the votes cast at its general meeting are held by the parent company.

The consent of each holder of a fixed or floating security interest over a constituent company is required unless this requirement is waived by a court in the Cayman Islands.

Save in certain circumstances, a dissentient shareholder of a Cayman constituent company is entitled to payment of the fair value of his shares upon dissenting to a merger or consolidation. The exercise of appraisal rights will preclude the exercise of any other rights save for the right to seek relief on the grounds that the merger or consolidation is void or unlawful. In addition, there are statutory provisions that facilitate the reconstruction and amalgamation of companies, provided that the arrangement is approved by a majority in number of each class of shareholders and creditors (representing 75% by value) with whom the arrangement is to be made, and who must, in addition, represent three-fourths in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in person or by proxy at a meeting, or meetings, convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved, the court can be expected to approve the arrangement if it determines that:

- the statutory provisions as to the required majority vote have been met;

- the shareholders have been fairly represented at the meeting in question and the statutory majority are acting bona fide without coercion of the minority to promote interests adverse to those of the class;
- the arrangement is such that it may be reasonably approved by an intelligent and honest man of that class acting in respect of his interest; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Law.

When a takeover offer is made and accepted by holders of 90% of the shares within four months, the offeror may, within a two-month period commencing on the expiration of such four-month period, require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed in the case of an offer which has been so approved unless there is evidence of fraud, bad faith or collusion.

If an arrangement and reconstruction is thus approved, the dissenting shareholder would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of Delaware corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

Shareholder Proposals. Cayman Islands laws do not provide shareholders with an express right to put any proposal before the annual meeting of shareholders. By contrast, in keeping with common law, Delaware corporations generally afford shareholders an opportunity to make proposals and nominations provided that they comply with the notice provisions in the certificate of incorporation or bylaws. A special meeting may be called by the board of directors or any other person authorized to do so in the certificate of incorporation or bylaws, but shareholders may be precluded from calling special meetings. With respect to shareholder proposals, Cayman Islands law is essentially the same as Delaware law. The Cayman Islands Companies Law does not provide shareholders with an express right to put forth any proposal before the annual meeting of the shareholders. However, depending on what is stipulated in a company's articles of association, shareholders in an exempted Cayman Islands company may make proposals in accordance with the relevant notice provisions. For shares that are represented by ADSs, the depositary in many cases may be the only shareholder. In such cases, only the depositary has the direct right to requisition a shareholders' meeting. However, unless otherwise provided in the deposit agreement, the holders of the ADSs generally do not have the right to petition the depositary to requisition a shareholders' meeting or to put forth shareholder proposals through the depositary.

Shareholders' Suits. In principle, we will normally be the proper plaintiff and a derivative action may not be brought by a minority shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, exceptions to the foregoing principle apply in circumstances in which:

- a company is acting or proposing to act illegally or beyond the scope of its authority;
- the act complained of, although not beyond the scope of the company's authority, could be effected duly if authorized by more than a simple majority vote which has not been obtained; or
- those who control the company are perpetrating a "fraud on the minority."

Corporate Governance. Cayman Islands laws do not restrict transactions with directors but a director of a Cayman Islands company is in the position of a fiduciary with respect to the company and a director is required to exercise a duty of care, a duty to act *bona fide* in the best interests of the company, a duty not to make a profit based on his or her position as director (unless the company permits him to do so) and a duty not to put himself in a position where the interests of the company conflict with his or her personal interest or his or her duty to a third party. A director of a Cayman Islands company also owes to the company a duty to act with skill and care. Under our second amended and restated memorandum and articles of association, subject to any separate

requirement for audit committee approval under the applicable rules of the Nasdaq Global Market or unless disqualified by the chairman of the relevant board meeting, so long as a director discloses the nature of his interest in any contract or arrangement which he is interested in, such a director may vote in respect of any contract or proposed contract or arrangement in which such director is interested and may be counted in the quorum at such a meeting.

Indemnification. Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime.

Under our second amended and restated memorandum and articles of association, we may indemnify our directors, officers or any trustee acting in relation to the affairs of our company against all actions, proceedings, costs, charges, losses, damages and expenses which they may incur or sustain by reason of their acting as our directors, officers or trustee, except for any matters in respect of any fraud or dishonesty which may attach to any of the said persons.

We intend to enter into indemnification agreements with our directors and executive officers to indemnify them to the fullest extent permitted by applicable law and our second amended and restated articles of association, from and against all costs, charges, expenses, liabilities and losses incurred in connection with any litigation, suit or proceeding to which such director is or is threatened to be made a party, witness or other participant.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling us under the foregoing provisions, we have been advised that in the opinion of the Securities and Exchange Commission, or the SEC, such indemnification is against public policy as expressed in the Securities Act and therefore is unenforceable.

DESCRIPTION OF AMERICAN DEPOSITARY SHARES

American Depositary Shares

Deutsche Bank Trust Company Americas, as depositary, will register and deliver the ADSs. Each ADS will represent ownership of Class A common shares deposited with the office in Hong Kong of Deutsche Bank AG, Hong Kong Branch, as custodian for the depositary. Each ADS will also represent ownership of any other securities, cash or other property which may be held by the depositary. The depositary's corporate trust office at which the ADSs will be administered is located at 60 Wall Street, New York, NY 10005, USA. The principal executive office of the depositary is located at 60 Wall Street, New York, NY 10005, USA.

The Direct Registration System, or DRS, is a system administered by The Depository Trust Company, or DTC, pursuant to which the depositary may register the ownership of uncertificated ADSs, which ownership shall be evidenced by periodic statements issued by the depositary to the ADS holders entitled thereto.

We will not treat ADS holders as our shareholders and accordingly, you, as an ADS holder, will not have shareholder rights. Cayman Islands law governs shareholder rights. The depositary will be the holder of the Class A common shares underlying your ADSs. As a holder of ADSs, you will have ADS holder rights. A deposit agreement among us, the depositary and you, as an ADS holder, and the beneficial owners of ADSs sets out ADS holder rights as well as the rights and obligations of the depositary. The laws of the State of New York govern the deposit agreement and the ADSs.

The following is a summary of the material provisions of the deposit agreement. For more complete information, you should read the entire deposit agreement and the form of American Depositary Receipt. For directions on how to obtain copies of those documents, see "Where You Can Find Additional Information."

Holding the ADSs

How will you hold your ADSs?

You may hold ADSs either (1) directly (a) by having an American Depositary Receipt, or ADR, which is a certificate evidencing a specific number of ADSs, registered in your name, or (b) by holding ADSs in DRS, or (2) indirectly through your broker or other financial institution. If you hold ADSs directly, you are an ADS holder. This description assumes you hold your ADSs directly. If you hold the ADSs indirectly, you must rely on the procedures of your broker or other financial institution to assert the rights of ADS holders described in this section. You should consult with your broker or financial institution to find out what those procedures are.

Dividends and Other Distributions

How will you receive dividends and other distributions on the shares?

The depositary has agreed to pay to you the cash dividends or other distributions it or the custodian receives on Class A common shares or other deposited securities, after deducting its fees and expenses. You will receive these distributions in proportion to the number of Class A common shares your ADSs represent as of the record date (which will be as close as practicable to the record date for our Class A common shares) set by the depositary with respect to the ADSs.

- ***Cash.*** The depositary will convert any cash dividend or other cash distribution we pay on the Class A common shares or any net proceeds from the sale of any Class A common shares, rights, securities or other entitlements into U.S. dollars if it can do so on a reasonable basis, and can transfer the U.S. dollars to the United States. If that is not possible or lawful or if any government approval is needed and cannot be obtained, the deposit agreement allows the depositary to distribute the foreign currency only to those ADS holders to whom it is possible to do so. It will hold the foreign currency it cannot convert for the account of the ADS holders who have not been paid and such funds will be held in a segregated account. It will not invest the foreign currency and it will not be liable for any interest.

- Before making a distribution, any taxes or other governmental charges, together with fees and expenses of the depositary, that must be paid, will be deducted. See “Taxation.” It will distribute only whole U.S. dollars and cents and will round fractional cents to the nearest whole cent. *If the exchange rates fluctuate during a time when the depositary cannot convert the foreign currency, you may lose some or all of the value of the distribution.*
- ***Shares.*** The depositary may distribute additional ADSs representing any Class A common shares we distribute as a dividend or free distribution to the extent reasonably practicable and permissible under law. The depositary will only distribute whole ADSs. It will try to sell Class A common shares which would require it to deliver a fractional ADS and distribute the net proceeds in the same way as it does with cash. If the depositary does not distribute additional ADSs, the outstanding ADSs will also represent the new Class A common shares. The depositary may sell a portion of the distributed Class A common shares sufficient to pay its fees and expenses in connection with that distribution.
- ***Elective Distributions in Cash or Shares.*** If we offer holders of our Class A common shares the option to receive dividends in either cash or shares, the depositary, after consultation with us and having received timely notice as described in the deposit agreement of such elective distribution by us, has discretion to determine to what extent such elective distribution will be made available to you as a holder of the ADSs. We must first instruct the depositary to make such elective distribution available to you and furnish it with satisfactory evidence that it is legal to do so. The depositary could decide it is not legal or reasonably practical to make such elective distribution available to you, or it could decide that it is only legal or reasonably practical to make such elective distribution available to some but not all holders of the ADSs. In such case, the depositary shall, on the basis of the same determination as is made in respect of the Class A common shares for which no election is made, distribute either cash in the same way as it does in a cash distribution, or additional ADSs representing Class A common shares in the same way as it does in a share distribution. The depositary is not obligated to make available to you a method to receive the elective dividend in shares rather than in ADSs. There can be no assurance that you will be given the opportunity to receive elective distributions on the same terms and conditions as the holders of Class A common shares.
- ***Rights to Purchase Additional Shares.*** If we offer holders of our Class A common shares any rights to subscribe for additional shares or any other rights, the depositary may after consultation with us and having received timely notice as described in the deposit agreement of such distribution by us, make these rights available to you. We must first instruct the depositary to make such rights available to you and furnish the depositary with satisfactory evidence that it is legal to do so. If the depositary decides it is not legal and practical to make the rights available but that it is practical to sell the rights, the depositary will use reasonable efforts to sell the rights and distribute the net proceeds in the same way as it does with cash. The depositary will allow rights that are not distributed or sold to lapse. In that case, you will receive no value for them.

  If the depositary makes rights available to you, it will exercise the rights and purchase the shares on your behalf. The depositary will then deposit the shares and deliver ADSs to you. It will only exercise rights if you pay it the exercise price and any other charges the rights require you to pay.

  U.S. securities laws may restrict transfers and cancellation of the ADSs represented by shares purchased upon exercise of rights. For example, you may not be able to trade these ADSs freely in the United States. In this case, the depositary may deliver restricted depositary shares that have the same terms as the ADSs described in this section except for changes needed to put the necessary restrictions in place.
- ***Other Distributions.*** Subject to receipt of timely notice, as described in the deposit agreement, from us with the request to make any such distribution available to you, and provided the depositary has determined such distribution is lawful and reasonably practicable and feasible and in accordance with the terms of the deposit agreement, the depositary will send to you anything else we distribute on deposited securities by any means it thinks is legal, fair and practical. If it cannot make the distribution

in that way, the depositary has a choice: it may decide to sell what we distributed and distribute the net proceeds in the same way as it does with cash; or, it may decide to hold what we distributed, in which case ADSs will also represent the newly distributed property. However, the depositary is not required to distribute any securities (other than ADSs) to you unless it receives satisfactory evidence from us that it is legal to make that distribution. The depositary may sell a portion of the distributed securities or property sufficient to pay its fees and expenses in connection with that distribution.

The depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any ADS holders. We have no obligation to register ADSs, shares, rights or other securities under the Securities Act. We also have no obligation to take any other action to permit the distribution of ADSs, shares, rights or anything else to ADS holders. This means that you may not receive the distributions we make on our shares or any value for them if it is illegal or impractical for us to make them available to you.

Deposit, Withdrawal and Cancellation

How are ADSs issued?

The depositary will deliver ADSs if you or your broker deposit Class A common shares or evidence of rights to receive Class A common shares with the custodian. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will register the appropriate number of ADSs in the names you request and will deliver the ADSs to or upon the order of the person or persons entitled thereto.

Except for Class A common shares deposited by us in connection with this offering, no shares will be accepted for deposit during a period of 180 days after the date of this prospectus. The 180-day lock-up period is subject to adjustment under certain circumstances as described in the section entitled “Shares Eligible for Future Sale— Lock-up Agreements.”

How do ADS holders cancel an American Depositary Share?

You may turn in your ADSs at the depositary’s corporate trust office or by providing appropriate instructions to your broker. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will deliver the Class A common shares and any other deposited securities underlying the ADSs to you or a person you designate at the office of the custodian. Or, at your request, risk and expense, the depositary will deliver the deposited securities at its corporate trust office, if feasible.

How do ADS holders interchange between Certificated ADSs and Uncertificated ADSs?

You may surrender your ADR to the depositary for the purpose of exchanging your ADR for uncertificated ADSs. The depositary will cancel that ADR and will send you a statement confirming that you are the owner of uncertificated ADSs. Alternatively, upon receipt by the depositary of a proper instruction from a holder of uncertificated ADSs requesting the exchange of uncertificated ADSs for certificated ADSs, the depositary will execute and deliver to you an ADR evidencing those ADSs.

Voting Rights

How do you vote?

You may instruct the depositary to vote the Class A common shares or other deposited securities underlying your ADSs. *Otherwise, you could exercise your right to vote directly if you withdraw the Class A common shares. However, you may not know about the meeting sufficiently enough in advance to withdraw the Class A common shares.*

If we ask for your instructions and upon timely notice from us by regular, ordinary mail delivery, or by electronic transmission, as described in the deposit agreement, the depositary will notify you of the upcoming

vote and arrange to deliver our voting materials to you. The materials will (1) describe the matters to be voted on and (2) explain how you may instruct the depositary to vote the Class A common shares or other deposited securities underlying your ADSs as you direct, including an express indication that such instruction may be given or deemed given in accordance with the second to last sentence of this paragraph if no instruction is received, to the depositary to give a discretionary proxy to a person designated by us. For instructions to be valid, the depositary must receive them in writing on or before the date specified. The depositary will try, as far as practical, subject to the laws of the Cayman Islands and the provisions of our memorandum and articles of association, to vote or to have its agents vote the Class A common shares or other deposited securities as you instruct. The depositary will only vote or attempt to vote as you instruct. If we timely requested the depositary to solicit your instructions but no instructions are received by the depositary from an owner with respect to any of the deposited securities represented by the ADSs of that owner on or before the date established by the depositary for such purpose, the depositary shall deem that owner to have instructed the depositary to give a discretionary proxy to a person designated by us with respect to such deposited securities, and the depositary shall give a discretionary proxy to a person designated by us to vote such deposited securities. However, no such instruction shall be deemed given and no such discretionary proxy shall be given with respect to any matter if we inform the depositary we do not wish such proxy given, substantial opposition exists or the matter materially and adversely affects the rights of holders of the Class A common shares.

We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote the Class A common shares underlying your ADSs. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions. *This means that you may not be able to exercise your right to vote and you may have no recourse if the Class A common shares underlying your ADSs are not voted as you requested.*

Advance notice of at least ten clear days is required for the convening of our annual general meeting and any other general meeting of our shareholders. In order to give you a reasonable opportunity to instruct the depositary as to the exercise of voting rights relating to deposited securities, if we request the depositary to act, we will try to give the depositary notice of any such meeting and details concerning the matters to be voted upon more than 30 business days in advance of the meeting date.

Fees and Expenses

As an ADS holder, you will be required to pay the following service fees to the depositary bank:

Service	Fees
• Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property	Up to US$0.05 per ADS issued
• Cancellation of ADSs, including the case of termination of the deposit agreement	Up to US$0.05 per ADS cancelled
• Distribution of cash dividends or other cash distributions	Up to US$0.05 per ADS held
• Distribution of ADSs pursuant to share dividends, free share distributions or exercise of rights.	Up to US$0.05 per ADS held
• Distribution of securities other than ADSs or rights to purchase additional ADSs	A fee equivalent to the fee that would be payable if securities distributed to you had been Class A common shares and the Class A common shares had been deposited for issuance of ADSs
• Depositary services	Up to US$0.05 per ADS held on the applicable record date(s) established by the depositary bank
• Transfer of ADRs	U.S. $1.50 per certificate presented for transfer

As an ADS holder, you will also be responsible to pay certain fees and expenses incurred by the depositary bank and certain taxes and governmental charges (in addition to any applicable fees, expenses, taxes and other governmental charges payable on the deposited securities represented by any of your ADSs) such as:

- Fees for the transfer and registration of Class A common shares charged by the registrar and transfer agent for the Class A common shares in the Cayman Islands (i.e., upon deposit and withdrawal of Class A common shares).
- Expenses incurred for converting foreign currency into U.S. dollars.
- Expenses for cable, telex and fax transmissions and for delivery of securities.
- Taxes and duties upon the transfer of securities, including any applicable stamp duties, any stock transfer charges or withholding taxes (i.e., when Class A common shares are deposited or withdrawn from deposit).
- Fees and expenses incurred in connection with the delivery or servicing of Class A common shares on deposit.
- Fees and expenses incurred in connection with complying with exchange control regulations and other regulatory requirements applicable to Class A common shares, deposited securities, ADSs and ADRs.
- Any applicable fees and penalties thereon.

The depositary fees payable upon the issuance and cancellation of ADSs are typically paid to the depositary bank by the brokers (on behalf of their clients) receiving the newly issued ADSs from the depositary bank and by the brokers (on behalf of their clients) delivering the ADSs to the depositary bank for cancellation. The brokers in turn charge these fees to their clients. Depositary fees payable in connection with distributions of cash or securities to ADS holders and the depositary services fee are charged by the depositary bank to the holders of record of ADSs as of the applicable ADS record date.

The depositary fees payable for cash distributions are generally deducted from the cash being distributed or by selling a portion of distributable property to pay the fees. In the case of distributions other than cash (i.e., share dividends, rights), the depositary bank charges the applicable fee to the ADS record date holders concurrent with the distribution. In the case of ADSs registered in the name of the investor (whether certificated or uncertificated in direct registration), the depositary bank sends invoices to the applicable record date ADS holders. In the case of ADSs held in brokerage and custodian accounts (via DTC), the depositary bank generally collects its fees through the systems provided by DTC (whose nominee is the registered holder of the ADSs held in DTC) from the brokers and custodians holding ADSs in their DTC accounts. The brokers and custodians who hold their clients' ADSs in DTC accounts in turn charge their clients' accounts the amount of the fees paid to the depositary banks.

In the event of refusal to pay the depositary fees, the depositary bank may, under the terms of the deposit agreement, refuse the requested service until payment is received or may set off the amount of the depositary fees from any distribution to be made to the ADS holder.

Deutsche Bank Trust Company Americas, as depositary, has agreed to reimburse us for a portion of certain expenses we incur that are related to establishment and maintenance of the ADR program, including investor relations expenses. There are limits on the amount of expenses for which the depositary will reimburse us, but the amount of reimbursement available to us is not related to the amounts of fees the depositary collects from investors. Further, the depositary has agreed to reimburse us certain fees payable to the depositary by holders of ADSs. Neither the depositary nor we can determine the exact amount to be made available to us because (i) the number of ADSs that will be issued and outstanding, (ii) the level of service fees to be charged to holders of ADSs and (iii) our reimbursable expenses related to the program are not known at this time.

Payment of Taxes

You will be responsible for any taxes or other governmental charges payable on your ADSs or on the deposited securities represented by any of your ADSs. The depositary may refuse to register any transfer of your

ADSs or allow you to withdraw the deposited securities represented by your ADSs until such taxes or other charges are paid. It may apply payments owed to you or sell deposited securities represented by your ADSs to pay any taxes owed and you will remain liable for any deficiency. If the depositary sells deposited securities, it will, if appropriate, reduce the number of ADSs to reflect the sale and pay to you any net proceeds, or send to you any property, remaining after it has paid the taxes. You agree to indemnify us, the depositary, the custodian and each of our and their respective agents, directors, employees and affiliates for, and hold each of them harmless from, any claims with respect to taxes (including applicable interest and penalties thereon) arising from any tax benefit obtained for you.

Reclassifications, Recapitalizations and Mergers

If we:	Then:
Change the nominal or par value of our Class A common shares	The cash, shares or other securities received by the depositary will become deposited securities.
Reclassify, split up or consolidate any of the deposited securities	Each ADS will automatically represent its equal share of the new deposited securities.
Distribute securities on the Class A common shares that are not distributed to you or recapitalize, reorganize, merge, liquidate, sell all or substantially all of our assets, or take any similar action	The depositary may distribute some or all of the cash, shares or other securities it received. It may also deliver new ADSs or ask you to surrender your outstanding ADRs in exchange for new ADRs identifying the new deposited securities.

Amendment and Termination

How may the deposit agreement be amended?

We may agree with the depositary to amend the deposit agreement and the form of ADR without your consent for any reason. If an amendment adds or increases fees or charges, except for taxes and other governmental charges or expenses of the depositary for registration fees, facsimile costs, delivery charges or similar items, including expenses incurred in connection with foreign exchange control regulations and other charges specifically payable by ADS holders under the deposit agreement, or materially prejudices a substantial existing right of ADS holders, it will not become effective for outstanding ADSs until 30 days after the depositary notifies ADS holders of the amendment. *At the time an amendment becomes effective, you are considered, by continuing to hold your ADSs, to agree to the amendment and to be bound by the ADRs and the deposit agreement as amended.*

How may the deposit agreement be terminated?

The depositary will terminate the deposit agreement if we ask it to do so, in which case the depositary will give notice to you at least 90 days prior to termination. The depositary may also terminate the deposit agreement if the depositary has told us that it would like to resign and we have not appointed a new depositary within 90 days. In such case, the depositary must notify you at least 30 days before termination.

After termination, the depositary and its agents will do the following under the deposit agreement but nothing else: collect distributions on the deposited securities, sell rights and other property and deliver Class A common shares and other deposited securities upon cancellation of ADSs after payment of any fees, charges, taxes or other governmental charges. Six months or more after termination, the depositary may sell any remaining deposited securities by public or private sale. After that, the depositary will hold the money it received on the sale, as well as any other cash it is holding under the deposit agreement, for the *pro rata* benefit of the ADS holders that have not surrendered their ADSs. It will not invest the money and has no liability for interest. The depositary's only obligations will be to account for the money and other cash. After termination, our only obligations will be to indemnify the depositary and to pay fees and expenses of the depositary that we agreed to pay.

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Books of Depositary

The depositary will maintain ADS holder records at its depositary office. You may inspect such records at such office during regular business hours but solely for the purpose of communicating with other holders in the interest of business matters relating to the ADSs and the deposit agreement.

The depositary will maintain facilities in New York to record and process the issuance, cancellation, combination, split-up and transfer of ADRs.

These facilities may be closed from time to time, to the extent not prohibited by law or if any such action is deemed necessary or advisable by the depositary or us, in good faith, at any time or from time to time because of any requirement of law, any government or governmental body or commission or any securities exchange on which the ADRs or ADSs are listed, or under any provision of the deposit agreement or provisions of, or governing, the deposited securities, or any meeting of our shareholders or for any other reason.

Limitations on Obligations and Liability

Limits on our Obligations and the Obligations of the Depositary; Limits on Liability to Holders of ADSs

The deposit agreement expressly limits our obligations and the obligations of the depositary. It also limits our liability and the liability of the depositary. We and the depositary:

- are only obligated to take the actions specifically set forth in the deposit agreement without gross negligence or willful misconduct;
- are not liable if either of us is prevented or delayed by law or circumstances beyond our control from performing our obligations under the deposit agreement, including, without limitation, requirements of any present or future law, regulation, governmental or regulatory authority or share exchange of any applicable jurisdiction, any present or future provisions of our memorandum and articles of association, on account of possible civil or criminal penalties or restraint, any provisions of or governing the deposited securities or any act of God, war or other circumstances beyond our control as set forth in the deposit agreement;
- are not liable if either of us exercises, or fails to exercise, discretion permitted under the deposit agreement;
- are not liable for the inability of any holder of ADSs to benefit from any distribution on deposited securities that is not made available to holders of ADSs under the terms of the deposit agreement, or for any indirect, special, consequential or punitive damages for any breach of the terms of the deposit agreement;
- have no obligation to become involved in a lawsuit or other proceeding related to the ADSs or the deposit agreement on your behalf or on behalf of any other party;
- may rely upon any documents we believe in good faith to be genuine and to have been signed or presented by the proper party;
- disclaim any liability for any action/inaction in reliance on the advice or information of legal counsel, accountants, any person presenting Class A common shares for deposit, holders and beneficial owners (or authorized representatives) of ADSs, or any person believed in good faith to be competent to give such advice or information;
- disclaim any liability for inability of any holder to benefit from any distribution, offering, right or other benefit made available to holders of deposited securities but not made available to holders of ADSs; and
- disclaim any liability for any indirect, special, punitive or consequential damages.

The depositary and any of its agents also disclaim any liability for any failure to carry out any instructions to vote, the manner in which any vote is cast or the effect of any vote or failure to determine that any distribution or action may be lawful or reasonably practicable or for allowing any rights to lapse in accordance with the provisions of the deposit agreement, the failure or timeliness of any notice from us, the content of any information submitted to it by us for distribution to you or for any inaccuracy of any translation thereof, any investment risk associated with the acquisition of an interest in the deposited securities, the validity or worth of the deposited securities, the credit-worthiness of any third party, or for any tax consequences that may result from ownership of ADSs, Class A common shares or deposited securities.

In the deposit agreement, we and the depositary agree to indemnify each other under certain circumstances.

Requirements for Depositary Actions

Before the depositary will issue, deliver or register a transfer of an ADS, make a distribution on an ADS, or permit withdrawal of Class A common shares, the depositary may require:

- payment of stock transfer or other taxes or other governmental charges and transfer or registration fees charged by third parties for the transfer of any Class A common shares or other deposited securities and payment of the applicable fees, expenses and charges of the depositary;
- satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and
- compliance with regulations it may establish, from time to time, consistent with the deposit agreement, including presentation of transfer documents.

The depositary may refuse to issue and deliver ADSs or register transfers of ADSs generally when the register of the depositary or our transfer books are closed or at any time if the depositary or we think it is necessary or advisable to do so.

Your Right to Receive the Shares Underlying Your ADSs

You have the right to cancel your ADSs and withdraw the underlying Class A common shares at any time except:

- when temporary delays arise because: (1) the depositary has closed its transfer books or we have closed our transfer books; (2) the transfer of Class A common shares is blocked to permit voting at a shareholders’ meeting; or (3) we are paying a dividend on our Class A common shares;
- when you owe money to pay fees, taxes and similar charges; or
- when it is necessary to prohibit withdrawals in order to comply with any laws or governmental regulations that apply to ADSs or to the withdrawal of Class A common shares or other deposited securities.

This right of withdrawal may not be limited by any other provision of the deposit agreement.

Pre-release of ADSs

The deposit agreement permits the depositary to deliver ADSs before deposit of the underlying Class A common shares. This is called a pre-release of the ADSs. The depositary may also deliver Class A common shares upon cancellation of pre-released ADSs (even if the ADSs are cancelled before the pre-release transaction has been closed out). A pre-release is closed out as soon as the underlying Class A common shares are delivered to the depositary. The depositary may receive ADSs instead of Class A common shares to close out a pre-release. The depositary may pre-release ADSs only under the following conditions: (1) before or at the time of the pre-release, the person to whom the pre-release is being made represents to the depositary in writing that it or its

customer (a) owns the Class A common shares or ADSs to be deposited, (b) assigns all beneficial rights, title and interest in such Class A common shares or ADSs to the depositary for the benefit of the owners, (c) will not take any action with respect to such Class A common shares or ADSs that is inconsistent with the transfer of beneficial ownership, (d) indicates the depositary as owner of such Class A common shares or ADSs in its records, and (e) unconditionally guarantees to deliver such Class A common shares or ADSs to the depositary or the custodian, as the case may be; (2) the pre-release is fully collateralized with cash or other collateral that the depositary considers appropriate; and (3) the depositary must be able to close out the pre-release on not more than five business days' notice. Each pre-release is subject to further indemnities and credit regulations as the depositary considers appropriate. In addition, the depositary will limit the number of ADSs that may be outstanding at any time as a result of pre-release to 30% of the aggregate number of ADSs then outstanding, although the depositary may disregard the limit from time to time, if it thinks it is appropriate to do so, including (1) due to a decrease in the aggregate number of ADSs outstanding that causes existing pre-release transactions to temporarily exceed the limit stated above or (2) where otherwise required by market conditions.

Direct Registration System

In the deposit agreement, all parties to the deposit agreement acknowledge that the DRS and Profile Modification System, or Profile, will apply to uncertificated ADSs upon acceptance thereof to DRS by DTC. DRS is the system administered by DTC pursuant to which the depositary may register the ownership of uncertificated ADSs, which ownership shall be evidenced by periodic statements issued by the depositary to the ADS holders entitled thereto. Profile is a required feature of DRS which allows a DTC participant, claiming to act on behalf of an ADS holder, to direct the depositary to register a transfer of those ADSs to DTC or its nominee and to deliver those ADSs to the DTC account of that DTC participant without receipt by the depositary of prior authorization from the ADS holder to register such transfer.

In connection with and in accordance with the arrangements and procedures relating to DRS/Profile, the parties to the deposit agreement understand that the depositary will not verify, determine or otherwise ascertain that the DTC participant which is claiming to be acting on behalf of an ADS holder in requesting registration of transfer and delivery described in the paragraph above has the actual authority to act on behalf of the ADS holder (notwithstanding any requirements under the Uniform Commercial Code). In the deposit agreement, the parties agree that the depositary's reliance on, and compliance with, instructions received by the depositary through the DRS/Profile System and in accordance with the deposit agreement, shall not constitute negligence or bad faith on the part of the depositary.

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SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of this offering, we will have ADSs outstanding, representing Class A common shares, or approximately % of our outstanding common shares. All of the ADSs sold in this offering will be freely transferable by persons other than our "affiliates" without restriction or further registration under the Securities Act. Sales of substantial amounts of our ADSs in the public market could adversely affect prevailing market prices of our ADSs. Prior to this offering, there has been no public market for our common shares or the ADSs, and while application has been made for the ADSs to be listed on the Nasdaq Global Market, we cannot assure you that a regular trading market will develop in the ADSs. We do not expect that a trading market will develop for our common shares not represented by the ADSs.

Lock-Up Agreements

[The selling shareholders,] our [directors, executive officers, our other existing shareholders and certain of our option and restricted shares holders] have agreed, subject to some exceptions, not to transfer or dispose of, directly or indirectly, any of our common shares, in the form of ADSs or otherwise, or any securities convertible into or exchangeable or exercisable for our common shares, in the form of ADSs or otherwise, for a period of 180 days after the date of this prospectus. After the expiration of the 180-day period, the common shares or ADSs held by the selling shareholders, our directors, executive officers and our existing shareholders may be sold subject to the restrictions under Rule 144 under the Securities Act or by means of registered public offerings.

The 180-day restricted period is subject to adjustment under certain circumstances. If (1) during the last 17 days of the 180-day restricted period, we issue an earnings release or material news or a material event relating to us occurs; or (2) prior to the expiration of the 180-day restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 180-day period, the restrictions will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event.

Rule 144

All of or common shares outstanding prior to this offering are "restricted shares" as that term is defined in Rule 144 under the Securities Act and may be sold publicly in the United States only if they are subject to an effective registration statement under the Securities Act or pursuant to an exemption from the registration requirements. Under Rule 144 as currently in effect, a person who has beneficially owned our restricted shares for at least six months is generally entitled to sell the restricted securities without registration under the Securities Act beginning 90 days after the date of this prospectus, subject to certain additional restrictions.

Our affiliates may sell within any three-month period a number of restricted shares that does not exceed the greater of the following:

- 1% of the then outstanding common shares, in the form of ADSs or otherwise, which will equal approximately common shares immediately after this offering; or
- the average weekly trading volume of our common shares in the form of ADSs or otherwise, on the Nasdaq Global Market, during the four calendar weeks preceding the date on which notice of the sale is filed with the SEC.

Affiliates who sell restricted securities under Rule 144 may not solicit orders or arrange for the solicitation of orders, and they are also subject to notice requirements and the availability of current public information about us.

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Persons who are not our affiliates are only subject to one of these additional restrictions, the requirement of the availability of current public information about us, and this additional restriction does not apply if they have beneficially owned our restricted shares for more than one year.

Rule 701

In general, under Rule 701 of the Securities Act as currently in effect, each of our employees, consultants or advisors who purchases our common shares from us in connection with a compensatory stock or option plan or other written agreement relating to compensation is eligible to resell such common shares 90 days after we become a reporting company under the Exchange Act in reliance on Rule 144, but without compliance with some of the restrictions, including the holding period, contained in Rule 144.

Registration Rights

Upon completion of this offering, certain holders of our common shares or their transferees will be entitled to request that we register their shares under the Securities Act, following the expiration of the lock-up agreements described above. See "Description of Share Capital—Registration Rights."

TAXATION

The following summary of material Cayman Islands, PRC and United States federal income tax consequences of an investment in our ADSs or common shares is based upon laws and relevant interpretations thereof in effect as of the date of this prospectus, all of which are subject to change. This summary does not deal with all possible tax consequences relating to an investment in our ADSs or common shares, such as all possible tax consequences under state, local and other tax laws, although discussions of local tax laws in China are included. To the extent that the discussion relates to matters of Cayman Islands tax law, it represents the opinion of Conyers Dill & Pearman, our Cayman Islands counsel. To the extent that the discussion relates to matters of PRC tax law, it represents the opinion of Zhong Lun Law Firm, our PRC legal counsel.

Cayman Islands Taxation

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or after execution brought within the jurisdiction of, the Cayman Islands. There are no exchange control regulations or currency restrictions in the Cayman Islands.

Pursuant to Section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, we have obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to us or our operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on our shares, debentures or other obligations.

The undertaking for us is for a period of twenty years from August 2, 2011.

People's Republic of China Taxation

Under the existing tax laws in the PRC, we are qualified as a non-resident enterprise. We are a holding company incorporated in the Cayman Islands; our holding company indirectly holds 100% of the equity interests in our PRC subsidiaries through Duowan BVI, NeoTask and NeoTask Limited. Our business operations are principally conducted through our PRC subsidiaries and our PRC consolidated affiliated entities. The PRC Enterprise Income Tax Law and its implementation rules, both of which became effective on January 1, 2008, provide that China-sourced income of foreign enterprises, such as dividends paid by a PRC subsidiary to its overseas parent that is not a PRC resident enterprise and has no establishment in the PRC, will normally be subject to PRC withholding tax at a rate of 10%.

If the PRC tax authorities determine that YY Inc., our Cayman Islands holding company, is a PRC resident enterprise for enterprise income tax purposes, our world-wide income could be subject to PRC tax at a rate of 25%, which could materially reduce our net income. In addition, we will also be subject to PRC enterprise income tax reporting obligations. Furthermore, although dividends paid by one PRC tax resident to another PRC tax resident should qualify as "tax-exempt income" under the PRC Enterprise Income Tax Law, we cannot assure you that dividends by our PRC subsidiaries to our Cayman holding company will not be subject to a 10% withholding tax, as the PRC foreign exchange control authorities, which enforce the withholding tax on dividends, and the PRC tax authorities have not yet issued guidance with respect to the processing of outbound remittances to entities that are treated as resident enterprises for PRC enterprise income tax purposes. In addition, ADS holders may be subject to PRC withholding tax on dividends payable by us and gains realized on the sale or other disposition of ADSs or common shares, if the PRC tax authorities determine that our Cayman Islands

holding company is a PRC resident enterprise for enterprise income tax purposes. See “Risk Factors—Risks Relating to Doing Business in China—Under the PRC enterprise income tax law, we may be classified as a PRC “resident enterprise,” which could result in unfavorable tax consequences to us and our shareholders and have a material adverse effect on our results of operations and the value of your investment.”

Material United States Federal Income Tax Considerations

The following is a summary of the material United States federal income tax considerations relating to the acquisition, ownership, and disposition of our ADSs or common shares by a U.S. holder (as defined below) that acquires our ADSs or common shares in this offering and holds our ADSs or common shares as “capital assets” (generally, property held for investment) under the United States Internal Revenue Code of 1986, as amended (the “Code”). This summary is based upon existing United States federal income tax law, which is subject to differing interpretations or change, possibly with retroactive effect. This summary does not discuss all aspects of United States federal income taxation that may be important to particular investors in light of their individual investment circumstances, including investors subject to special tax rules (for example, financial institutions, insurance companies, broker-dealers, traders in securities that have elected the mark-to-market method of accounting for their securities, partnerships and their partners, and tax-exempt organizations (including private foundations)), holders who are not U.S. holders, holders who own (directly, indirectly, or constructively) 10% or more of our voting stock, investors that will hold their ADSs or common shares as part of a straddle, hedge, conversion, constructive sale, or other integrated transaction for United States federal income tax purposes, or investors that have a functional currency other than the United States dollar, all of whom may be subject to tax rules that differ significantly from those summarized below. In addition, except to the extent described below, this summary does not discuss any non-United States, state, or local tax considerations. Each U.S. holder is urged to consult its tax advisors regarding the United States federal, state, local, and non-United States income and other tax considerations of an investment in our ADSs or common shares.

General

For purposes of this summary, a “U.S. holder” is a beneficial owner of our ADSs or common shares that is, for United States federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation (or other entity treated as a corporation for United States federal income tax purposes) created in, or organized under the law of, the United States or any state thereof or the District of Columbia, (iii) an estate the income of which is includible in gross income for United States federal income tax purposes regardless of its source, or (iv) a trust (A) the administration of which is subject to the primary supervision of a United States court and which has one or more United States persons who have the authority to control all substantial decisions of the trust or (B) that has otherwise elected to be treated as a United States person.

If a partnership (or other entity treated as a partnership for United States federal income tax purposes) is a beneficial owner of our ADSs or common shares, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. Partnerships holding our ADSs or common shares and partners in such partnerships are urged to consult their tax advisors regarding an investment in our ADSs or common shares.

For United States federal income tax purposes, U.S. holders of ADSs will be treated as the beneficial owners of the underlying shares represented by the ADSs. Based in part on the representations we have received from the depositary bank, for United States federal income tax purposes, a U.S. holder of ADSs will be treated as the beneficial owner of the underlying shares represented by the ADSs. Accordingly, deposits or withdrawals of common share for ADSs will not be subject to United States federal income tax. The U.S. Treasury has expressed concerns that parties to whom ADSs are released before shares are delivered to the depositary, or intermediaries in the chain of ownership between holders of ADSs and the issuer of the security underlying the ADSs, may be taking actions that are inconsistent with the claiming of foreign tax credits by holders of ADSs. These actions would also be inconsistent with the claiming of the reduced rate of tax, described below, applicable to dividends

received by certain non-corporate holders. Accordingly, the creditability of any PRC taxes, and the availability of the reduced tax rate for dividends received by certain non-corporate U.S. holders, each described below, could be affected by actions taken by such parties or intermediaries.

Passive Foreign Investment Company Considerations

A non-United States corporation, such as our company, will be classified as a "passive foreign investment company," or "PFIC", for United States federal income tax purposes, if, in the case of any particular taxable year, either (i) 75% or more of its gross income for such year consists of certain types of "passive" income or (ii) 50% or more of its average quarterly assets (as determined on the basis of fair market value) during such year produce or are held for the production of passive income. For this purpose, cash is categorized as a passive asset and the company's unbooked intangibles associated with active business activities may generally be classified as active assets. We will be treated as owning our proportionate share of the assets and earning our proportionate share of the income of any other corporation in which we own, directly or indirectly, more than 25% (by value) of the stock.

Although the law in this regard is unclear, we treat Guangzhou Huaduo and Beijing Tuda as being owned by us for United States federal income tax purposes, not only because we exercise effective control over the operation of such entities but also because we are entitled to substantially all of their economic benefits, and, as a result, we consolidate their operating results in our consolidated financial statements. Assuming that we are the owner of Guangzhou Huaduo and Beijing Tuda for United States federal income tax purposes, based upon our current income and assets (taking into account the proceeds from this offering) and projections as to the value of our ADSs and common shares following the offering, we do not presently expect to be classified as a PFIC for the current taxable year or the foreseeable future.

While we do not expect to become a PFIC in the current or future taxable years, the determination of whether we will be or become a PFIC will depend in part upon the value of our goodwill and other unbooked intangibles (which will depend upon the market value of our ADSs or common shares). In estimating the value of our goodwill and other unbooked intangibles, we have taken into account our anticipated market capitalization following the close of this offering. Among other matters, if market capitalization is less than anticipated or subsequently declines, we may be classified as a PFIC for the current or future taxable years. It is also possible that the Internal Revenue Service (the "IRS") may challenge our classification or valuation of our goodwill and other unbooked intangibles, which may result in our company being, or becoming classified as, a PFIC for the current or one or more future taxable years.

The determination of whether we will be or become a PFIC will also depend, in part, on the composition of our income and assets, which will be affected by how, and how quickly, we use our liquid assets and the cash raised in this offering. Under circumstances where we determine not to deploy significant amounts of cash for active purposes or not to treat Beijing Tuda or Guangzhou Huaduo as owned by us for United States federal income tax purposes, our risk of being classified as a PFIC may substantially increase. Because there are uncertainties in the application of the relevant rules and PFIC status is a factual determination made annually after the close of each taxable year, there can be no assurance that we will not be a PFIC for the current taxable year or any future taxable year. Our special United States counsel expresses no opinion with respect to our PFIC status and also expresses no opinion with respect to our expectations regarding our PFIC status. If we were classified as a PFIC for any year during which a U.S. holder held our ADSs or common shares, we generally would continue to be treated as a PFIC for all succeeding years during which such U.S. holder held our ADSs or common shares.

The discussion below under "Dividends" and "Sale or Other Disposition of ADSs or Common Shares" is written on the basis that we will not be classified as a PFIC for United States federal income tax purposes. The United States federal income tax rules that apply if we are classified as a PFIC for the current taxable year or any subsequent taxable year are generally discussed below under "Passive Foreign Investment Company Rules."

Dividends

Subject to the PFIC rules discussed below, any cash distributions (including the amount of any tax withheld to reflect PRC withholding taxes) paid on our ADSs or common shares out of our current or accumulated earnings and profits, as determined under United States federal income tax principles, will generally be includible in the gross income of a U.S. holder as dividend income on the day actually or constructively received by the U.S. holder, in the case of common shares, or by the Depositary, in the case of ADSs. Because we do not intend to determine our earnings and profits on the basis of United States federal income tax principles, any distribution paid will generally be reported as a "dividend" for United States federal income tax purposes. For taxable years beginning before January 1, 2013, a non-corporate recipient of dividend income will generally be subject to tax on dividend income from a "qualified foreign corporation" at a reduced United States federal tax rate rather than the marginal tax rates generally applicable to ordinary income provided that certain holding period requirements are met.

A non-United States corporation (other than a corporation that is classified as a PFIC for the taxable year in which the dividend is paid or the preceding taxable year) will generally be considered to be a qualified foreign corporation (a) if it is eligible for the benefits of a comprehensive tax treaty with the United States which the Secretary of Treasury of the United States determines is satisfactory for purposes of this provision and which includes an exchange of information program, or (b) with respect to any dividend it pays on stock (or ADSs in respect of such stock) which is readily tradable on an established securities market in the United States. Although no assurances may be given, our ADSs are expected to be readily tradable on the Nasdaq Global Market, which is an established securities market in the United States. Thus, we believe that dividends we pay on our ADSs will meet the conditions required for the reduced tax rate. Since we do not expect that our common shares will be listed on established securities markets, it is unclear whether dividends that we pay on our common shares that are not backed by ADSs currently meet the conditions required for these reduced tax rates. There can be no assurance that our ADSs will be considered readily tradable on an established securities market in later years.

In the event that we are deemed to be a PRC "resident enterprise" and are liable to pay tax under PRC Enterprise Income Tax Law, we should be eligible for the benefits of the United States-PRC income tax treaty, which the Secretary of Treasury of the United States has determined is satisfactory for purposes of clause (a) above and which includes an exchange of information provision. If we are eligible for such benefits, dividends we pay on our common shares, regardless of whether such shares are represented by the ADSs, would generally be eligible for the reduced rate of taxation applicable to qualified dividend income whether or not such shares are readily tradable on an established securities market in the United States. Dividends received on the ADSs or common shares will not be eligible for the dividends received deduction allowed to corporations. Each U.S. holder is advised to consult its tax advisors regarding the availability of the lower capital gains rate applicable to qualified dividend income for any dividends we pay with respect to the common shares.

Dividends will generally be treated as passive income from foreign sources for United States foreign tax credit purposes and will generally constitute passive category income. In the event that we are deemed to be a PRC "resident enterprise" under PRC Enterprise Income Tax Law, a U.S. holder may be subject to PRC withholding taxes on dividends paid on our ADSs or common share. A U.S. holder may be eligible, subject to a number of complex limitations, to claim a foreign tax credit in respect of any foreign withholding taxes imposed on dividends received on ADSs or common shares. A U.S. holder who does not elect to claim a foreign tax credit for foreign tax withheld, may instead claim a deduction, for United States federal income tax purposes, in respect of such withholdings, but only for a year in which such U.S. holder elects to do so for all creditable foreign income taxes. The rules governing the foreign tax credit are complex. Each U.S. holder is advised to consult its tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Sale or Other Disposition of ADSs or Common Shares

Subject to the PFIC rules discussed below, a U.S. holder will generally recognize capital gain or loss upon the sale or other disposition of ADSs or common shares in an amount equal to the difference between the amount

realized upon the disposition and the U.S. holder's adjusted tax basis in such ADSs or common shares. Any capital gain or loss will be long-term if the ADSs or common shares have been held for more than one year and will generally be United States source gain or loss for United States foreign tax credit purposes. The deductibility of a capital loss may be subject to limitations. In the event that we are treated as a PRC "resident enterprise" under PRC Enterprise Income Tax Law and gain from the disposition of the ADSs or common shares is subject to tax in the PRC, a U.S. holder that is eligible for the benefits of the income tax treaty between the United States and the PRC may elect to treat the gain as PRC source income. Each U.S. holder is advised to consult their tax advisors regarding the tax consequences if a foreign tax is imposed on a disposition of our ADSs or common shares, including the availability of the foreign tax credit under their particular circumstances.

Passive Foreign Investment Company Rules

If we are classified as a PFIC for any taxable year during which a U.S. holder holds our ADSs or common shares, and unless the U.S. holder makes a mark-to-market election (as described below), the U.S. holder will generally be subject to special tax rules that have a penalizing effect, regardless of whether we remain a PFIC, on (i) any excess distribution that we make to the U.S. holder (which generally means any distribution paid during a taxable year to a U.S. holder that is greater than 125% of the average annual distributions paid in the three preceding taxable years or, if shorter, the U.S. holder's holding period for the ADSs or common shares), and (ii) any gain realized on the sale or other disposition, including, under certain circumstances, a pledge, of ADSs or common shares. Under the PFIC rules:

- such excess distribution and/or gain will be allocated ratably over the U.S. holder's holding period for the ADSs or common shares;
- such amount allocated to the current taxable year and any taxable years in the U.S. holder's holding period prior to the first taxable year in which we are classified as a PFIC, or pre-PFIC year, will be taxable as ordinary income;
- such amount allocated to each prior taxable year, other than a pre-PFIC year, will be subject to tax at the highest tax rate in effect applicable to the U.S. holder for that year; and
- an interest charge generally applicable to underpayments of tax will be imposed on the tax attributable to each prior taxable year, other than a pre-PFIC year.

If we are a PFIC for any taxable year during which a U.S. holder holds our ADSs or common shares and any of our non-United States subsidiaries is also a PFIC, such U.S. holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules. Each U.S. holder is advised to consult its tax advisors regarding the application of the PFIC rules to any of our subsidiaries.

As an alternative to the foregoing rules, a U.S. holder of "marketable stock" in a PFIC may make a mark-to-market election with respect to our ADSs, provided that the ADSs are regularly traded on the Nasdaq Global Market. Although no assurances may be given, we anticipate that our ADSs should qualify as being regularly traded. If a mark-to-market election is made, the U.S. holder will generally (i) include as ordinary income for each taxable year that we are a PFIC the excess, if any, of the fair market value of ADSs held at the end of the taxable year over the adjusted tax basis of such ADSs and (ii) deduct as an ordinary loss the excess, if any, of the adjusted tax basis of the ADSs over the fair market value of such ADSs held at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. The U.S. holder's adjusted tax basis in the ADSs would be adjusted to reflect any income or loss resulting from the mark-to-market election.

If a U.S. holder makes a mark-to-market election in respect of a corporation classified as a PFIC and such corporation ceases to be classified as a PFIC, the U.S. holder will not be required to take into account the mark-to-market gain or loss described above during any period that such corporation is not classified as a PFIC. Because a mark-to-market election cannot be made for any lower-tier PFICs that we may own, a U.S. holder may

continue to be subject to the PFIC rules with respect to such U.S. holder's indirect interest in any investments held by us that are treated as an equity interest in a PFIC for United States federal income tax purposes.

We do not intend to provide information necessary for U.S. holders to make qualified electing fund elections, which, if available, would result in tax treatment different from (and generally less adverse than) the general tax treatment for PFICs described above.

If a U.S. holder owns our ADSs or common shares during any taxable year that we are a PFIC, such holder is required to file an annual report containing such information as the United States Treasury Department may require and may be required to file an annual IRS Form 8621. Each U.S. holder is advised to consult its tax advisors regarding the potential tax consequences to such holder if we are or become classified as a PFIC, including the possibility of making a mark-to-market election.

Information Reporting and Backup Withholding

The United States tax compliance rules generally impose reporting requirements on individual U.S. holders and other specified entities with respect to their beneficial ownership of our ADSs or common shares, if such ADSs or common shares are not held on their behalf by a United States financial institution and other criteria are met. These rules also impose penalties if a U.S. holder is required to submit such information to the IRS and fails to do so. In addition, U.S. holders may be subject to information reporting to the IRS with respect to an investment in the ADSs or common shares, including, among others, IRS Form 926 (Return by a U.S. Transferor of Property to a Foreign Corporation). Specific types of holders (as identified in the United States tax compliance rules) will be subject to information reporting to the IRS with respect to dividends on and proceeds from the sale or other disposition of our ADSs or common shares. Dividend payments with respect to our ADSs or common shares and proceeds from the sale or other disposition of our ADSs or common shares are not generally subject to United States backup withholding (provided that certification requirements are satisfied). Each U.S. holder is advised to consult its tax advisors regarding the application of the United States information reporting and backup withholding rules to their particular circumstances.

Effective for tax years beginning after March 18, 2010, individuals who are U.S. holders, and who hold "specified foreign financial assets," including stock of a non-U.S. corporation that is not held in an account maintained by a U.S. "financial institution," whose aggregate value exceeds US$50,000 during the tax year, may be required to attach to their tax returns for the year certain specified information. An individual who fails to timely furnish the required information may be subject to a penalty. U.S. holders who are individuals should consult their own tax advisors regarding their reporting obligations under this legislation.

UNDERWRITING

Subject to the terms and conditions of the underwriting agreement, we [and the selling shareholders] have agreed to sell, and the underwriters named below, through , as representatives of the underwriters, have severally and not jointly agreed to purchase from us [and the selling shareholders], the following respective number of ADSs at a public offering price less the underwriting discounts and commissions set forth on the cover page of this prospectus:

Underwriters	Number of ADSs
Deutsche Bank Securities Inc.	
Morgan Stanley & Co. International plc	
Total	

The underwriting agreement provides that the obligations of the several underwriters to purchase the ADSs offered hereby are subject to certain conditions precedent and that the underwriters will purchase all of the ADSs offered by this prospectus, other than those covered by the over-allotment option described below, if any of these ADSs are purchased. If an underwriter defaults, the underwriting agreement provides that the underwriting commitments of the non-defaulting underwriters may be increased or the underwriting agreement may be terminated, depending on the circumstances.

We have been advised by the representatives of the underwriters that the underwriters propose to offer the ADSs to the public at the public offering price set forth on the cover of this prospectus and to dealers at a price that represents a concession not in excess of its underwriting commitment of US$ per ADS under the public offering price. The underwriters may allow, and these dealers may re-allow, a concession of not more than US$ per ADS to other dealers. After the initial public offering, the offering price, concession or any other terms of the offering may be changed. The offering of the ADSs by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part.

We [and the selling shareholders] have granted to the underwriters an option, exercisable not later than 30 days after the date of this prospectus, to purchase up to additional ADSs at the public offering price less the underwriting discounts and commissions set forth on the cover page of this prospectus. The underwriters may exercise this option only to cover over-allotments, if any, made in connection with the sale of ADSs offered by this prospectus. To the extent that the underwriters exercise this option, each of the underwriters will severally become obligated, subject to the conditions set forth in the underwriting agreement, to purchase approximately the same percentage of these additional ADSs as the number of ADSs to be purchased by it in the above table bears to the total number of ADSs in such table. If any additional ADSs are purchased, the underwriters will offer the additional ADSs on the same terms as those on which the ADSs are being offered.

The underwriting discounts and commissions per ADS are equal to the public offering price per ADS less the amount paid by the underwriters to us [and the selling shareholders] per ADS. The underwriting discounts and commissions are % of the initial public offering price. We [and the selling shareholders] have agreed to pay the underwriters the following discounts and commissions, assuming either no exercise or full exercise by the underwriters of the underwriters' over-allotment option:

		Total fees	
	Fee per ADS	Without exercise of over-allotment option	With full exercise of over-allotment option
Discounts and commissions paid by us	US$	US$	US$
[Discounts and commissions paid by the selling shareholders]	US$	US$	US$

We [and the selling shareholders] will pay the fees and expenses we incur in connection with this offering, excluding underwriting discounts and commissions, which we estimate to be approximately $. See "Expenses Related to This Offering."

We [and the selling shareholders] have agreed to indemnify the underwriters against some specified types of liabilities, including liabilities under the Securities Act, and to contribute to payments the underwriters may be required to make in respect of any of these liabilities if indemnification is not available.

We, each of our officers and directors, all of our existing shareholders and option holders, have agreed not to, directly or indirectly, offer, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant for the sale of, lend or otherwise dispose of, or enter into any swap or other transaction that is designed to, or could be expected to, result in the disposition of any of our ADSs or common shares or other securities convertible into or exchangeable or exercisable for our ADSs or common shares or derivatives of our ADSs or common shares (whether any such swap or transaction is to be settled by delivery of securities, in cash, or otherwise), owned by these persons prior to this offering or ADSs or common shares issuable upon exercise of options or warrants held by these persons for a period of 180 days after the date of this prospectus without the prior written consent of the representatives. This consent may be given at any time without public notice. Transfers or dispositions can be made during the lock-up period in the case of gifts or for estate planning purposes where the donee signs a lock-up agreement. We have entered into a similar agreement with the representatives of the underwriters except that without such consent we may grant options and sell shares pursuant to the 2009 Scheme.

The 180-day lock-up periods as described above are subject to adjustment only under the following circumstances. If (1) during the last 17 days of the 180-day lock-up period, (a) we release earnings results or (b) material news or a material event relating to us occurs, or (2) prior to the expiration of the 180-day lock-up period, we announce that we will release earnings results during the 16-day period following the last day of the 180-day lock-up period, then, in each case, the 180-day lock-up period will be extended until the expiration of the 18-day period beginning on the date of our release of the earnings results or the occurrence of material news or a material event relating to us, unless the representatives, on behalf of the underwriters, waive this extension in writing.

In addition, through a letter agreement, we have agreed to instruct Deutsche Bank Trust Company Americas, as depositary, not to accept any deposit of any common shares or issue any ADSs for 180 days after the date of this prospectus unless we consent to such deposit or issuance, and not to provide consent without the prior written consent of the representatives of the underwriters. The foregoing does not affect the right of ADS holders to cancel their ADSs and withdraw the underlying common shares.

We have applied to list our ADSs on the Nasdaq Global Market under the symbol "YY."

The underwriters do not expect sales to discretionary accounts to exceed 5% of the total number of ADSs offered.

In connection with the offering, the underwriters may purchase and sell our ADSs in the open market. These transactions may include short sales, purchases to cover positions created by short sales and stabilizing transactions.

Short sales involve the sale by the underwriters of a greater number of ADSs than they are required to purchase in the offering. Covered short sales are sales made in an amount not greater than the underwriters' over-allotment option. The underwriters may close out any covered short position by either exercising their over-allotment option or purchasing ADSs in the open market. In determining the source of ADSs to close out the covered short position, the underwriters will consider, among other things, the price of ADSs available for purchase in the open market as compared to the price at which they may purchase ADSs through the over-allotment option.

Naked short sales are any sales in excess of the over-allotment option. The underwriters must close out any naked short position by purchasing ADSs in the open market. A naked short position is more likely to be created if underwriters are concerned that there may be downward pressure on the price of the ADSs in the open market prior to the completion of the offering.

Stabilizing transactions consist of various bids for or purchases of our ADSs made by the underwriters in the open market prior to the completion of the offering.

The underwriters may impose a penalty bid. This occurs when a particular underwriter repays to the other underwriters a portion of the underwriting discount received by it because the representatives of the underwriters have repurchased ADSs sold by or for the account of that underwriter in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions may have the effect of preventing or slowing a decline in the market price of our ADSs. In addition, these purchases, along with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of our ADSs. As a result, the price of our ADSs may be higher than the price that might otherwise exist in the open market. Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our ADSs. These transactions may be effected on the Nasdaq Global Market, in the over-the-counter market or otherwise. Neither we nor any underwriters make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

A prospectus in electronic format is being made available on Internet websites maintained by one or more of the lead underwriters of this offering and may be made available on websites maintained by other underwriters. Other than the prospectus in electronic format, the information on any underwriter's website and any information contained in any other website maintained by an underwriter is not part of this prospectus or the registration statement of which this prospectus forms a part.

Prior to this offering, there has been no public market for our ADSs. Consequently, the initial public offering price of our ADSs will be determined by negotiation among us and the representatives of the underwriters. Among the primary factors that will be considered in determining the public offering price are:

(a) prevailing market conditions;

(b) our financial condition and results of operations in recent periods;

(c) the present stage of our development;

(d) the market capitalizations and stages of development of other companies that we and the representatives of the underwriters believe to be comparable to our business; and

(e) the history of, and the prospects for, our Company and the industry in which we compete.

The underwriters and their respective affiliates are full-service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the us [and the selling shareholders], for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their

customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of us [and the selling shareholders].

The address of Deutsche Bank Securities Inc. is 60 Wall Street, New York, New York 10005, United States. The address of Morgan Stanley & Co. International plc is 25 Cabot Square, Canary Wharf, London E14 4QA, United Kingdom.

No action may be taken in any jurisdiction other than the United States that would permit a public offering of the ADSs or the possession, circulation or distribution of this prospectus in any jurisdiction where action for that purpose is required. Accordingly, the ADSs may not be offered or sold, directly or indirectly, and neither the prospectus nor any other offering material or advertisements in connection with the ADSs may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

Cayman Islands

This prospectus does not constitute an invitation or offer to the public in the Cayman Islands of the ADSs, whether by way of sale or subscription. The underwriters have not offered or sold, and will not offer or sell, directly or indirectly, any ADSs in the Cayman Islands.

Hong Kong

The ADSs may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), or (ii) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a “prospectus” within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the ADSs may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to ADSs which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder.

People’s Republic of China

This prospectus has not been and will not be circulated or distributed in the PRC, and ADSs may not be offered or sold, and will not be offered or sold to any person for re-offering or resale, directly or indirectly, to any resident of the PRC except pursuant to applicable laws and regulations of the PRC.

Japan

The ADSs have not been and will not be registered under the Financial Instruments and Exchange Law of Japan, and ADSs will not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to any exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or

invitation for subscription or purchase, of our ADSs may not be circulated or distributed, nor may our ADSs be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore, or SFA, (ii) to a relevant person or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to compliance with conditions set forth in the SFA.

Where our ADSs are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor as defined in Section 4A of the SFA) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor; shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the ADSs under Section 275 of the SFA, except: (1) to an institutional investor (for corporations under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is or will be given for the transfer; or (3) where the transfer is by operation of law.

Australia

This document has not been lodged with the Australian Securities & Investments Commission and is only directed to certain categories of exempt persons. Accordingly, if you receive this document in Australia:

(a) you confirm and warrant that you are either:

  a. a "sophisticated investor" under section 708(8)(a) or (b) of the Corporations Act 2001 (Cth) of Australia, or the Corporations Act;

  b. a "sophisticated investor" under section 708(8)(c) or (d) of the Corporations Act and that you have provided an accountant's certificate to the company which complies with the requirements of section 708(8)(c)(i) or (ii) of the Corporations Act and related regulations before the offer has been made;

  c. a person associated with the company under section 708(12) of the Corporations Act; or

  d. "professional investor" within the meaning of section 708(11)(a) or (b) of the Corporations Act, and to the extent that you are unable to confirm or warrant that you are an exempt sophisticated investor, associated person or professional investor under the Corporations Act any offer made to you under this document is void and incapable of acceptance.

(b) you warrant and agree that you will not offer any of the ADSs issued to you pursuant to this document for resale in Australia within 12 months of those ADSs being issued unless any such resale offer is exempt from the requirement to issue a disclosure document under section 708 of the Corporations Act.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State") an offer to the public of any shares which are the subject of the

offering contemplated by this prospectus may not be made in that Relevant Member State, once the prospectus has been approved by the competent authority in such Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that an offer to the public in that Relevant Member State of any shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; (c) by the underwriters to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than "qualified investors" as defined in the Prospectus Directive) subject to obtaining the prior consent of the representatives for any such offer; or

(d) in any other circumstances falling within Article 3(2) of the Prospectus Directive; provided that no such offer of shares shall result in a requirement for the publication by us or any representative of a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

Any person making or intending to make any offer of shares within the EEA should only do so in circumstances in which no obligation arises for us or any of the underwriters to produce a prospectus for such offer. Neither we nor the underwriters have authorized, nor do they authorize, the making of any offer of shares through any financial intermediary, other than offers made by the underwriters which constitute the final offering of shares contemplated in this prospectus.

For the purposes of this provision, and your representation below, the expression an "offer to the public" in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares to be offered so as to enable an investor to decide to purchase any shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

Each person in a Relevant Member State who receives any communication in respect of, or who acquires any shares under, the offer of shares contemplated by this prospectus will be deemed to have represented, warranted and agreed to and with us and each underwriter that:

(a) it is a "qualified investor" within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and

(b) in the case of any shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) the shares acquired by it in the offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than "qualified investors" (as defined in the Prospectus Directive), or in circumstances in which the prior consent of the representatives has been given to the offer or resale; or (ii) where shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those shares to it is not treated under the Prospectus Directive as having been made to such persons.

In addition, in the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are “qualified investors” (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, or the Order, and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is only available to, and will be engaged in with, relevant persons.

Notice to Investors in Switzerland

This document, as well as any other offering or marketing material relating to the ADSs which are the subject of the offering contemplated by this prospectus, neither constitutes a prospectus pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations nor a simplified prospectus as such term is understood pursuant to article 5 of the Swiss Federal Act on Collective Investment Schemes. Neither the ADSs nor the shares underlying the ADSs will be listed on the SIX Swiss Exchange and, therefore, the documents relating to the ADSs, including, but not limited to, this document, do not claim to comply with the disclosure standards of the listing rules of SIX Swiss Exchange and corresponding prospectus schemes annexed to the listing rules of the SIX Swiss Exchange.

The ADSs are being offered in Switzerland by way of a private placement, i.e., to a small number of selected investors only, without any public offer and only to investors who do not purchase the ADSs with the intention to distribute them to the public. The investors will be individually approached from time to time. This document, as well as any other offering or marketing material relating to the ADSs, is confidential and it is exclusively for the use of the individually addressed investors in connection with the offer of the ADSs in Switzerland and it does not constitute an offer to any other person. This document may only be used by those investors to whom it has been handed out in connection with the offering described herein and may neither directly nor indirectly be distributed or made available to other persons without our express consent. It may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in or from Switzerland.

Notice to Investors in the Dubai International Financial Centre

This document relates to an Exempt Offer, as defined in the Offered Securities Rules module of the DFSA Rulebook, or the OSR, in accordance with the Offered Securities Rules of the Dubai Financial Services Authority. This document is intended for distribution only to Persons, as defined in the OSR, of a type specified in those rules. It must not be delivered to, or relied on by, any other Person. The Dubai Financial Services Authority has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The Dubai Financial Services Authority has not approved this document nor taken steps to verify the information set out in it, and has no responsibility for it. The ADSs to which this document relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the ADSs offered should conduct their own due diligence on the ADSs. If you do not understand the contents of this document you should consult an authorized financial adviser.

Kingdom of Saudi Arabia

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering or private placement of the ADSs in the Kingdom of Saudi Arabia, or possession or distribution of any offering materials in relation thereto. Our ADSs may only be offered and sold in the Kingdom of Saudi Arabia through persons authorized to do so in accordance of Part 5 (Exempt Offers) of the Offers of Securities Regulations dated 20/8/1425 AH corresponding to 4/10/2004 (as amended), or the Regulations, and in accordance with Part 5 (Exempt Offers) Article 16(a)(3) of the Regulations, the ADSs will be offered to no more than 60 offerees in the

Kingdom of Saudi Arabia with each such offeree paying an amount not less than Saudi Riyals one million or an equivalent amount in another currency. Investors are informed that Article 19 of the Regulations places restrictions on secondary market activity with respect to our ADSs. Any resale or other transfer, or attempted resale or other transfer, made other than in compliance with the above-stated restrictions shall not be recognized by us. Prospective purchasers of our ADSs should conduct their own due diligence on the accuracy of the information relation to the ADSs. Investors should consult an authorized financial adviser if they do not understand the contents of this prospectus.

State of Kuwait

Our ADSs have not been authorized or licensed for offering, marketing or sale in the State of Kuwait, or Kuwait. The distribution of this prospectus and the offering, marketing and sale of the ADSs in Kuwait is restricted by law unless a license is obtained from the Kuwaiti Ministry of Commerce and Industry in accordance with Law No. 31 of 1990, and the various Ministerial Regulations issued pursuant thereto. Persons into whose possession this prospectus comes are required by us and the underwriters to inform themselves about and to observe such restrictions. Investors in Kuwait who approach us or any of the underwriters to obtain copies of this prospectus are required by us and the underwriters to keep such prospectus confidential and not to make copies thereof nor distribute the same to any other person in Kuwait and are also required to observe the restrictions provided for in all jurisdictions with respect to offering, marketing and the sale of the ADSs.

United Arab Emirates

This prospectus is not intended to constitute an offer, sale or delivery of shares or other securities under the laws of the United Arab Emirates, or the UAE. The ADSs have not been and will not be registered under Federal Law No. 4 of 2000 Concerning the Emirates Securities and Commodities Authority and the Emirates Security and Commodity Exchange, or with the UAE Central Bank, the Dubai Financial Market, the Abu Dhabi Securities Market or with any other UAE exchange.

The offering, the ADSs and interests therein have not been approved or licensed by the UAE Central Bank or any other relevant licensing authorities in the UAE, and do not constitute a public offer of securities in the UAE in accordance with the Commercial Companies Law, Federal Law No. 8 of 1984 (as amended) or otherwise.

In relation to its use in the UAE, this prospectus is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The interests in the ADSs may not be offered or sold directly or indirectly to the public in the UAE.

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EXPENSES RELATING TO THIS OFFERING

Set forth below is an itemization of the total expenses, excluding underwriting discounts and commissions, that we and the selling shareholders expect to incur in connection with this offering. With the exception of the SEC registration fee, the Financial Industry Regulatory Authority, or FINRA, filing fee and the Nasdaq Global Market listing fee, all amounts are estimates.

SEC registration fee	US$
Nasdaq Global Market listing fee	
FINRA filing fee	
Printing and engraving expenses	
Legal fees and expenses	
Accounting fees and expenses	
Miscellaneous	
Total	US$

Expenses, [except for underwriting discounts and commissions], will be borne in proportion to the numbers of ADSs sold in the offering by us [and the selling shareholders, respectively].

LEGAL MATTERS

The validity of the ADSs and certain other legal matters with respect to U.S. federal and New York State law in connection with this offering will be passed upon for us by Skadden, Arps, Slate, Meagher & Flom LLP. Certain legal matters with respect to U.S. federal and New York State law in connection with this offering will be passed upon for the underwriters by Simpson Thacher & Bartlett LLP. The validity of the Class A common shares represented by the ADSs offered in this offering and other certain legal matters as to Cayman Islands law will be passed upon for us by Conyers Dill & Pearman. Legal matters as to PRC law will be passed upon for us by Zhong Lun Law Firm and for the underwriters by Fangda Partners. Skadden, Arps, Slate, Meagher & Flom LLP may rely upon Conyers Dill & Pearman with respect to matters governed by Cayman Islands law and Zhong Lun Law Firm with respect to matters governed by PRC law. Simpson Thacher & Bartlett LLP may rely upon Fangda Partners with respect to matters governed by PRC law.

EXPERTS

The consolidated financial statements of YY Inc. as of December 31, 2010 and 2011 and for each of the three years ended December 31, 2011 included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers Zhong Tian CPAs Limited Company, an independent registered public accounting firm, given on the authority of such firm as experts in accounting and auditing.

The office of PricewaterhouseCoopers Zhong Tian CPAs Limited Company is located at 11/F, PricewaterhouseCoopers Center, 2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai 200021, PRC.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form F-1, including relevant exhibits and securities under the Securities Act with respect to the underlying Class A common shares represented by the ADSs, to be sold in this offering. We have also filed with the SEC a related registration statement on F-6 to register the ADSs. This prospectus, which constitutes a part of the registration statement, does not contain all of the information contained in the registration statement. You should read our registration statements and their exhibits and schedules for further information with respect to us and our ADSs.

The agreements included as exhibits to the registration statement on Form F-1 contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties were made solely for the benefit of the other parties to the applicable agreement and (a) were not intended to be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate; (b) may have been qualified in such agreement by disclosures that were made to the other party in connection with the negotiation of the applicable agreement; (c) may apply contract standards of "materiality" that are different from "materiality" under the applicable securities laws; and (d) were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement.

Immediately up effectiveness of the registration statement to which this prospectus is a part we will become subject to periodic reporting and other informational requirements of the Exchange Act as applicable to foreign private issuers. Accordingly, we will be required to file reports, including annual reports on Form 20-F, and other information with the SEC. As a foreign private issuer, we are exempt from the rules of the Exchange Act prescribing the furnishing and content of proxy statements to shareholders, and Section 16 short swing profit reporting for our officers and directors and for holders of more than 10% of our common shares. All information filed with the SEC can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. You can request copies of these documents, upon payment of a duplicating fee, by writing to the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference rooms. You may also obtain additional information over the internet at the SEC's website at *www.sec.gov.*

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of YY Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations and comprehensive loss, changes in shareholders' deficits and cash flows, present fairly, in all material respects, the financial position of YY Inc. (the "Company") and its subsidiaries at December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers Zhong Tian CPAs Limited Company
Shanghai, the People's Republic of China
July 13, 2012

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CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2010 AND 2011

(All amounts in thousands, except share and per share data)

	Notes	As of December 31,				
		2010	2011	2011	2011	2011
		RMB	RMB	US$ (Note 2(e))	RMB Pro forma (Note 26) (Unaudited)	US$ Pro forma (Note 26) (Note 2 (e)) (Unaudited)
Assets						
Current assets						
Cash and cash equivalents	4	83,683	128,891	20,491	128,891	20,491
Short-term deposits	5	—	472,655	75,144	472,655	75,144
Accounts receivable, net	6	25,747	47,022	7,476	47,022	7,476
Amount due from a related party	20	1,500	2,000	318	2,000	318
Prepayments and other current assets		4,727	9,742	1,549	9,742	1,549
Deferred tax assets	15	1,643	12,487	1,985	12,487	1,985
Total current assets		117,300	672,797	106,963	672,797	106,963
Non-current assets						
Deferred tax assets	15	—	329	52	329	52
Investments	7	3,000	5,244	834	5,244	834
Property and equipment, net	8	25,525	53,582	8,519	53,582	8,519
Intangible assets, net	9	12,236	10,814	1,719	10,814	1,719
Goodwill	10	706	706	112	706	112
Other non-current assets		—	1,954	311	1,954	311
Total non-current assets		41,467	72,629	11,547	72,629	11,547
Total assets		158,767	745,426	118,510	745,426	118,510
Liabilities and shareholders' equity						
Current liabilities						
Accounts payable		10,553	16,114	2,562	16,114	2,562
Deferred revenue	11	17,436	40,357	6,416	40,357	6,416
Advances from users	2(t)	741	2,453	390	2,453	390
Income taxes payable		4,356	16,872	2,682	16,872	2,682
Accrued liabilities and other current liabilities	12	15,577	49,071	7,802	49,071	7,802
Share-based compensation liabilities	18	203,124	—	—	—	—
Amounts due to related parties	20	1,214	870	138	870	138
Total current liabilities		253,001	125,737	19,990	125,737	19,990
Non-current liabilities						
Deferred revenue	11	—	448	71	448	71
Total liabilities		253,001	126,185	20,061	126,185	20,061
Commitments and contingencies	22					

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CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2010 AND 2011 (CONTINUED)
(All amounts in thousands, except share and per share data)

	Notes	As of December 31,				
		2010	2011	2011	2011	2011
		RMB	RMB	US$ (Note 2(e))	RMB Pro forma (Note 26) (Unaudited)	US$ Pro forma (Note 26) (Note 2 (e)) (Unaudited)
Mezzanine equity						
Series A convertible redeemable preferred shares (US$0.00001 par value, 136,100,930 shares authorized, issued and outstanding as of December 31, 2010 and 2011, and none outstanding on a pro forma basis as of December 31, 2011 (unaudited))	17	846,752	935,013	148,651	—	—
Series B convertible redeemable preferred shares (US$0.00001 par value, 102,073,860 shares authorized, issued and outstanding as of December 31, 2010 and 2011, and none outstanding on a pro forma basis as of December 31, 2011 (unaudited))	17	639,799	703,901	111,908	—	—
Series C-1 convertible redeemable preferred shares (US$0.00001 par value, 16,249,870 shares authorized, issued and outstanding as of December 31, 2010 and 2011, and none outstanding on a pro forma basis as of December 31, 2011 (unaudited))	17	102,754	112,556	17,894	—	—
Series C-2 convertible redeemable preferred shares (US$0.00001 par value, 104,999,650 shares authorized, issued and outstanding as of December 31, 2010 and 2011, and none outstanding on a pro forma basis as of December 31, 2011 (unaudited))	17	667,966	729,464	115,972	—	—

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CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2010 AND 2011 (CONTINUED)
(All amounts in thousands, except share and per share data)

	Notes	As of December 31,				
		2010	2011	2011	2011	2011
		RMB	RMB	US$ (Note 2(e))	RMB Pro forma (Note 26) (Unaudited)	US$ Pro forma (Note 26) (Note 2 (e)) (Unaudited)
Shareholders' (deficits) equity						
Common shares (US$0.00001 par value; 946,074,577 and 1,022,785,225 shares authorized, 466,630,266 and 543,340,914 shares issued and outstanding as of December 31, 2010 and 2011, respectively, and 902,765,224 outstanding on a pro forma basis as of December 31, 2011 (unaudited))	16	32	37	6	61	9
Additional paid-in capital		—	584,093	92,861	3,065,003	487,283
Accumulated deficits		(2,350,448)	(2,433,604)	(386,900)	(2,433,604)	(386,900)
Accumulated other comprehensive losses		(1,089)	(12,219)	(1,943)	(12,219)	(1,943)
Total shareholders' (deficits) equity		(2,351,505)	(1,861,693)	(295,976)	619,241	98,449
Total liabilities, mezzanine equity and shareholders' (deficits) equity		158,767	745,426	118,510	745,426	118,510

The accompanying notes are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS FOR THE YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011

(All amounts in thousands, except share and per share data)

	Note	For the year ended December 31,			
		2009	2010	2011	2011
		RMB	RMB	RMB	US$ (Note 2(e))
Net revenues					
Internet value-added service					
—Online game		12,976	86,316	165,933	26,380
—YY music		—	—	52,854	8,403
—Others		853	1,282	13,589	2,161
Online advertising		18,881	40,740	87,279	13,876
Total net revenue		32,710	128,338	319,655	50,820
Cost of revenues(1)	13	(28,849)	(110,062)	(182,699)	(29,046)
Gross profit		3,861	18,276	136,956	21,774
Operating expenses(1)					
Research and development expenses		(12,597)	(49,219)	(106,804)	(16,980)
Sales and marketing expenses		(4,951)	(12,363)	(13,381)	(2,127)
General and administrative expenses		(32,878)	(192,222)	(118,241)	(18,798)
Total operating expenses		(50,426)	(253,804)	(238,426)	(37,905)
Government grants	14	—	—	1,982	315
Operating loss		(46,565)	(235,528)	(99,488)	(15,816)
Foreign currency exchange (losses) gains, net		(15)	(551)	14,143	2,248
Interest income		46	56	4,890	777
Loss before income tax expenses		(46,534)	(236,023)	(80,455)	(12,791)
Income tax expenses	15	(391)	(2,322)	(1,343)	(214)
Loss before loss in equity method investments, net of income taxes		(46,925)	(238,345)	(81,798)	(13,005)
Losses in equity method investments, net of income taxes		(191)	(512)	(1,358)	(216)
Net loss attributable to YY Inc.		(47,116)	(238,857)	(83,156)	(13,221)
Amortization of beneficial conversion feature		(237)	—	—	—
Accretion to convertible redeemable preferred shares redemption value		(283,179)	(1,808,853)	(223,663)	(35,559)
Deemed dividend to Series A preferred shareholders		(19)	—	—	—
Deemed dividend to Series B preferred shareholders		(176)	—	—	—
Net loss attributable to common shareholders		(330,727)	(2,047,710)	(306,819)	(48,780)
Net loss		(47,116)	(238,857)	(83,156)	(13,221)
Other comprehensive income (loss):					
Foreign currency translation adjustments, net of nil tax		2	(935)	(11,130)	(1,769)
Comprehensive loss attributable to YY Inc.		(47,114)	(239,792)	(94,286)	(14,990)
Net loss per share					
—basic	19	(0.81)	(5.04)	(0.63)	(0.10)
—diluted	19	(0.81)	(5.04)	(0.63)	(0.10)
Weighted average number of common shares used in calculating—basic loss per share	19	407,613,328	406,304,672	485,883,845	485,883,845
Weighted average number of common shares used in calculating—diluted loss per share	19	407,613,328	406,304,672	485,883,845	485,883,845

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS FOR THE YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011 (CONTINUED)
(All amounts in thousands, except share and per share data)

(1) Share-based compensation was allocated in cost of revenues and operating expenses as follows:

	For the year ended December 31,			
	2009	2010	2011	2011
	RMB	RMB	RMB	US$ (Note 2(e))
Cost of revenues	5,269	31,709	15,449	2,456
Research and development expenses	2,475	21,627	31,672	5,035
Sales and marketing expenses	194	1,499	1,336	212
General and administrative expenses	28,544	182,101	86,544	13,759

The accompanying notes are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICITS FOR THE YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011

(All amounts in thousands, except share and per share data)

	Notes	Co-founder common shares		Common shares		Additional paid-in capital	Accumulated deficits	Accumulated other comprehensive losses	Total shareholders' deficits
		Number of shares	Amount	Number of shares	Amount				
		Note 16	RMB		RMB	RMB	RMB	RMB	RMB
Balance as of January 1, 2009		185,563,000	13	222,528,600	15	—	(32,604)	(156)	(32,732)
Share-based compensation—restricted shares to NeoTasks founders	18	—	—	—	—	3,407	—	—	3,407
Share-based compensation—share options	18	—	—	—	—	71	—	—	71
Reclassification of equity-classified share-based awards into liability-classified awards	18	—	—	—	—	(3,478)	(1,376)	—	(4,854)
Deemed dividend on series A convertible redeemable preferred shares—modification of terms	17	—	—	—	—	—	(19)	—	(19)
Deemed dividend on series B convertible redeemable preferred shares—modification of terms	17	—	—	—	—	—	(176)	—	(176)
Repurchase of common shares	16	—	—	(10,206,700)	(1)	—	(5,575)	—	(5,576)
Beneficial conversion feature of Series C convertible redeemable preferred shares	17	—	—	—	—	—	237	—	237
Amortization of beneficial conversion feature of the Series C convertible redeemable preferred shares	17	—	—	—	—	—	(237)	—	(237)
Accretion of Series A convertible redeemable preferred shares to redemption value	17	—	—	—	—	—	(114,401)	—	(114,401)
Accretion of Series B convertible redeemable preferred shares to redemption value	17	—	—	—	—	—	(79,211)	—	(79,211)
Accretion of Series C convertible redeemable preferred shares to redemption value	17	—	—	—	—	—	(89,567)	—	(89,567)
Components of comprehensive loss									
Net loss		—	—	—	—	—	(47,116)	—	(47,116)
Foreign currency translation adjustment, net of nil tax		—	—	—	—	—	—	2	2
Balance as of December 31, 2009		**185,563,000**	**13**	**212,321,900**	**14**	**—**	**(370,045)**	**(154)**	**(370,172)**

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CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICITS FOR THE YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011 (CONTINUED)
(All amounts in thousands, except share and per share data)

	Notes	Co-founder common shares Number of shares	Co-founder common shares Amount	Common shares Number of shares	Common shares Amount	Additional paid-in capital	Accumulated deficits	Accumulated other comprehensive losses	Total shareholders' deficits
		Note 16	RMB		RMB	RMB	RMB	RMB	RMB
Balance as of December 31, 2009		**185,563,000**	**13**	**212,321,900**	**14**	**—**	**(370,045)**	**(154)**	**(370,172)**
Transfer of Co-founder common shares into common shares	16	(185,563,000)	(13)	185,563,000	13	—	—	—	—
Share based compensation—restricted shares	18	—	—	—	—	24,525	—	—	24,525
Issuance of restricted shares to the CEO and Chairman	18	—	—	43,048,296	3	28,756	—	—	28,759
Issuance of restricted shares to NeoTasks founders	18	—	—	25,697,070	2	—	—	—	2
Transferred from matured liability award for NeoTasks founders	18	—	—	—	—	14,026	—	—	14,026
Accretion of Series A convertible redeemable preferred shares to redemption value	17	—	—	—	—	(67,307)	(625,052)	—	(692,359)
Accretion of Series B convertible redeemable preferred shares to redemption value	17	—	—	—	—	—	(515,626)	—	(515,626)
Accretion of Series C convertible redeemable preferred shares to redemption value	17	—	—	—	—	—	(600,868)	—	(600,868)
Components of comprehensive loss									
Net loss		—	—	—	—	—	(238,857)	—	(238,857)
Foreign currency translation adjustment, net of nil tax		—	—	—	—	—	—	(935)	(935)
Balance as of December 31, 2010		**—**	**—**	**466,630,266**	**32**	**—**	**(2,350,448)**	**(1,089)**	**(2,351,505)**

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICITS FOR THE YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011 (CONTINUED)

(All amounts in thousands, except share and per share data)

	Notes	Co-founder common shares		Common shares		Additional paid-in capital	Accumulated deficits	Accumulated other comprehensive losses	Total shareholders' deficits
		Number of shares	Amount	Number of shares	Amount				
		Note 16	RMB		RMB	RMB	RMB	RMB	RMB
Balance as of December 31, 2010		**—**	**—**	**466,630,266**	**32**	**—**	**(2,350,448)**	**(1,089)**	**(2,351,505)**
Issuance of common shares	16	—	—	51,140,432	3	328,129	—	—	328,132
Exercise of warrant by an independent institutional investor	16	—	—	25,570,216	2	160,835	—	—	160,837
Share-based compensation—share options	18	—	—	—	—	2,219	—	—	2,219
Share based compensation—restricted shares	18	—	—	—	—	57,805	—	—	57,805
Share-based compensation—restricted share units	18	—	—	—	—	9,644	—	—	9,644
Share-based compensation—warrants to NeoTasks founders	18	—	—	—	—	3,359	—	—	3,359
Share-based compensation restricted shares to the CEO and Chairman	18	—	—	—	—	14,143	—	—	14,143
Transferred from matured liability award for NeoTasks founders	18	—	—	—	—	57,692	—	—	57,692
Reclassification of liability-classified share-based awards into equity-classified awards for warrants to NeoTasks founders	18	—	—	—	—	57,602	—	—	57,602
Reclassification of liability-classified share-based awards into equity-classified awards for share options	18	—	—	—	—	116,328	—	—	116,328
Accretion of Series A convertible redeemable preferred shares to redemption value	17	—	—	—	—	(88,261)	—	—	(88,261)
Accretion of Series B convertible redeemable preferred shares to redemption value	17	—	—	—	—	(64,102)	—	—	(64,102)
Accretion of Series C convertible redeemable preferred shares to redemption value	17	—	—	—	—	(71,300)	—	—	(71,300)
Components of comprehensive loss									
Net loss		—	—	—	—	—	(83,156)		(83,156)
Foreign currency translation adjustment, net of nil tax		—	—	—	—	—	—	(11,130)	(11,130)
Balance as of December 31, 2011		**—**	**—**	**543,340,914**	**37**	**584,093**	**(2,433,604)**	**(12,219)**	**(1,861,693)**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011
(All amounts in thousands)

	Notes	For the year ended December 31, 2009 RMB	2010 RMB	2011 RMB	2011 US$ (Note 2(e))
Cash flows from operating activities					
Net loss		(47,116)	(238,857)	(83,156)	(13,221)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities					
Depreciation of property and equipment	8	1,150	4,284	12,888	2,049
Amortization of acquired intangible assets	9	1,512	1,030	1,211	193
Allowance for doubtful accounts	6	88	287	—	—
Loss (gain) on disposal of property and equipment		4	—	(25)	(4)
Impairment of equity investments		—	297	—	—
Impairment of cost investment		—	—	1,898	301
Share-based compensation	18	36,482	236,936	135,001	21,462
Share of loss of equity investments	7	191	512	1,358	216
Deferred income taxes, net	15	—	(1,643)	(11,173)	(1,776)
Foreign exchange losses (gains), net		15	551	(14,143)	(2,248)
Changes in operating assets and liabilities, net					
Accounts receivable	6	(7,818)	(12,932)	(21,275)	(3,382)
Prepayments and other current assets		(452)	(2,409)	(5,123)	(814)
Other non-current assets		—	—	413	65
Amounts due to related parties	20	360	854	(344)	(55)
Accounts payable		903	2,081	11,196	1,780
Deferred revenue	11	6,606	10,303	23,369	3,715
Advances from users		(600)	483	1,712	272
Income tax payable		391	3,965	12,516	1,990
Accrued liabilities and other current liabilities		3,808	10,486	33,494	5,325
Net cash (used in) provided by operating activities		(4,476)	16,228	99,817	15,868
Cash flows from investing activities					
Placements of short-term deposits		—	—	(872,372)	(138,692)
Maturities of short-term deposits		1,500	—	399,717	63,548
Purchase of property and equipment		(5,906)	(14,698)	(46,956)	(7,465)
Purchase of intangible assets		(240)	(13,488)	(274)	(44)
Cash paid for investments	7	(1,000)	(3,000)	(5,500)	(874)
Loan to a related party	20	—	(1,500)	(500)	(79)
Loan to a third party		—	—	(300)	(48)
Repayment from a third party		1,000	—	—	—
Loans to employees		—	(967)	(2,770)	(440)
Repayment of loans from employees		—	—	197	31
Proceeds from disposal of property and equipment		137	77	401	64
Net cash used in investing activities		(4,509)	(33,576)	(528,357)	(83,999)
Cash flows from financing activities					
Proceeds from issuance of preferred shares, net of issuance costs	17	80,285	—	—	—
Proceeds from issuance of common shares, net of issuance costs	16	—	—	488,969	77,738
Repurchase of common shares and warrants		(5,656)	(562)	—	—
Repurchase of share options	18	—	(2,576)	(11,087)	(1,763)
Net cash provided by (used in) financing activities		74,629	(3,138)	477,882	75,975
Net increase (decrease) in cash and cash equivalents		65,644	(20,486)	49,342	7,844
Cash and cash equivalents at the beginning of the year		40,797	106,427	83,683	13,304
Effect of exchange rate changes on cash and cash equivalents		(14)	(2,258)	(4,134)	(657)
Cash and cash equivalents at the end of the year		**106,427**	**83,683**	**128,891**	**20,491**

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011 (CONTINUED)
(All amounts in thousands)

	For the year ended December 31,			
	2009	2010	2011	2011
	RMB	RMB	RMB	US$ (Note 2(e))
Supplemental disclosure of non-cash investing and financing activities:				
—Acquisition of property and equipment in form of accounts payable	461	6,725	1,090	173
—Employee loans settled by repurchase of vested share options	—	—	614	96

The accompanying notes are an integral part of these consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

1. Organization and principal activities

(a) Principal activities

YY Inc. (the "Company"), through its subsidiaries, and its variable interest entities ("VIEs") (collectively, the "Group") is principally engaged in operating an online social platform in the People's Republic of China (the "PRC" or "China") through its platform, YY Client and through its website *YY.com* and *Duowan.com*.

(b) Reorganization

The Company was incorporated in the Cayman Islands on July 22, 2011.

The Group began its operations in the PRC in April 2005 through its PRC domestic company, Guangzhou Huaduo Network Technology Company Limited ("Guangzhou Huaduo"), which was directly owned by Mr. David Xueling Li (the "Founder" or the "CEO") and Mr. Jun Lei (the "Co-founder" or the "Chairman"). Guangzhou Huaduo holds the necessary licenses and approvals to operate internet-related businesses in the PRC.

For the period between July 2006 and April 2007, the Group undertook a reorganization (the "First Reorganization") and established Duowan Limited ("Duowan Limited"), an investment holding company under the laws of the BVI, Duowan (Hong Kong) Limited ("Duowan (Hong Kong)"), a Hong Kong incorporated company wholly owned by Duowan Limited, and Guangzhou Duowan Information Technology Co., Ltd. ("Guangzhou Duowan"), a wholly-owned foreign enterprise ("WOFE") in the PRC owned by Duowan (Hong Kong) (collectively "Duowan Limited Group Structure"). The First Reorganization was necessary to comply with PRC laws and regulations which prohibit or restrict foreign ownership of companies that provide internet content services in the PRC where licenses are required.

By entering into a series of agreements among the Founder, the Co-founder, Guangzhou Huaduo, and Guangzhou Duowan (collectively, "First VIE agreements"), Guangzhou Huaduo became a VIE of Guangzhou Duowan. Guangzhou Duowan became the primary beneficiary of Guangzhou Huaduo.

In November 2007, Duowan Entertainment Corporation ("Duowan BVI") was incorporated in the British Virgin Islands. In March 2008, Duowan BVI established Duowan Entertainment Information Technology (Beijing) Company Limited ("Duowan Entertainment"), as a WOFE in the PRC and a wholly-owned subsidiary of Duowan BVI. The Group undertook a second reorganization (the "Second Reorganization") whereby the First VIE agreements among the Founder, the Co-founder, Guangzhou Huaduo and Guangzhou Duowan were terminated and a new series of VIE agreements (collectively, "Second VIE agreements") were signed among the Founder, the Co-founder, Guangzhou Huaduo and Duowan Entertainment, through which Duowan Entertainment became the primary beneficiary and exercised effective control over the operations of Guangzhou Huaduo. Duowan BVI became the then holding company of the Group.

In August 2008, Duowan Entertainment purchased all the equity interests in Guangzhou Duowan from Duowan (Hong Kong).

In December 2008, the Group undertook another reorganization (the "Third Reorganization") and acquired all of the equity interests of NeoTasks Inc. ("NeoTasks"), a Cayman Islands company, together with its wholly-owned subsidiary, NeoTasks Limited, its WOFE, NeoTasks International Media Technology (Beijing) Co., Ltd. ("NeoTasks Beijing"), and its VIE, Beijing Tuda Science and Technology Co., Limited ("Beijing Tuda").

In July 2009, Guangzhou Duowan was renamed as Zhuhai Duowan Information Technology Co., Ltd. ("Zhuhai Duowan").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

1. Organization and principal activities (continued)

(b) Reorganization (continued)

In December 2009, another series of VIE agreements (collectively, "Third VIE agreements") were entered into amongst the legal shareholders of Beijing Tuda and Duowan Entertainment and thus completing the Third Reorganization. Through the aforementioned activities, Beijing Tuda became a VIE, whose primary beneficiary is Duowan Entertainment.

In December 2010, Duowan BVI established Zhuhai Duowan Technology Company Limited ("Zhuhai Duowan Technology"), which is directly 100% owned by Duowan BVI.

On September 6, 2011, pursuant to a share swap agreement, all the then existing shareholders of Duowan BVI exchanged their respective shares, including the Series A, Series B, Series C-1 and Series C-2 Preferred Shares, of Duowan BVI for equivalent classes of shares of the Company on a 1 for 1 basis. As a result, Duowan BVI became a wholly-owned subsidiary of the Company and it also became the holding company of the Group (the "Share Swap").

In May 2012, Duowan Entertainment was renamed as Huanju Shidai Technology (Beijing) Company Limited ("Huanju Shidai").

The First Reorganization, the Second Reorganization, the Third Reorganization and the Share Swap were all reorganization of entities under common control and have been accounted for in a manner akin to a pooling of interest as if the Company, through its wholly owned subsidiaries, had been in existence and been the primary beneficiary of the VIEs throughout the periods presented in the consolidated financial statements. As a result of these arrangements, the Company, through its wholly owned subsidiaries, is considered the primary beneficiary of two VIEs, Guangzhou Huaduo and Beijing Tuda, and accordingly, their results of operation and financial conditions are consolidated in the financial statements of the Group.

(c) Subsidiaries and VIEs

The details of the subsidiaries and VIEs as of December 31, 2011 are set out below:

Name	Place of incorporation	Date of incorporation	% of direct or indirect economic ownership	Principal activities
Subsidiaries				
Duowan Entertainment Corporation ("Duowan BVI")	British Virgin Islands	November 6, 2007	100%	Investment holding
NeoTasks Inc. ("NeoTasks")	Cayman Islands	April 26, 2006	100%	Investment holding
NeoTasks Limited	Hong Kong	June 16, 2005	100%	Investment holding
Huanju Shidai Technology (Beijing) Company Limited ("Huanju Shidai" or "Duowan Entertainment")	PRC	March 19, 2008	100%	Investment holding
Zhuhai Duowan Information Technology Company Limited ("Guangzhou Duowan" or "Zhuhai Duowan")	PRC	April 9, 2007	100%	Online advertising and software development
Zhuhai Duowan Technology Company Limited ("Zhuhai Duowan Technology")	PRC	December 2, 2010	100%	Software development
Variable Interest Entities ("VIEs")				
Guangzhou Huaduo Network Technology Company Limited ("Guangzhou Huaduo")	PRC	April 11, 2005	100%	Holder of internet content provider licenses and internet value added services
Beijing Tuda Science and Technology Company Limited ("Beijing Tuda")	PRC	June 2, 2005	100%	Holder of internet content provider licenses

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1. Organization and principal activities (continued)

(d) Variable Interest Entities

To comply with PRC laws and regulations that prohibit or restrict foreign ownership of companies that provide internet-content, the Group conducts substantially all its operations through Guangzhou Huaduo and Beijing Tuda, which holds the internet value-added service license and approvals to provide such internet services in the PRC. Huanju Shidai entered into a series of contractual agreements among Huanju Shidai, Guangzhou Huaduo and their legal shareholders. Huanju Shidai also entered into a series of contractual agreements among Huanju Shidai, Beijing Tuda, and Beijing Tuda's legal shareholders.

Guangzhou Huaduo

The Company's relationships with Guangzhou Huaduo and its shareholders are governed by the following contractual arrangements:

- Exclusive Technology Support and Technology Services Agreement

Under the exclusive technology support and technology services agreement between Huanju Shidai and Guangzhou Huaduo, Huanju Shidai has the exclusive right to provide to Guangzhou Huaduo technology support and technology services related to all technologies needed for its business. Huanju Shidai owns the exclusive intellectual property rights created as a result of the performance of this agreement. The service fee payable by Guangzhou Huaduo to Huanju Shidai is determined by various factors, including the expenses Huanju Shidai incurs for providing such services and Guangzhou Huaduo's revenues. The term of this agreement will expire in 2028 and may be extended with Huanju Shidai's written confirmation prior to the expiration date. Huanju Shidai is entitled to terminate the agreement at any time by providing 30 days' prior written notice to Guangzhou Huaduo.

- Exclusive Business Cooperation Agreement

Under the exclusive business cooperation agreement between Huanju Shidai and Guangzhou Huaduo, Huanju Shidai has the exclusive right to provide to Guangzhou Huaduo technology support, business support and consulting services related to the services provided by Guangzhou Huaduo, the scope of which is to be determined by Huanju Shidai from time to time. Huanju Shidai owns the exclusive intellectual property rights created as a result of the performance of this agreement. The service fee payable by Guangzhou Huaduo to Huanju Shidai is a certain percentage of its earnings. The term of this agreement will expire in 2039 and may be extended with Huanju Shidai's written confirmation prior to the expiration date. Huanju Shidai is entitled to terminate the agreement at any time by providing 30 days' prior written notice to Guangzhou Huaduo.

- Exclusive Option Agreement

The parties to the exclusive option agreement are Huanju Shidai, Guangzhou Huaduo and each of the shareholders of Guangzhou Huaduo. Under the exclusive option agreement, each of the shareholders of Guangzhou Huaduo irrevocably granted Huanju Shidai or its designated representative(s) an exclusive option to purchase, to the extent permitted under PRC law, all or part of his or its equity interests in Guangzhou Huaduo. Huanju Shidai or its designated representative(s) have sole discretion as to when to exercise such options, either in part or in full. Without Huanju Shidai's prior written consent, Guangzhou Huaduo's shareholders shall not sell, transfer, mortgage or otherwise dispose their equity interests in Guangzhou Huaduo. The term of this agreement is ten years and may be extended at Huanju Shidai's sole discretion.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

1. Organization and principal activities (continued)

(d) Variable Interest Entities (continued)

Guangzhou Huaduo (continued)

- Powers of Attorney

Pursuant to the irrevocable power of attorney executed by each shareholder of Guangzhou Huaduo, each such shareholder appointed Huanju Shidai as its attorney-in-fact to exercise such shareholders' rights in Guangzhou Huaduo, including, without limitation, the power to vote on its behalf on all matters of Guangzhou Huaduo requiring shareholder approval under PRC laws and regulations and the articles of association of Guangzhou Huaduo. Each power of attorney will remain in force until the shareholder ceases to hold any equity interest in Guangzhou Huaduo.

- Share Pledge Agreement

Pursuant to the share pledge agreement between Huanju Shidai and the shareholders of Guangzhou Huaduo, the shareholders of Guangzhou Huaduo have pledged all of their equity interests in Guangzhou Huaduo to Huanju Shidai to guarantee the performance by Guangzhou Huaduo and its shareholders' performance of their respective obligations under the exclusive business cooperation agreement, exclusive option agreement, exclusive technology support and technology services agreement and powers of attorney. If Guangzhou Huaduo and/or its shareholders breach their contractual obligations under those agreements, Huanju Shidai, as pledgee, will be entitled to certain rights, including the right to sell the pledged equity interests.

Beijing Tuda

The Company's relationships with Beijing Tuda and its shareholders are governed by the following contractual arrangements:

- Exclusive Technology Support and Technology Services Agreement

Pursuant to the exclusive technology support and technology services agreement between Huanju Shidai and Beijing Tuda, Huanju Shidai has the exclusive right to provide to Beijing Tuda technology support and technology services related to all technologies needed for its business. Huanju Shidai owns the exclusive intellectual property rights created as a result of the performance of this agreement. The service fee payable by Beijing Tuda to Huanju Shidai is determined by various factors, including the expenses Huanju Shidai incurs for providing such services and Beijing Tuda's revenues. The term of this agreement will expire in 2029 and may be extended with Huanju Shidai's written confirmation prior to the expiration date. Huanju Shidai is entitled to terminate the agreement at any time by providing 30 days' prior written notice to Beijing Tuda.

- Exclusive Business Cooperation Agreement

Pursuant to the exclusive business cooperation agreement between Huanju Shidai and Beijing Tuda, Huanju Shidai has the exclusive right to provide to Beijing Tuda technology support, business support and consulting services related to the services provided by Beijing Tuda, the scope of which is to be determined by Huanju Shidai from time to time. Huanju Shidai owns the exclusive intellectual property rights created as a result of the performance of this agreement. The service fee payable by Beijing Tuda to Huanju Shidai is a certain percentage of its earnings. The term of this agreement will expire in 2039 and may be extended with Huanju Shidai's written confirmation prior to the expiration date. Huanju Shidai is entitled to terminate the agreement at any time by providing 30 days' prior written notice to Beijing Tuda.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

1. Organization and principal activities (continued)

(d) Variable Interest Entities (continued)

Beijing Tuda (continued)

- Exclusive Option Agreement

The parties to the exclusive option agreement are Huanju Shidai, Beijing Tuda and each of the shareholders of Beijing Tuda. Under the exclusive option agreement, each of the shareholders of Beijing Tuda irrevocably granted Huanju Shidai or its designated representative(s) an exclusive option to purchase, to the extent permitted under PRC law, all or part of his or its equity interests in Beijing Tuda. Huanju Shidai or its designated representative(s) have sole discretion as to when to exercise such options, either in part or in full. Without Huanju Shidai's prior written consent, Beijing Tuda's shareholders shall not sell, transfer, mortgage or otherwise dispose their equity interests in Beijing Tuda. The term of this agreement is ten years and may be extended at Huanju Shidai's sole discretion.

- Powers of Attorney

Pursuant to the irrevocable power of attorney executed by each shareholder of Beijing Tuda, each such shareholder appointed Huanju Shidai as its attorney-in-fact to exercise such shareholders' rights in Beijing Tuda, including, without limitation, the power to vote on its behalf on all matters of Beijing Tuda requiring shareholder approval under PRC laws and regulations and the articles of association of Beijing Tuda. Each power of attorney will remain in force until the shareholder ceases to hold any equity interest in Beijing Tuda.

- Share Pledge Agreement

Under the share pledge agreement between Huanju Shidai and the shareholders of Beijing Tuda, the shareholders of Beijing Tuda have pledged all of their equity interests in Beijing Tuda to Huanju Shidai to guarantee the performance by Beijing Tuda and its shareholders' performance of their respective obligations under the exclusive business cooperation agreement, exclusive option agreement, exclusive technology support and technology services agreement and powers of attorney. If Beijing Tuda or its shareholders breach their contractual obligations under those agreements, Huanju Shidai, as pledgee, will be entitled to certain rights, including the right to sell the pledged equity interests.

Through the aforementioned contractual agreements, Guangzhou Huaduo and Beijing Tuda are considered VIEs in accordance with Generally Accepted Accounting Principles in the United States ("US GAAP") because the Company, through Huanju Shidai have the ability to:

- exercise effective control over Guangzhou Huaduo or Beijing Tuda;
- receive substantially all of the economic benefits and residual returns, and absorb substantially all the risks and expected losses from VIEs as if it were their sole shareholder; and
- have an exclusive option to purchase all of the equity interests in the VIEs.

Management evaluated the relationships among the Company, Huanju Shidai, the VIEs and concluded that Huanju Shidai is the primary beneficiary of the VIEs. As a result, the VIEs' results of operations, assets and liabilities have been included in the Company's consolidated financial statements. The adoption of the new consolidation guidance effective January 1, 2010 did not change the Group's conclusions on consolidation.

As of December 31, 2011, the total assets of the consolidated VIEs were RMB181,850, mainly comprising cash and cash equivalents, accounts receivable, prepayments and other current assets, investment, property and equipment, intangible assets and deferred tax assets. As of December 31, 2011, the total liabilities of the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

1. Organization and principal activities (continued)

(d) Variable Interest Entities (continued)

Beijing Tuda (continued)

consolidated VIEs were RMB187,184, mainly comprising accounts payable, deferred revenue, accrued liabilities and other current liabilities, tax payable and advances from users.

In accordance with the aforementioned agreements, the Company has power to direct activities of the VIEs, and can have assets transferred out of the VIEs. Therefore the Company considers that there is no asset in the consolidated VIEs that can be used only to settle obligations of the consolidated VIEs, except for registered capital of the VIEs amounting to RMB31,000 as of December 31, 2011. As the consolidated VIEs were incorporated as limited liability companies under the PRC Company Law, the creditors do not have recourse to the general credit of the Company for all the liabilities of the consolidated VIEs.

Currently there is no contractual arrangement that could require the Company to provide additional financial support to the VIEs. As the Company is conducting its PRC internet value-added services business through the VIEs, the Company will, if needed provide such support on a discretional basis in the future, which could expose the Company to a loss.

There is no VIE where the Company has variable interest but is not the primary beneficiary.

(e) Share Split

On December 23, 2009, the board of directors of Duowan BVI approved a 1 to 490 share split of all of its outstanding common shares and a proportional adjustment to the existing conversion ratios for each series of preferred shares. Accordingly, all share, share option and per share amounts for all periods presented in these consolidated financial statements and notes thereto, have been adjusted retrospectively, where applicable, to reflect this share split and adjustment of the preferred shares conversion ratio.

2. Principal accounting policies

(a) Basis of presentation

The consolidated financial statements have been prepared on a historical cost basis to reflect the financial position and results of operations of the Group in accordance with the US GAAP.

(b) Consolidation

The Group's consolidated financial statements include the financial statements of the Company, its subsidiaries and its VIEs for which the Company or its subsidiary is the primary beneficiary. All transactions and balances among the Company, its subsidiaries and its VIEs have been eliminated upon consolidation.

The First Reorganization, the Second Reorganization and the Third Reorganization, as described in Note 1 have been accounted for at historical costs. The assets and liabilities of Guangzhou Huaduo and Beijing Tuda are consolidated in the Company's financial statements at carryover basis. The accompanying consolidated statements of operations and comprehensive loss and consolidated statements of cash flows include the results of operations and cash flows of the Group as if the current group structure had been in existence throughout the years ended December 31, 2009, 2010 and 2011, or since their respective dates of incorporation. The accompanying consolidated balance sheets have been prepared to present the financial position of the Group as of December 31, 2010 and 2011 as if the current group structure had been in existence as of these dates.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

2. Principal accounting policies (continued)

(b) Consolidation (continued)

A subsidiary is an entity in which the Company, directly or indirectly, controls more than one half of the voting powers; or has the power to appoint or remove the majority of the members of the board of directors; or to cast a majority of votes at the meeting of directors; or has the power to govern the financial and operating policies of the investee under a statute or agreement among the shareholders or equity holders.

A VIE is an entity in which the Company, or its subsidiary, through contractual agreements, bears the risks of, and enjoys the rewards normally associated with ownership of the entity, and therefore the Company or its subsidiary is the primary beneficiary of the entity. In determining whether the Company or its subsidiaries are the primary beneficiary, the Company considered whether it has the power to direct activities that are significant to the VIEs economic performance, and also the Company's obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. Huanju Shidai and ultimately the Company holds all the variable interests of the VIEs and has been determined to be the primary beneficiary of the VIEs.

(c) Use of estimates

The preparation of the Company's consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from such estimates. The Company believes that lives of the game and lives of the user relationship related to online game revenue, the determination of estimated selling prices of multiple element revenue contracts, sales rebate to advertising agencies, income taxes, allowances for doubtful accounts, determination of share-based compensation expenses, impairment assessment of goodwill, long-lived assets and intangible assets, represent critical accounting policies that reflect more significant judgments and estimates used in the preparation of its consolidated financial statements.

Management bases the estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results could differ from these estimates.

(d) Foreign currency translation

The Group uses Renminbi ("RMB") as its reporting currency. The functional currency of the Company and its subsidiaries incorporated in the Cayman Islands, British Virgin Islands, and Hong Kong is United States dollar ("US$"), while the functional currency of the other entities and VIEs in the Group is RMB, which is their respective local currency. In the consolidated financial statements, the financial information of the Company, its subsidiaries and VIEs, which use US$ as their functional currency, have been translated into RMB. Assets and liabilities are translated at the exchange rates on the balance sheet date, equity amounts are translated at historical exchange rates, and revenues, expenses, gains, and losses are translated using the average exchange rate for the period. Translation adjustments arising from these are reported as other comprehensive income or loss in the statement of operations and comprehensive loss.

Foreign currency transactions denominated in currencies other than functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are remeasured at the applicable

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

2. Principal accounting policies (continued)

(d) Foreign currency translation (continued)

rates of exchange in effect at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from remeasurement at year-end are recognized in foreign currency exchange gains/ losses, net in the consolidated statement of operations and comprehensive loss.

(e) Convenience translation

Translations of amounts from RMB into US$ for the convenience of the reader were calculated at the noon buying rate of US$1.00 = RMB6.29 on December 31, 2011 as set forth in the H.10 statistical release of the U.S. Federal Reserve Board. No representation is made that the RMB amounts could have been, or could be, converted into US$ at such rate.

(f) Fair value of financial instruments

The Group's financial instruments consist principally of cash and cash equivalents, short-term deposits, accounts receivable, other receivables, amounts due from/(to) related parties, accounts payable and other payables. The carrying values of these balances approximate their fair values due to the current and short-term nature of these balances.

(g) Cash and cash equivalents

Cash and cash equivalents represent cash on hand, demand deposits and highly liquid investments placed with banks, which are unrestricted as to withdrawal or use, and which have original maturities of three months or less and are readily convertible to known amounts of cash.

(h) Short-term deposits

Short-term deposits represent time deposits placed with banks with original maturities of more than three months but less than one year. Interest earned is recorded as interest income in the consolidated statements of operations and comprehensive loss during the periods presented.

(i) Accounts receivable, net

Accounts receivable are presented net of allowance for doubtful accounts. The Group uses specific identification in providing for bad debts when facts and circumstances indicate that collection is doubtful and a loss is probable and estimable. If the financial conditions of its customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

(j) Equity investment

The equity investment is comprised of investments in privately-held companies. The Group accounts for its equity investment over which it has significant influence but does not own a majority equity interest or otherwise control using the equity method. The Group assesses its equity investment for other-than-temporary impairment by considering factors including, but not limited to, current economic and market conditions, operating performance of the companies, including current earnings trends and undiscounted cash flows, and other company-specific information. The fair value determination, particularly for investment in privately-held companies, requires judgment to determine appropriate estimates and assumptions. Changes in these estimates and assumptions could affect the calculation of the fair value of the investment and determination of whether any identified impairment is other-than-temporary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

2. Principal accounting policies (continued)

(k) Cost investment

The cost investment is comprised of investments in privately-held companies. The Group accounts for cost investment which has no readily determinable fair value using the cost method. Under the cost method, the investment is measured initially at cost. The investment carried at cost should recognize income when dividends are received from the distribution of the investee's earnings. The Group periodically evaluates the carrying value of investments accounted for under the cost method of accounting and any impairment is included in the consolidated statements of operations and comprehensive loss.

(l) Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment loss, if any. Depreciation is calculated using the straight-line method over their estimated useful lives. Residual rate is determined based on the economic value of the equipment at the end of the estimated useful lives as a percentage of the original cost.

	Estimated useful lives	Residual rate
Servers, computers and equipment	3 years	0%-5%
Furniture, fixture and office equipment	5 years	5%
Motor vehicles	4 years	5%
Leasehold improvement	Shorter of lease term or 5 years	—

Expenditures for maintenance and repairs are expensed as incurred. The gain or loss on the disposal of property and equipment is the difference between the net sales proceeds and the carrying amount of the relevant assets and is recognized in the consolidated statements of operations and comprehensive loss.

All direct and indirect costs that are related to the construction of property and equipment and incurred before the assets are ready for their intended use are capitalized as construction in progress. Construction in progress is transferred to specific property and equipment items and depreciation of these assets commences when they are ready for their intended use.

(m) Business combinations

The Group accounts for acquisitions of entities that include inputs and processes and have the ability to create outputs as business combinations. The Group allocates the purchase price of the acquisition to the tangible assets, liabilities, and identifiable intangible assets acquired based on their estimated fair values. The excess of the purchase price over those fair values is recorded as goodwill. Acquisition-related costs generally are expensed as incurred.

(n) Intangible assets, net

Intangible assets mainly consist of software and domain names purchased from third parties. Identifiable intangible assets are carried at acquisition cost less accumulated amortization and impairment loss, if any. Finite-lived intangible assets are tested for impairment if impairment indicators arise. Amortization of finite-lived intangible assets is computed using the straight-line method over the following estimated useful lives, which are as follows:

	Estimated useful lives
Software	5 years
Domain name	15 years

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(All amount in thousands, except share and per share data, unless otherwise stated)

2. Principal accounting policies (continued)

(o) Impairment of long-lived assets and intangible assets

For other long-lived assets including amortizable intangible assets, the Group evaluates for impairment whenever events or changes (triggering events) indicate that the carrying amount of an asset may no longer be recoverable. The Group assesses the recoverability of the long-lived assets by comparing the carrying value of the long-lived assets to the estimated undiscounted future cash flows expected to receive from use of the assets and their eventual disposition. Such assets are considered to be impaired if the sum of the expected undiscounted cash flows is less than the carrying amount of the assets. The impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

(p) Goodwill

Goodwill represents the excess of the purchase price over the amounts assigned to the fair value of the assets acquired and the liabilities assumed of an acquired business (Note 10).

(q) Annual test for impairment of goodwill

Goodwill assessment for impairment is performed on at least an annual basis on October 1 or whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. The Group performs a two-step goodwill impairment test. The first step compares the fair values of each reporting unit to its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill is not considered impaired and the second step will not be required. If the carrying amount of a reporting unit exceeds its fair value, the second step compares the implied fair value of the affected reporting unit's goodwill to the carrying value of that goodwill. The implied fair value of goodwill is determined in a manner similar to accounting for a business combination with the allocation of the assessed fair value determined in the first step to the assets and liabilities of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied fair value of goodwill. This allocation process is only performed for purposes of evaluating goodwill impairment and does not result in an entry to adjust the value of any assets or liabilities. An impairment loss is recognized for any excess in the carrying value of goodwill over the implied fair value of goodwill. The judgment in estimating the fair value of reporting units includes estimating future cash flows, determining appropriate discount rates and making other assumptions. Changes in these estimates and assumptions could materially affect the determination of the fair value of each reporting unit.

No goodwill impairment losses were recognized for the years ended December 31, 2009, 2010 and 2011.

(r) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating lease are charged to the consolidated statements of operations and comprehensive loss on a straight-line basis over the period of the lease.

(s) Revenue recognition

The Group generates revenues from internet value-added services ("IVAS") and online advertising. Revenues from IVAS are generated from online games, YY music, membership subscription fees and other IVAS. Online advertising revenues are primarily generated from sales of different forms of advertising on the Group's platform. Revenue is recognized when persuasive evidence of an arrangement exists, service has been rendered, the price is fixed or determinable and collection is reasonably assured. Revenue is deferred until these criteria are met as described above.

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(All amount in thousands, except share and per share data, unless otherwise stated)

2. Principal accounting policies (continued)

(s) Revenue recognition (continued)

In October 2009, the Financial Accounting Standards Board (the "FASB") issued a new guidance to address the accounting for multiple-deliverable arrangements. This new guidance is effective prospectively in fiscal years beginning upon or after June 15, 2010, and early adoption is permitted. The Group has elected early adoption of this new guidance through a retrospective application to all revenue arrangements for all periods presented of the financial statements.

(i) Internet value-added services

The Group operates a virtual currency system, under which, the users can directly purchase virtual currency, virtual items on YY Client's online community channels or pay membership subscription fees via online payment systems provided by third parties including payments using mobile phone, internet debit/credit card payment and other third party payment systems. The virtual currency can be converted into game tokens that can be used to purchase virtual items in online games (both developed by third parties and self-developed), or used directly to purchase virtual items on YY Client's online community channels or used to pay membership subscription fees. Virtual currency sold but not yet consumed by the purchasers is recorded as "Advances from users" and upon conversion or being used, is recognized as revenue according to the respective prescribed revenue recognition policies addressed below:

(1) Online game revenue

The Group generates revenues from offering virtual items in online games developed by third parties or the Group itself to gaming players. Historically, the majority of online game revenues for the three years ended December 31, 2009, 2010 and 2011 were derived from third parties developed games.

Users play games through the Group's platform free of charge and are charged for purchases of virtual items including consumable and perpetual items, which can be utilized in the online games to enhance their game-playing experience. Consumable items represent virtual items that can be consumed by a specific user within a specified period of time. Perpetual items represent virtual items that are accessible to the users' account over the life of the online game. All of the online games can be accessed and played by end users on the Group's platform without downloading separate software.

The Group recognizes revenue when recognition criteria defined under US GAAP are satisfied. For purposes of determining when the service has been provided to the paying player, the Group has determined that an implied obligation exists to the paying player to continue providing access to the games such that the users can utilize the virtual items purchased by game tokens. Game players need to log on and access the games through the Group's platform because their game tokens, virtual items, and game history are specific to the Group's game accounts and non-transferable to other platforms. To purchase in-game virtual items, players can either charge their game accounts by purchasing game tokens or virtual currency from the Group's platform, which are convertible into game tokens based on a predetermined exchange rate agreed among the Group and the relevant game developers.

The proceeds from the purchase of the Group's virtual currency is recorded as "advances from users", representing prepayments received from users in the form of the Group's virtual currency not yet converted into game specific tokens. Upon the conversion into a game token from the Group's virtual currency or upon the direct purchase of a game token, whichever is applicable, the proceeds will be shared between the Group and the relevant game developer based on a predetermined contractual ratio. Game tokens are non-refundable and non-exchangeable among different games. The Group's portion, net of the game developer's proceeds, is recorded as deferred revenue and amortized according to the prescribed revenue recognition policies described below. Users typically do not convert the virtual currency into game tokens or purchase the game tokens unless they soon plan to purchase in-game virtual items.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

2. Principal accounting policies (continued)

(s) Revenue recognition (continued)

(i) Internet value-added services (continued)

(1) Online game revenue (continued)

- *Third party developed online games*

Pursuant to contracts signed between the Group and the respective game developers, revenues from the sale or conversion of game tokens to be used for the purchase of in-game virtual items from online games developed by third parties are shared between the Group and the game developers based on a pre-agreed ratio for each game. These revenue-sharing contracts typically last one to two years.

The third party developed games are all under non-exclusive licensing contracts, maintained and updated by the game developers. The Group views the game developers to be the Group's customers and considers the Group's responsibilities under the Group's agreements with the game developers to offer certain standard promotions that include providing access to the platform, announcing the new games to users on the platform, and occasional advertising on the YY platform. The determination of whether to record these revenues using gross or net method is based on an assessment of various factors. The primary factors are whether the Group is acting as the principal in offering services to the game players or as agent in the transaction, and the specific requirement of each contract. The Group determined that for third party developed games, the third party game developers are the principal given the game developers design and develop the web-game services offered, have reasonable latitude to establish prices of game tokens, and are responsible for maintaining and upgrading the game contents and virtual items. Accordingly, the Group records online game revenue, net of the pre-agreed portion of sharing of the revenues with the game developers.

Given that third party developed games are managed and administered by the third party game developers, the Group does not have access to the data on the consumption details such as when the game token is spent on the virtual items or the types of virtual items (consumable or perpetual items) purchased by each individual game player. However, the Group maintains historical data on timing of the conversion of its virtual currency into game specific tokens and the amount of purchases of game tokens. The Group believes that its performance for, and obligation to, the game developers corresponds to the game developers' services to the users. The Group has adopted a policy to recognize revenues relating to game tokens for third party developed games over the estimated user relationship with the Group on a game-by-game basis, which are approximately three to six months for the periods presented. Future usage patterns may differ from historical usage patterns and therefore the estimated user relationship with the Group may change in the future.

When the Group launches a new game, it estimates the user relationship based on other similar types of games in the market until the new game establishes its own history. The Group considers the games profile, attributes, target audience, and its appeal to players of different demographics groups in estimating the user relationship period.

To estimate the user relationship period, the Group maintains a software system that captures the following information for each user: (a) the frequency that users log into each game via the Group's platform, and (b) the amount and the timing of when the users convert or charge his or her game tokens. The Group estimates the user relationship period for a particular game to be (1) the date a player purchases or converts from virtual currency to a game token through (2) the date the Group estimates the user plays the game for the last time. This computation is completed on a user by user basis. Then, the results for all analyzed users are averaged to determine one estimated end user relationship period for each game. Each month's in-game payments are recognized over the user relationship period calculated for that game.

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2. Principal accounting policies (continued)

(s) Revenue recognition (continued)

(i) Internet value-added services (continued)

(1) Online game revenue (continued)

The consideration of user relationship with each online game is based on the Group's best estimate that takes into account all known and relevant information at the time of assessment. The Group assesses the estimated user relationships on a quarterly basis. Any adjustments arising from changes in the user relationship as a result of new information will be accounted as a change in accounting estimate in accordance with ASC 250 Accounting Changes and Error Corrections.

- *Self-developed games*

Revenues derived from self-developed games are recorded on a gross basis as the Group acts as a principal to fulfill all obligations. The Group does not maintain information on consumption details of in-game virtual items, and only has limited information related to the frequency of log-ons for its two self developed games. Given that certain historical data is not available, the Group uses the user relationship of third party games with similar popularity, gaming experience and sales to determine the estimated period of user relationship for its self-developed games. The estimated user relationship period of the Group's self-developed games are approximately four months for the periods presented.

(2) YY music revenue

YY Music revenue consists of sales of virtual items the Group creates and offers to users to be used on YY Client's music channels, which the Group operates and maintains. Users purchase consumable virtual items from the Group to show support for their favorite performers or time-based virtual items, that provide users with recognized status, such as priority speaking rights or special symbols on the music channels for a specific period of time. In order to attract user traffic, the Group shares with certain popular performers and channel owners a portion of the revenues the Group derives from such in-channel virtual item sales on YY Music, which the Group accounts for as costs of revenue. Accordingly, YY Music revenue is recognized for the sale of virtual items sold in YY Music channels immediately if the virtual item is a consumable or, in the case of time-based virtual items, recognized ratably over the period each virtual item is made available to the user, which does not exceed one year. The Group does not have further obligations to the user after the virtual items are consumed. Virtual items may be sold individually or bundled into one arrangement. When the Group's users purchase multiple virtual items bundled within the same arrangement, the Group evaluates such arrangements under ASC 605-25 *Multiple-Element Arrangements.* The Group identifies individual elements under the arrangement and determines if such elements meet the criteria to be accounted for as separate units of accounting. The Group allocates the arrangement consideration to the separate units of accounting based on their relative selling price. The following hierarchy has been followed when determining the relative selling price for each element: (1) vendor specific objective evidence ("VSOE"), (2) third party evidence ("TPE"), and (3) best estimate of selling price ("BESP"). Given that the VSOE of the selling price cannot be determined, the Group has adopted a policy to allocate the consideration of the whole arrangement to different virtual item elements based on the TPE of selling price or the BESP for each virtual item element. The Group determines the fair values of virtual items sold in a bundle based on similar products sold separately on the YY platform based on the TPE of the selling price and determines the fair values of virtual items without similar products sold separately on the YY platform based on the BESP. The BESP is generally based on the selling prices of the various elements of a similar nature when they are sold to users on a standalone basis. The BESP may also be based on an estimated stand-alone pricing when the

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(All amount in thousands, except share and per share data, unless otherwise stated)

2. Principal accounting policies (continued)

(s) Revenue recognition (continued)

(i) Internet value-added services (continued)

(2) YY music revenue (continued)

element has not previously been sold on a stand-alone basis. These estimates are generally determined based on pricing strategies, market factors and strategic objectives. The Group recognizes revenue for each virtual item element in accordance with the applicable revenue recognition method.

(3) Other revenue

Other revenue mainly represents membership subscription revenue, server rental income, technical support fees, and revenue from the sale of other items on the YY platform.

The Group operates a membership subscription program where subscription members can have enhanced user privileges when using YY Client. The membership fee is collected up-front from subscribers. The receipt of the revenue is initially recorded as deferred revenue and revenue is recognized ratably over the period of the subscription as services are rendered. Unrecognized portion beyond 12 months from balance sheet date is classified as long-term deferred revenue.

Server rental income is recognized on a straight-line basis over the rental period.

(ii) Advertising revenues

Advertising revenues are derived principally from advertising arrangements where the advertisers pay to place their advertisements on the Group’s platform in different formats over a particular period of time. Such formats generally include but are not limited to banners, text-links, videos, logos, and buttons. Advertisements on the Group’s platform are generally charged on the basis of duration, and advertising contracts are signed to establish the fixed price and the advertising services to be provided. Where collectability is reasonably assured, advertising revenues from advertising contracts are recognized ratably over the contract period of display.

The Group enters into advertising contracts directly with advertisers or third party advertising agencies that represent advertisers. Contract terms generally range from 1 to 3 months. Both third party advertising agencies and direct advertisers are generally billed at the end of the display period and payments are due usually within 6 months.

Where customers purchase multiple advertising spaces with different display periods in the same contract, the Group allocates the total consideration to the various advertising elements based on the relative selling price method and recognizes revenue for the different elements over their respective display periods. The following hierarchy should be followed when determining the appropriate selling price for each element: (1) vendor specific objective evidence (“VSOE”), (2) third party evidence (“TPE”), and (3) best estimate of selling price (“BESP”). Given that the VSOE or TPE of the selling price cannot be determined, the Group has adopted a policy to allocate the fair values of different advertising elements based on the best estimate selling prices of each advertisement within the contract taking into consideration the standard price list and historical discounts granted. The Group recognizes revenue on the elements delivered and defers the recognition of revenue for the fair value of the undelivered elements until the remaining obligations have been satisfied. Where all of the elements within an arrangement are delivered uniformly over the agreement period, the revenues are recognized on a straight line basis over the contract period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

2. Principal accounting policies (continued)

(s) Revenue recognition (continued)

(ii) Advertising revenues (continued)

Transactions with third party advertising agencies

For contracts entered into with third party advertising agencies, the third party advertising agencies will in turn sell the advertising services to advertisers. Revenue is recognized ratably over the contract period of display based on the following criteria:

- There is persuasive evidence that an arrangement exists—the Group will enter into framework and execution agreements with the advertising agencies, specifying price, advertising content, format and timing
- Price is fixed or determinable—price charged to the advertising agencies are specified in the agreements, including relevant discount and rebate rates
- Services are rendered—the Group recognizes revenue ratably as the element are delivered over the contract period of display
- Collectability is reasonably assured—the Group assesses credit history of each advertising agency before entering into any framework and execution agreements. If the collectability from the agencies is assessed as not reasonably assured, the Group recognizes revenue only when the cash is received and all the other revenue criteria are met

The Group provides sales incentives in the forms of discounts and rebates to third party advertising agencies based on purchase volume. As the advertising agencies are viewed as the customers in these transactions, revenue is recognized based on the price charged to the agencies, net of sales incentives provided to the agencies. Sales incentives are estimated and recorded at the time of revenue recognition based on the contracted rebate rates and estimated sales volume based on historical experience.

Transactions with advertisers

The Group also enters into advertisement contracts directly with advertisers. Similar to transactions with third party advertising agencies, the Group recognizes revenue ratably as the elements are delivered over the contract period of display. The terms and conditions, including price, are fixed according to the contract between the Group and the advertisers. The Group also performs a credit assessment of all advertisers prior to entering into contracts. Revenue is recognized based on the amount charged to the advertisers, net of discounts.

(t) Advances from users and deferred revenue

Advances from users are prepayments from users in the form of the Group’s virtual currency that are not yet consumed or converted into game tokens, and upon the consumption or conversion, are recognized as revenue according to the prescribed revenue recognition policies described above. Deferred revenue primarily consists of the unamortized game tokens and prepaid subscriptions under the membership program, where there is still an implied obligation to be provided by the Group, which will be recognized as revenue when all of the revenue recognition criteria are met.

(u) Cost of revenues

Amounts recorded as cost of revenue relate to direct expenses incurred in order to generate IVAS and advertising revenue. Such costs are recorded as incurred. Cost of revenues consists primarily of (i) bandwidth costs, (ii) depreciation and amortization expense for servers and other equipment or

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2. Principal accounting policies (continued)

(u) Cost of revenues (continued)

intangibles directly related to operating the platform, (iii) personnel expenses such as salary and welfare expenses and share-based compensation, (iv) payment handling cost, (iv) business taxes and related surcharges, (v) YY music activities costs, which represent the revenue shared with the channel owners and performers based on the respective contractual arrangements made with them, and (vi) other costs.

In the PRC, business taxes are imposed by the government on the revenues reported by the selling entities for the provision of taxable services in the PRC, transfer of intangible assets and the sale of immovable properties in the PRC. The business tax rate varies depending on the nature of the revenues. The Group is also subject to cultural development fee on the provision of advertising services in the PRC. The subsidiaries/VIEs' advertising revenues earned from external customers are subject to business taxes, surcharges and cultural development fees of 8.5%, 8.5% and 8.6% for the year ended December 31, 2009, 2010 and 2011. The VIEs' IVAS revenue earned from external customers are subject to business taxes and surcharges of 3.30%, 3.30% and 3.36% for the year ended December 31, 2009, 2010 and 2011. As a result of the Group's current structure in the PRC and future intercompany transactions between the VIEs and Huanju Shidai, the Group's revenues might be subject to business tax and surcharge more than once.

The Group includes the business tax and surcharges, and cultural development fees incurred in cost of revenues. The business tax and surcharges, and cultural development fees included in cost of revenues for the years ended December 31, 2009, 2010 and 2011 were RMB2,328, RMB7,186 and RMB16,462, respectively.

(v) Research and development expenses

Research and development costs consist primarily of (i) salary and benefits for our research and development personnel, and (ii) rental and depreciation of office premise and servers utilized by the research and development personnel. The costs to develop the YY gaming platform, including the costs to develop the websites, new services and features, are expensed as incurred.

Costs incurred during the research stage are expensed as incurred. Costs incurred in the development stage, prior to the establishment of technological feasibility, which is when a working model is available, are expensed when incurred.

Development costs incurred for the years ended December 31, 2009, 2010 and 2011 that were qualified for capitalization were insignificant.

(w) Sales and marketing expenses

Sales and marketing expenses comprise primarily of salary, commission, stock based compensation expenses, and benefits of sales and marketing personnel and advertising and market promotion expenses. The advertising and market promotion expenses amounted to approximately RMB2,137, RMB1,773 and RMB4,234 during the years ended December 31, 2009, 2010 and 2011, respectively.

(x) General and administrative expenses

General and administrative expenses consist primarily of salary and benefits, including share-based compensation for general and administrative personnel, professional service fees, legal expenses and other administrative expenses.

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2. Principal accounting policies (continued)

(y) Government grants

Government grants represent cash subsidies received from the PRC government by the operating subsidiaries or VIEs of the Company. Government grants are originally recorded as deferred revenue when received upfront. After all of the conditions specified in the grants have been met, the grants are recognized as operating or non-operating income based on the nature of the government grants.

(z) Share-based compensation

The Company grants stock-based award, such as, but not limited to, share options, restricted shares, restricted share units and warrants to eligible employees, officers, directors, and non-employee consultants.

Awards granted to employees, officers, and directors are initially accounted for as equity-classified awards. The related shared-based compensation expenses are measured at the grant date fair value of the award and are recognized using the graded vesting method, net of estimated forfeiture rates, over the requisite service period, which is generally the vesting period. Duowan BVI also granted share options and restricted shares to non-employees. Awards granted to non-employees are initially measured at fair value on the grant date and periodically remeasured thereafter until the earlier of the performance commitment date or the date the service is completed and recognized over the period the service is provided. Awards are remeasured at each reporting date using the fair value as at each period end until the measurement date, generally when the services are completed and awards are vested. Changes in fair value between the interim reporting dates are attributed consistent with the method used in recognizing the original compensation costs.

As a result of Duowan BVI's repurchases of certain awards offered in 2009 and in 2011 (Note 18), certain initially equity classified employee and non-employee awards had been reclassified as a liability classified award, as these awards were deemed to have a substantive cash settlement feature. These awards are re-measured at the end of each reporting period until either the substantive cash settlement is terminated or the holder of the awards is exposed to the market value fluctuation of the underlying shares for a reasonable period of time (at least six months), or the awards are settled, cancelled or expire unexercised.

On September 15, 2011, the board of directors of the Company resolved not to undertake any repurchases of vested or unvested share-based compensation awards, except under those conditions specified in the relevant award scheme and grant documents. In addition, any proposed repurchase of vested or unvested share-based compensation awards should be approved by the majority votes of the board of directors. Such intention of the Company was specifically communicated to all employees with or without the awards. All the employees with vested or unvested awards also confirmed such understanding by a written confirmation. Accordingly, the classification of the liability-classified awards changed back to be equity-classified.

Share-based compensation expense is recorded net of estimated forfeitures so that expense is recorded for only those stock-based awards that we expect to vest. Forfeitures are estimated at the time of grant based on historical forfeiture rates and will be revised in the subsequent periods if actual forfeitures differ from those estimates.

The Binomial option-pricing model is used to measure the fair value of all the share options. The determination of the fair value is affected by the share price as well as assumptions regarding a number of complex and subjective variables, including the expected share price volatility, actual and projected employee and non-employee share option exercise behavior, risk-free interest rates and expected dividends. The use of the Binomial option-pricing model requires extensive actual employee, directors, officers and non-employee exercise behavior data for the relative probability estimation purpose, and a number of complex assumptions.

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2. Principal accounting policies (continued)

(aa) Income taxes

Current income taxes are provided on the basis of net income for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes, in accordance with the regulations of the relevant tax jurisdictions. Deferred income taxes are accounted for using an asset and liability method. Under this method, deferred income taxes are recognized for the tax consequences of temporary differences by applying enacted statutory rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purpose. The effect on deferred taxes of a change in tax rates is recognized in the statements of operations and comprehensive loss in the period of change. A valuation allowance is provided to reduce the amount of deferred tax assets if it is considered more likely than not that some portion of, or all of the deferred tax assets will not be realized.

Uncertain tax positions

The guidance on accounting for uncertainties in income taxes prescribes a more likely than not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Guidance was also provided on derecognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods, and income tax disclosures. Significant judgment is required in evaluating the Group's uncertain tax positions and determining its provision for income taxes. The Group recognizes interests and penalties, if any, under accrued expenses and other current liabilities on its balance sheet and under other expenses in its statements of operations and comprehensive loss. The Group did not recognize any significant interest and penalties associated with uncertain tax positions for the years ended December 31, 2009, 2010 and 2011. As of December 31, 2010 and 2011, the Group did not have any significant unrecognized uncertain tax positions.

(bb) Employee social security and welfare benefits

Employees of the Group in the PRC are entitled to staff welfare benefits including pension, work-related injury benefits, maternity insurance, medical insurance, unemployment benefit and housing fund plans through a PRC government-mandated multi-employer defined contribution plan. The Group is required to accrue for these benefits based on certain percentages of the employees' salaries, up to a maximum amount specified by the local government. The Group is required to make contributions to the plans out of the amounts accrued. The PRC government is responsible for the medical benefits and the pension liability to be paid to these employees and the Group's obligations are limited to the amounts contributed and no legal obligation beyond the contributions made. Employee social security and welfare benefits included as expenses in the accompanying statements of operations and comprehensive loss amounted to RMB3,731, RMB10,217 and RMB23,657, for the years ended December 31, 2009, 2010 and 2011, respectively.

(cc) Statutory reserves

The Group's subsidiaries and VIEs established in the PRC are required to make appropriations to certain non-distributable reserve funds.

In accordance with the laws applicable to China's Foreign Investment Enterprises, the Group's subsidiaries registered as wholly-owned foreign enterprises (Huanju Shidai, Zhuhai Duowan and Zhuhai Duowan Technology) have to make appropriations from its after-tax profit (as determined under the Accounting Standards for Business Enterprises as promulgated by the Ministry of Finance of the People's Republic of

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2. Principal accounting policies (continued)

(cc) Statutory reserves (continued)

China ("PRC GAAP")) to reserve funds including general reserve fund, and staff bonus and welfare fund. The appropriation to the general reserve fund must be at least 10% of the after-tax profits calculated in accordance with PRC GAAP. Appropriation is not required if the reserve fund has reached 50% of the registered capital of the company. Appropriation to the staff bonus and welfare fund is at the company's discretion.

In addition, in accordance with the Company Laws of the PRC, the VIEs of the Company registered as PRC domestic companies (Guangzhou Huaduo and Beijing Tuda) must make appropriations from its after-tax profit as determined under the PRC GAAP to non-distributable reserve funds including a statutory surplus fund and a discretionary surplus fund. The appropriation to the statutory surplus fund must be at least 10% of the after-tax profits as determined under the PRC GAAP. Appropriation is not required if the surplus fund has reached 50% of the registered capital of the company. Appropriation to the discretionary surplus fund is made at the discretion of the company.

The use of the general reserve fund, statutory surplus fund and discretionary surplus fund are restricted to the off-setting of losses or increasing capital of the respective company. The staff bonus and welfare fund is a liability in nature and is restricted to fund payments of special bonus to staff and for the collective welfare of employees. All these reserves are not allowed to be transferred to the company in terms of cash dividends, loans or advances, nor can they be distributed except under liquidation.

The Group did not make any appropriation to its general reserve fund, statutory surpluses fund, discretionary surplus fund, and the staff bonus and welfare fund for the years ended December 31, 2009, 2010 and 2011, respectively, as the PRC subsidiaries and VIEs reported accumulated losses.

(dd) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or significant influence, such as a family member or relative, shareholder, or a related corporation. See also Note 20 for further information.

(ee) Dividends

Dividends are recognized when declared. No dividends were declared for the years ended December 31, 2009, 2010 and 2011, respectively. The Group does not have any present plan to pay any dividends on common shares in the foreseeable future. The Group currently intends to retain the available funds and any future earnings to operate and expand its business.

(ff) Loss per share

Basic loss per share is computed by dividing net loss attributable to common shareholders, considering the accretion of redemption feature, deemed dividend to preferred shareholders and amortization of beneficial conversion feature related to its convertible redeemable preferred shares (Note 17), by the weighted average number of common shares outstanding during the period using the two-class method. Under the two-class method, net income is allocated between common shares and other participating securities based on their participating rights. Net losses are not allocated to other participating securities if based on their contractual terms they are not obligated to share the losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. Principal accounting policies (continued)

(ff) Loss per share (continued)

Diluted loss per share is calculated by dividing net loss attributable to common shareholders, as adjusted for the effect of dilutive common equivalent shares, if any, by the weighted average number of common and dilutive common equivalent shares outstanding during the period. Common equivalent shares consist of common shares issuable upon the conversion of the preferred shares, using the if-converted method, and shares issuable upon the exercise of share options using the treasury stock method. Common equivalent shares are not included in the denominator of the diluted loss per share calculation when inclusion of such share would be anti-dilutive.

(gg) Comprehensive loss

Comprehensive loss is defined as the change in equity of the Company during a period arising from transactions and other events and circumstances excluding transactions resulting from investments by shareholders and distributions to shareholders. The Group has recognized foreign currency translation adjustments as other comprehensive income (loss) in the consolidated statements of operations and comprehensive loss.

(hh) Segment reporting

Operating segments are defined as components of an enterprise engaging in businesses activities for which separate financial information is available that is regularly evaluated by the Group's chief operating decision makers in deciding how to allocate resources and assess performance. The Group's chief operating decision maker has been identified as the Chief Executive Officer, who reviews consolidated results when making decisions about allocating resources and assessing performance of the Group. The Group has internal reporting of cost and expenses that does not distinguish between segments, and reports costs and expenses by nature as a whole. The Group does not distinguish between markets or segments for the purpose of internal reporting. Hence, the Group has only one operating segment. As the Group's long-lived assets and revenue are substantially located in and derived from the PRC, no geographical segments are presented.

(ii) Internal use software

The Company recognizes internal use software development costs in accordance with guidance on intangible assets and internal use software. This requires capitalization of qualifying costs incurred during the software's application development stage and to expense costs as they are incurred during the preliminary project and post implementation/operation stages. The Company has not capitalized any costs related to internal use software during the years ended December 31, 2009, 2010 and 2011, respectively.

(jj) Recently issued accounting pronouncements

In May 2011, the FASB issued Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs, an accounting standard update which amended the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. For public entities, the amendments are effective prospectively during interim and annual periods beginning after December 15, 2011. Early application by public entities is not permitted. This amendment is not expected to have a material impact on the Group's financial position, results of operations or cash flows.

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2. Principal accounting policies (continued)

(jj) Recently issued accounting pronouncements (continued)

In June 2011, the FASB issued an accounting standards update on the presentation of comprehensive income under which the option to present the components of other comprehensive income as part of the statement of shareholders' equity has been eliminated. The standard requires other comprehensive income be presented as part of a single continuous statement of comprehensive income or in a statement of other comprehensive income immediately following the statement of operations. Reclassification adjustments from other comprehensive income to net income must be presented on the face of the financial statements. This standard must be retrospectively applied to all reporting periods presented in financial reports issued after the effective date. The new accounting guidance is effective for interim and annual periods beginning after December 15, 2011. The Group intends to provide the required financial reporting presentation upon the effective date of this standard. The adoption of this guidance will change the presentation of the Group's financial statement but will not affect the calculation of net income, comprehensive income or earnings per share.

In August 2011, the FASB approved changes to the goodwill impairment guidance that are intended to reduce the cost and complexity of the annual impairment test. The changes will provide entities an option to perform a "qualitative" assessment to determine whether further impairment testing (i.e. step 2) is necessary. If an entity believes, as a result of its qualitative assessment, that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is required. Otherwise, no further testing is required. The final standard was issued in September 2011. The changes will be effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011 and earlier adoption is permitted.

In December 2011, the FASB issued a further authoritative pronouncement, Accounting Standard Update, or ASU 2011-12, Deferral of the Effective Date for Amendments to the Presentation of Reclassification of Items Out of Accumulated Other Comprehensive Income in ASU 2011-05, Presentation of Comprehensive Income. Under the amendments in ASU 2011-05, entities are required to present reclassification adjustments and the effect of those reclassification adjustments on the face of the financial statements where net income is presented, by component of net income, and on the face of the financial statements where other comprehensive income is presented, by component of other comprehensive income. In addition, the amendments in ASU 2011-05 require that reclassification adjustments be presented in interim financial periods. The amendments supersede changes to those paragraphs in ASU 2011-05 that pertain to how, when, and where reclassification adjustments are presented. Due to the time required to properly make such a reassessment and to evaluate alternative presentation formats, the Board decided that it is necessary to reinstate the requirements for the presentation of reclassifications out of accumulated other comprehensive income that were in place before the issuance of ASU 2011-05. The amendments in this ASU are effective for public entities for fiscal years, and interim periods within those years, beginning after December 15, 2011. The Group adopted this standard effective January 1, 2012, and revised the historical annual financial statements to retrospectively reflect the adoption of ASU 2011-05.

In December 2011, the FASB issued an authoritative pronouncement on disclosures about offsetting assets and liabilities. Under this pronouncement, entities are required to disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. This scope would include derivatives, sale and repurchase agreements and reverse sale and repurchase agreements, and securities borrowing and securities lending arrangements. An entity is required to apply the amendments for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. An entity should provide the disclosures required by those amendments retrospectively for all comparative periods presented. This pronouncement is not expected to have a material impact on the Group's financial position, results of operations or cash flows.

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3. Certain risks and concentration

(a) PRC regulations

Foreign ownership of internet-based businesses is subject to significant restrictions under the current PRC laws and regulations. The PRC government regulates internet access, the distribution of online information and the conduct of online commerce through strict business licensing requirements and other government regulations. These laws and regulations also limit foreign ownership in PRC companies that provide internet information distribution services. Specifically, foreign ownership in an internet information provider or other value-added telecommunication service providers may not exceed 50%. Foreigners or foreign invested enterprises are currently not able to apply for the required licenses for operating online games in the PRC. The Company is incorporated in the Cayman Islands and accordingly, the Company is considered as a foreign invested enterprise under PRC law.

In order to comply with the PRC laws restricting foreign ownership in the online business in China, the Group operates the online business in China through contractual arrangements with Guangzhou Huaduo and Beijing Tuda, the Group's two VIEs. As of December 31, 2011, Mr. David Xueling Li, CEO, Mr. Jun Lei, Chairman of the Company, Mr. Tony Bin Zhao, Chief Technology Officer, Mr. Jin Cao, General Manager of the Website Department, and Beijing Tuda own approximately 1.7%, 1.5%, 0.1%, 0.1% and 96.6% of Guangzhou Huaduo's equity interests, respectively. As of December 31, 2011, Mr. David Xueling Li, CEO, Mr. Tony Bin Zhao, Chief Technology Officer, and Mr. Jin Cao, General Manager of Website Department, own 97.7%, 1.5% and 0.8% of Beijing Tuda's equity interests, respectively.

The VIEs hold the licenses and permits necessary to conduct its internet value-added services and online advertising business in the PRC. If the Company had direct ownership of the VIEs, it would be able to exercise its rights as a shareholder to effect changes in the board of directors, which in turn could affect changes at the management level, subject to any applicable fiduciary obligations. However, under the current contractual arrangements, it relies on the VIEs and its' shareholders' performance of their contractual obligations to exercise effective control. In addition, the Group's contractual agreements have terms range from 10 to 30 years, which are subject to Huanju Shidai's unilateral termination right.

Under the respective service agreements, Huanju Shidai will provide services including technology support, technology services, business support and consulting services to Beijing Tuda and Guangzhou Huaduo in exchange for service fees. The amount of service fees payable is determined by various factors, including (a) a percentage of Beijing Tuda and Guangzhou Huaduo's revenues or earnings, and (b) the expenses that Huanju Shidai incurs for providing such services. Huanju Shidai may charge up to 100% of the income in Beijing Tuda and Guangzhou Huaduo and a multiple of the expenses incurred for providing such services, as determined by Huanju Shidai from time to time. The service fees payable by Beijing Tuda and Guangzhou Huaduo to Huanju Shidai are determined to be up to 100% of the profits of the Beijing Tuda and Guangzhou Huaduo, with the timing of such payment to be determined at the sole discretion of Huanju Shidai. As of December 31, 2010 and 2011, Huanju Shidai determined that zero service fees were incurred and retained by Beijing Tuda and Guangzhou Huaduo, respectively, because both VIEs had operating losses since inception. Therefore, no fees were recorded in any intercompany payable accounts. No service fee was paid prior to December 31, 2011. If fees were incurred, it would be significant to the Company and the operating companies' economic performance because it will be incurred and paid at up to 100% of the earnings of the VIEs. Fees incurred would be remitted, subject to further PRC restrictions. None of the VIEs or their shareholders are entitled to terminate the contracts prior to the expiration date, unless under remote circumstances such as a material breach of agreement or bankruptcy as it pertains to the service and business operation agreements and their amendment.

Further, the Group believes that the contractual arrangements among Huanju Shidai, the VIEs, and their shareholders are in compliance with PRC law and are legally enforceable. However, the PRC government

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3. Certain risks and concentration (continued)

(a) PRC regulations (continued)

may issue from time to time new laws or new interpretations on existing laws to regulate this industry. Regulatory risk also encompasses the interpretation by the tax authorities of current tax laws, and the Group's legal structure and scope of operations in the PRC, which could be subject to further restrictions resulting in limitations on the Company's ability to conduct business in the PRC. The PRC government may also require the Company to restructure the Group's operations entirely if it finds that its contractual arrangements do not comply with applicable laws and regulations. Furthermore, it could revoke the Group's business and operating licenses, require it to discontinue or restrict its operations, restrict its right to collect revenues, block its website, require it to restructure its operations, impose additional conditions or requirements with which the Group may not be able to comply, or take other regulatory or enforcement actions against the Group that could be harmful to its business. The imposition of any of these penalties may result in a material and adverse effect on the Group's ability to conduct the Group's business. In addition, if the imposition of any of these penalties causes the Group to lose the rights to direct the activities of the VIEs or the right to receive their economic benefits, the Group would no longer be able to consolidate the VIEs. The Group does not believe that any penalties imposed or actions taken by the PRC government would result in the liquidation of the Company, Huanju Shidai, and the VIEs.

The following consolidated financial information of the Group's VIEs was included in the accompanying consolidated financial statements as of and for the years ended:

	December 31,	
	2010 RMB	2011 RMB
Total assets	60,161	181,850
Total liabilities	79,612	187,184

	For the year ended December 31,		
	2009 RMB	2010 RMB	2011 RMB
Net revenue	18,173	96,102	245,633
Net loss	(25,400)	(139,466)	(66,077)

	For the year ended December 31,		
	2009 RMB	2010 RMB	2011 RMB
Net cash provided by operating activities	5,406	18,554	70,570
Net cash used in investing activities	(4,617)	(24,763)	(46,475)
Net cash provided by financing activities	1,071	28,560	50,444
	1,860	22,351	74,539

(b) Foreign exchange risk

The revenues and expenses of the Group's subsidiaries and VIEs in the PRC are generally denominated in RMB and their assets and liabilities are denominated in RMB. The Group's financing activities are denominated in U.S. dollars. The RMB is not freely convertible into foreign currencies. Remittances of foreign currencies into the PRC and exchange of foreign currencies into RMB require approval by foreign exchange administrative authorities and certain supporting documentation. The State Administration for Foreign Exchange, under the authority of the People's Bank of China, controls the conversion of RMB into other currencies.

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3. Certain risks and concentration (continued)

(c) Concentration of risks

(1) Concentration of online game revenue

The Group depends on the success of a limited number of online games to generate revenue. The top 5 games account for 89%, 87% and 66% of the total online game revenue for the years ended December 31, 2009, 2010 and 2011, respectively.

The following table summarizes the games that account for more than 10% of the Group's online game revenues:

	For the year ended December 31,		
	2009	2010	2011
Online game			
A1	11%	*	*
A2	18%	63%	47%
A3	46%	11%	*
A4	*	*	10%

(2) Concentration of online advertising revenue

The Group depends on a limited number of customers for online advertising revenues. The top 10 customers accounted for 79%, 94% and 98% of the total online advertising revenues for the years ended December 31, 2009, 2010 and 2011, respectively.

The following table summarizes the percentage of the Group's online advertising revenues from customers with over 10% of total online advertising revenues:

	For the year ended December 31,		
	2009	2010	2011
Customer			
B1	27%	13%	12%
B2	21%	28%	36%
B3	*	16%	12%
B4	*	10%	22%

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3. Certain risks and concentration (continued)

(c) Concentration of risks (continued)

(3) Concentration of accounts receivable

The Group collects accounts receivable for online game revenue from collection agencies and accounts receivable for online advertising revenue from customers. The Group depends on payments from a limited number of the collection agencies and customers. The top 10 accounts receivable accounted for 76%, 92% and 86% of the total accounts receivable as of December 31, 2009, 2010 and 2011, respectively.

The following table summarizes the percentage of accounts receivable from collection agencies and customers with over 10% of total accounts receivable:

	December 31,		
	2009	2010	2011
Collection agencies and customers			
B1	23%	12%	12%
B2	21%	24%	31%
B3	*	19%	12%
B5	*	12%	*

* Less than 10%

(d) Credit risk

As of December 31, 2010 and 2011, substantially all of the Group's cash and cash equivalents and short-term deposits were held by two and three financial institutions, which are all located in Hong Kong and the PRC. Management chooses these institutions because of their reputations and track records for stability, and their known large cash reserves, and management periodically reviews these institutions' reputations, track records, and reported reserves. Management expects that any additional institutions that the Group uses for its cash and bank deposits will be chosen with similar criteria for soundness. The balances in the PRC are not insured since it is not a market practice in the PRC. Nevertheless under the PRC law, it is required that a commercial bank in the PRC that holds third party cash deposits should maintain a certain percentage of total customer deposits taken in a statutory reserve fund for protecting the depositors' rights over their interests in deposited money. PRC banks are subject to a series of risk control regulatory standards; PRC bank regulatory authorities are empowered to take over the operation and management of any PRC bank that faces a material credit crisis. The Group believes that it is not exposed to unusual risks as these financial institutions are either PRC banks or non-PRC banks that carry at least 'A' credit ratings from one or more credit rating agencies. The Group has not experienced any losses on its deposits of cash and cash equivalents and term deposit of the years ended December 31, 2009, 2010 and 2011 and believes its credit risk to be minimal.

4. Cash and cash equivalents

Cash and cash equivalents represent cash on hand, demand deposits placed with banks or other financial institutions, which have original maturities of three months or less. Cash and cash equivalents balance as of December 31, 2010 and 2011 primarily consist of the following currencies:

	December 31, 2010		December 31, 2011	
	Amount	RMB equivalent	Amount	RMB equivalent
RMB	35,299	35,299	108,775	108,775
US$	7,306	48,384	3,193	20,116
Total		83,683		128,891

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5. Short-term deposits

Short-term deposits represent deposits placed with banks with original maturities of more than three months but less than one year. Short-term deposits are all denominated in RMB.

6. Accounts receivable, net

	December 31,	
	2010 RMB	2011 RMB
Accounts receivable, gross	26,134	47,022
Less: allowance for doubtful receivables	(387)	—
Accounts receivable, net	25,747	47,022

The following table presents movement of the allowance for doubtful receivables:

	For the year ended December 31,	
	2010 RMB	2011 RMB
Balance at the beginning of the year	(100)	(387)
Additions charged to general and administrative expenses	(287)	—
Write-off during the year	—	387
Balance at the end of the year	(387)	—

7. Investments

	December 31,	
	2010 RMB	2011 RMB
Equity investments	—	3,142
Cost investments (Note i)	3,000	2,102
Total	3,000	5,244

(i) As of December 31, 2010 and 2011, one of the Group’s investments represents an equity interest of 25% in a private company. As part of the share purchase agreement, the Group is entitled to receive an amount equal to 100% of its original investment in the event of liquidation in preference to other common shareholders. As a result, the investment is not an investment in common stock or in-substance common stock and precluded from applying the equity method of accounting. The Group accounted for the investment under the cost method.

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8. Property and equipment, net

Property and equipment consists of the following:

	December 31,	
	2010 RMB	2011 RMB
Gross carrying amount		
Servers, computers and equipment	28,497	61,595
Furniture, fixture and office equipment	2,324	5,440
Leasehold improvement	—	3,759
Motor vehicles	1,034	1,149
Construction in progress	—	400
Total	31,855	72,343
Less: accumulated depreciation	(6,330)	(18,761)
Property and equipment, net	25,525	53,582

Depreciation expense for the years ended December 31, 2009, 2010 and 2011 were RMB1,150, RMB4,284 and RMB12,888, respectively.

9. Intangible assets, net

The following table summarizes the Group's intangible assets:

	December 31,	
	2010 RMB	2011 RMB
Gross carrying amount		
Software	1,328	1,601
Domain names	12,084	11,504
Total of gross carrying amount	13,412	13,105
Less: accumulated amortization		
Software	(526)	(902)
Domain names	(650)	(1,389)
Total of accumulated amortization	(1,176)	(2,291)
Intangible assets, net	12,236	10,814

Amortization expense for the years ended December 31, 2009, 2010 and 2011 were RMB1,512, RMB1,030 and RMB1,211, respectively.

The estimated amortization expenses for each of the following five years are as follows:

	Domain Name RMB	Computer software RMB
2012	785	196
2013	785	196
2014	785	196
2015	763	90
2016	755	21

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9. Intangible assets, net (continued)

The weighted average amortization periods of intangible assets as of December 31, 2010 and 2011 are as below:

	December 31,	
	2010	2011
Computer software	3.4 years	5 years
Domain names	15 years	15 years

10. Goodwill

Duowan BVI acquired 100% equity interest of NeoTasks Inc.("NeoTasks") in 2008. Goodwill of RMB706 represents the excess of the purchase price over the estimated fair value of the net tangible and identifiable intangible assets acquired. Goodwill is not deductible for tax purposes. The Group performs the annual impairment tests on October 1 of each year. Based on the impairment tests performed, no impairment of goodwill was recorded for all periods presented.

11. Deferred revenue

	December 31,	
	2010 RMB	2011 RMB
Deferred revenue, current :		
Online game	17,436	31,215
Membership subscription	—	9,142
Total current deferred revenue, net	17,436	40,357
Deferred revenue, non-current :		
Membership subscription	—	448

12. Accrued liabilities and other current liabilities

	December 31,	
	2010 RMB	2011 RMB
Accrued salaries and welfare	7,280	27,050
Business and other taxes payable	3,681	7,028
Deposits from advertising customers	1,500	6,250
Accrued bandwidth costs	1,852	5,801
Others	1,264	2,942
Total	15,577	49,071

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13. Cost of revenue

	For the year ended December 31,		
	2009 RMB	2010 RMB	2011 RMB
Bandwidth costs	8,523	32,491	75,064
Salary and welfare	6,949	23,510	33,388
Business tax and surcharges	2,328	7,186	16,462
Shared-based compensation	5,269	31,709	15,449
Depreciation and amortization	2,264	4,298	11,951
Payment handling costs	1,687	6,769	9,306
YY music activities costs	—	—	6,750
Other costs	1,829	4,099	14,329
Total	28,849	110,062	182,699

14. Government grants

In 2011, the Group earned and received cash subsidies of RMB1,982 from the PRC local government for operating its local business operations in the jurisdiction.

15. Income tax

(i) Cayman Islands ("Cayman")

Under the current tax laws of Cayman Islands, the Company and its subsidiary are not subject to tax on income or capital gains. Besides, upon payment of dividends by the Company to its shareholders, no Cayman Islands withholding tax will be imposed.

(ii) British Virgin Islands ("BVI")

Duowan BVI is exempt from income tax on its foreign-derived income in the BVI. There are no withholding taxes in the BVI.

(iii) Hong Kong profits tax

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% on the estimated assessable profit for the years ended December 31, 2009, 2010 and 2011. No Hong Kong profits tax has been provided as the Group's subsidiary has no assessable profit arising in Hong Kong.

(iv) PRC Enterprise Income Tax ("EIT")

Current taxation primarily represented the provision for EIT for subsidiaries and VIEs operating in the PRC. Prior to January 1, 2008, companies established in the PRC were generally subject to a state and local corporate income tax, or EIT, at statutory rates of 30% and 3%, respectively. On March 16, 2007, the PRC National People's Congress promulgated the New Enterprise Income Tax Law (the "New EIT Law"), which became effective on January 1, 2008. The Company's subsidiaries and VIEs are subject to EIT on their taxable income as reported in their respective statutory financial statements adjusted in accordance with the relevant tax laws and regulations in the PRC. All PRC entities of the Group (including subsidiaries and VIEs) are subject to EIT at a rate of 25%. In 2011, Guangzhou Huaduo has been qualified as a "High and New Technology Enterprise"("HNTE") under the EIT Law. Therefore, it is entitled to a preferential tax rate of 15% from 2011 to 2012 and will continue to enjoy the preferential tax rate, provided that it continues to be qualified as HNTE during such period.

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15. Income tax (continued)

(iv) PRC Enterprise Income Tax ("EIT") (continued)

According to a policy promulgated by the State Tax Bureau of the PRC and effective from 2008 onwards, enterprises engage in research and development activities are entitled to claim 150% of the research and development expenses so incurred in a year as tax deductible expenses in determining its tax assessable profits for that year ("Super Deduction"). Guangzhou Huaduo had claimed such Super Deduction in ascertaining its tax assessable profits for the periods reported. Zhuhai Duowan started to claim Super Deduction in ascertaining its tax assessable profits in 2011 when it started to engage in engaged in research and development activities.

In addition, according to the New EIT Law and its implementation rules, foreign enterprises, which have no establishment or place in the PRC but derive dividends, interest, rents, royalties and other income (including capital gains) from sources in the PRC shall be subject to PRC withholding tax ("WHT") at 10% (a further reduced WHT rate may be available according to the applicable double tax treaty or arrangement). The 10% WHT is applicable to any dividends to be distributed from Huanju Shidai and Zhuhai Duowan Technology to Duowan BVI out of any profits of Huanju Shidai and its subsidiaries, and Zhuhai Duowan Technology derived after January 1, 2008.

Up to December 31, 2011, the Group does not have any present plan to pay out the retained earnings in the subsidiaries and VIEs in the foreseeable future. The Group currently intends to retain the available funds and any future earnings to operate and expand its business. Accordingly, no such WHT had been accrued.

The current and deferred portions of income tax expense included in the consolidated statements of operations and comprehensive loss are as follows:

	For the year ended December 31,		
	2009 RMB	2010 RMB	2011 RMB
Current income tax expenses	(391)	(3,965)	(12,516)
Deferred income tax benefits	—	1,643	11,173
Income tax expense for the year	(391)	(2,322)	(1,343)

The reconciliation of total tax expense computed by applying the respective statutory income tax rate to pre-tax loss is as follows:

	For the year ended December 31,		
	2009	2010	2011
PRC statutory income tax rate	(25.0%)	(25.0%)	(25.0%)
Effect of preferential tax rate	—	—	8.4%
Effect of tax-exempt entities	1.0%	0.2%	(5.1%)
Permanent differences*	19.7%	25.1%	32.5%
Change in valuation allowance	6.7%	1.5%	(7.8%)
Effect of Super Deduction available to the Group	(1.6%)	(0.8%)	(4.9%)
Adjustments of deferred tax for changes in tax rates	—	—	3.6%
Effective income tax rate	0.8%	1.0%	1.7%

* Permanent differences mainly arise from expenses not deductible for tax purposes including primarily share-based compensation costs and expenses incurred by the subsidiaries and VIEs.

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15. Income tax (continued)

(iv) PRC Enterprise Income Tax (“EIT”) (continued)

Deferred taxes were measured using the enacted tax rates for the periods in which they are expected to be reversed. The tax effects of temporary differences that give rise to the deferred tax asset balances as of December 31, 2010 and 2011 are as follows:

	December 31,	
	2010 RMB	2011 RMB
Deferred tax assets, current:		
Deferred revenue for online games	4,359	4,682
Allowance for doubtful accounts receivable, accrued expense and others not currently deductible for tax purposes	3,381	7,985
Valuation allowance	(6,097)	(180)
Total current deferred tax assets, net	1,643	12,487
Deferred tax assets, non-current:		
Tax loss carried forward	1,962	1,691
Impairment of equity investment	74	45
Impairment of cost investment	—	284
Valuation allowance	(2,036)	(1,691)
Total non-current deferred tax assets, net	—	329

The Group operates through multiple subsidiaries and VIEs and the valuation allowance is considered for each subsidiary and VIE on an individual basis. As of December 31, 2009, valuation allowances were fully provided for all the deferred income taxes because the Group considered that it was more likely than not that the benefits of the deferred income taxes will not be realized. As of December 31, 2010, the Group provided valuation allowance for the group companies’ deferred income tax except for Zhuhai Duowan, which had derived taxable profit against the second year. The Group reassessed the earning history and the projected future taxable income of Zhuhai Duowan and concluded that deferred income tax of Zhuhai Duowan would be realized in the foreseeable future. Considering the other companies of the Group were still in loss positions, the Group provided full valuation allowance against their deferred income tax. As of December 31, 2011, Guangzhou Huaduo utilized all of the tax losses carried forward and had reported taxable profit. The Group reassessed the earning history and the projected future taxable income of Guangzhou Huaduo, concluded that deferred income tax of Guangzhou Huaduo would be realized in the foreseeable future, and accordingly no valuation allowance was provided. The other companies other than Guangzhou Huaduo and Zhuhai Duowan were still in loss position and full valuation allowance was provided. If events occur in the future that allow the Group to realize more of its deferred income tax than the presently recorded amounts, an adjustment to the valuation allowances will result in a decrease in tax expense when those events occur.

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15. Income tax (continued)

(iv) PRC Enterprise Income Tax ("EIT") (continued)

As of December 31, 2011, the Group had tax loss carry forwards of approximately RMB6,764, which can be carried forward to offset future taxable income. The net operating tax loss carry forwards will begin to expire as follows:

	Amount RMB
2012	—
2013	174
2014	3,184
2015	—
2016	3,406
Total	6,764

In accordance with PRC Tax Administration Law on the Levying and Collection of Taxes, the PRC tax authorities generally have up to five years to claw back underpaid tax plus penalties and interest for PRC entities' tax filings. In the case of tax evasion, which is not clearly defined in the law, there is no limitation on the tax years open for investigation. Accordingly, the PRC entities' tax years from 2007 to 2011 remain subject to examination by the tax authorities. There were no ongoing examinations by tax authorities as of December 31, 2011.

16. Common shares

Common Shares

The Company's Memorandum and Articles of Association authorized the Company to issue 946,074,577 and 1,022,785,225 common shares at US$0.00001 par value as of December 31, 2010 and 2011, respectively. Each common share is entitled to one vote. The holders of common shares are also entitled to receive dividends whenever funds are legally available and when declared by the Board of Directors, subject to prior rights of holders of all other classes of shares outstanding.

In January 2011, Duowan BVI entered into a common share and warrant purchase agreement with an independent institutional investor with respect to the issuance and sale of 51,140,432 common shares at an aggregate consideration of US$50,000 and a warrant to purchase up to an additional 25,570,216 common shares for an aggregate purchase price of US$25,000 ("Series D Common Share Financing"). The issuance price of each common share is US$0.9777, of which US$0.0830 per share relates to the fair value of the warrant. The related issuance costs were RMB1,208. In July 2011, the institutional investor exercised the warrant to acquire 25,570,216 common shares of Duowan BVI.

As of December 31, 2010 and 2011, there were 466,630,266 and 543,340,914 common shares outstanding, respectively.

Co-founder Common Shares

Of the common shares outstanding during 2009, 185,563,000 common shares relates to those issued to the Co-founder ("Co-founder Common Shares"), which has a liquidation preference of US$0.0021 per share after Series A, B, and C Preferred Shares, but prior to other common shares. The liquidation preference was subsequently waived by the Co-founder in February 23, 2010. All other rights are the same as the other common shares.

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16. Common shares (continued)

Repurchases

In connection with the November 2009 issuance of the Series C-1 Preferred Shares, Duowan BVI repurchased 10,206,700 common shares from the CEO for a total consideration of RMB5,576. The price paid for each common share was US$0.08 which was the then fair value. The common shares repurchased were immediately cancelled by Duowan BVI.

17. Convertible redeemable preferred shares

During the First Reorganization, Duowan Limited issued 54,488,000 Series A convertible preferred shares ("Series A Preferred Shares") and warrant to a third party investor ("Series A Investor") in exchange for an aggregate purchase price of RMB7,720, or US$0.0184 per share. During the Second Reorganization in June 2008, Duowan BVI issued an additional 81,612,930 Series A convertible preferred shares to the Series A Investor for an aggregate purchase price of RMB13,722. The related issuance costs were RMB172.

In August 2008, Duowan BVI issued 102,073,860 Series B convertible redeemable preferred shares ("Series B Preferred Shares") for aggregate cash consideration of RMB34,232 and issuance costs of RMB278.

In November 2009, Duowan BVI issued 16,249,870 Series C-1 convertible redeemable preferred shares ("Series C-1 Preferred Shares") and 104,999,650 C-2 convertible redeemable preferred shares ("Series C-2 Preferred Shares", collectively with Series C-1 Preferred Shares, "Series C Preferred Shares"), for aggregate cash considerations of RMB8,875 and RMB71,684 respectively. Series C Preferred Shares issuance costs were RMB274.

Series A Preferred Shares, Series B Preferred Shares and Series C Preferred Shares are collectively referred to as the "Preferred Shares".

As of December 31, 2010 and 2011, the Company has determined that the Preferred Shares should be classified as mezzanine equity since the Preferred Shares are contingently redeemable by the holders in the event that a qualified initial public offering has not occurred and the Preferred Shares have not been converted as of the redemption date.

The Company assessed beneficial conversion features attributable to the Preferred Shares and determined that in 2009 there was a beneficial conversion feature with an amount of RMB237, which was bifurcated from the carrying value of Series C Preferred Shares as a contribution to additional paid-in capital upon issuance of Series C Preferred Shares. The discount of RMB237 resulting from the recognition of the beneficial conversion feature was amortized immediately as a deemed dividend to preferred shareholders and charged against additional paid-in capital in the absence of any retained earnings at that time.

The Company determined that there were no embedded derivatives requiring bifurcation as the economic characteristics and risks of the conversion and redemption features embedded derivative instrument are not clearly and closely related to that of the convertible preferred shares. The convertible preferred shares are not readily convertible into cash as there is no a market mechanism in place for trading its share.

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17. Convertible redeemable preferred shares (continued)

As of December 31, 2011, the Preferred Shares comprised of the following:

Series	Issuance Date	Shares Issued and Outstanding	Issue Price Per Share (US$)	Proceeds from Issuance, Net of Issuance Costs (US$)	Carrying Amount (RMB)
A	December 1, 2006	54,488,000	0.0184	1,000	374,332
A	June 2, 2008	81,612,930	0.0245	1,975	560,681
B	August 8, 2008	102,073,860	0.0490	4,959	703,901
C-1	November 22, 2009	16,249,870	0.0800	1,300	112,556
C-2	November 22, 2009	104,999,650	0.1000	10,460	729,464

All Preferred Shares' par value is US$0.00001. The rights, preferences and privileges of the Preferred Shares are as follows:

Conversion

Each Preferred Share is convertible, at the option of the holders, at any time after the date of issuance of such preferred shares into such number of common shares according to a conversion price. Each share of Series A, Series B, Series C Preferred Shares is convertible into one common share and is subject to adjustments for certain events, including but not limited to additional equity securities issuance, share dividends, subdivisions, redemptions, combinations, or consolidation of common shares. The conversion price is also subject to adjustment in the event the Company issues additional common shares at a price per share that is less than such conversion price. In such case, the conversion price shall be reduced to adjust for dilution.

Each Preferred Share is automatically converted into common shares at the then effective conversion price with respect to such Preferred Share (i) at the closing of a qualified initial public offering ("Qualified IPO"), or (ii) at the election of the majority Series A, Series B, and Series C Preferred Shares holders (each voting or consenting as a separate class).

As of December 31, 2010, the Qualified IPO is defined as a firm-commitment public offering of common shares of the Company in the United States that has been registered under the Securities Act and on a recognized securities exchange such as NASDAQ or the New York Stock Exchange, or in a similar public offering of common shares in a jurisdiction and on a recognized securities exchange outside of the United States, including without limitation, the Hong Kong Stock Exchange, provided that (a) the market capitalization of the Company upon completion of such initial public offering shall be no less than US$400,000 and such public offering and the aggregate proceeds (before deduction of underwriting discounts and registration expenses) is approved by majority of the Board of Directors (including the affirmative consent of the majority of the Series A, Series B, and Series C Preferred Shares director), or (b) such public offering and the aggregate proceeds (before deduction of underwriting discounts and registration expenses) is approved by majority of the Board of Directors (including the affirmative consent of each of the Preferred Shares' directors), and provided further that such public offering is made at an equivalent price and yields equivalent offering proceeds and there is regulatory approval for such offering.

Subsequent to the Series D Common Share Financing in January 2011, the Qualified IPO is defined as a firm-commitment public offering of common shares of the Company in the United States that has been registered under the Securities Act and on a recognized securities exchange such as NASDAQ or the New York Stock Exchange, or in a similar public offering of common shares in a jurisdiction and on a recognized securities exchange outside of the United States, including without limitation, the Hong Kong

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17. Convertible redeemable preferred shares (continued)

Conversion (continued)

Stock Exchange, provided that (a) the market capitalization of the Company upon completion of such initial public offering shall be no less than US$1,500,000 and such public offering and the aggregate proceeds (before deduction of underwriting discounts and registration expenses) is approved by majority of the Board of Directors (including the affirmative consent of the majority of the Series A Director, the Series B Director, the Series C Director and the Series D director), or (b) such public offering and the aggregate proceeds (before deduction of underwriting discounts and registration expenses) is approved by majority of the Board of Directors (including the affirmative consent of each of the Series A Director, the Series B Director, the Series C Director and the Series D Director, if applicable), and provided further that such public offering is made at an equivalent price and yields equivalent offering proceeds and there is regulatory approval for such offering.

Redemption Right

As of December 31, 2010, at any time after the date that is the earlier of i) the date of the occurrence of a Default Redemption Event, and ii) five years following the Series C-1 original issue date and Series C-2 original issue date, at the election of the majority of Series C holders, the Company shall redeem all or any lesser portion of its then outstanding Preferred Shares. A Default Redemption Event shall be deemed to occur if the Company's corporate structure as a whole, including without limitation the VIE documents, is invalidated or otherwise challenged by any PRC governmental authority, court or other official governmental body as a result of the application of or interpretation of the PRC law. In connection with the Series D Common Share Financing in January 2011, the Default Redemption Event was removed and the redemption date was changed to any time after June 30, 2015.

The redemption date above is subject to postponement until the Company meets the financial thresholds of having at least US$3,000 of cash or cash equivalents on the balance sheet or the Company has generated over US$1,000 in free cash flows in the preceding twelve months.

The redemption price of Series A Preferred Shares is equal to (i) the fair market value of the Series A Preferred Shares as of the redemption date, or (ii) 150% of the original issue price of Series A Preferred Shares, plus all declared or accrued but unpaid dividends up until the date of redemption, plus an amount that would give the holders of the Series A Preferred Shares an internal rate of return of no less than 10% per annum.

The redemption price of Series B Preferred Shares is equal to (i) the fair market value of the Series B Preferred Shares as of the redemption date, or (ii) 100% original issue price of Series B Preferred Shares, plus all declared or accrued but unpaid dividends up until the date of redemption, plus an amount that would give the holders of the Preferred Shares an internal rate of return of no less than 10%.

The redemption price of Series C Preferred Shares is equal to (i) the fair market value of the Series C Preferred Shares as of the redemption date, or (ii) 100% original issue price of Series C-1 or C-2 Preferred Shares, plus all declared or accrued but unpaid dividends up until the date of redemption, plus an amount that would give the holders of the Series C-1 or C-2 Preferred Shares an internal rate of return of no less than 10% per annum.

Modification

Upon its issuance, Series A Preferred Shares were classified as permanent equity and are not redeemable. In association with the issuance of Series B Preferred Shares in August 2008, Series A Preferred Shares were granted redemption at the option of the holders and drag-along rights and accordingly are reclassified as

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17. Convertible redeemable preferred shares (continued)

Modification (continued)

mezzanine equity of the Company. The Company concluded that the addition of the redemption and drag-along rights is a modification of the terms of the Series A Preferred Shares. The incremental value received by the Series A Preferred Shareholders amount to RMB916 and is deemed to be a wealth transfer between the preferred shareholders and the common shareholders and charged to additional paid-in capital.

Upon its issuance, Series B Preferred Shares had a redemption right beginning on or after the seventh anniversary following the issuance of Series B Preferred Shares. In association of the issuance of Series C Preferred Shares, the redemption right for Series A and Series B Preferred Shares and drag along rights were amended. The Company concluded amendment of the redemption and drag-along rights is a modification of the terms of the Series A and Series B Preferred Shares. The incremental value received by Series A and Series B Preferred Shareholders amounted to RMB19 and RMB176, respectively, and is deemed to be a wealth transfer between the preferred share holders and the common share holders and charged to additional paid-in capital.

Accretion

Due to the redemption features described above, the Company classified the Preferred Shares in the mezzanine equity section of the consolidated balance sheets. The Company recognizes the changes in the redemption value immediately as they occur and adjust the carrying amount of the Preferred Shares to equal the redemption value at the end of each reporting period. The fair market value of the Preferred Shares was greater than their original purchase price as of December 31, 2009, 2010, and 2011. As a result, the Company recorded accretion to the redemption value immediately and adjust the carrying amount of the instrument to equal the redemption value at the end of each reporting period. Upon the closing of this offering, the Preferred Shares will convert into common shares and this preferred shares redemption value accretion will cease. The accretion was recorded against retained earnings, or in the absence of retained earnings, by charges against additional paid-in capital. Once additional paid-in capital has been exhausted, additional charges were recorded by increasing accumulated deficit.

The following table sets forth the changes of each of the convertible redeemable preferred shares for years ended December 31, 2009, 2010 and 2011:

Series A Preferred Shares

	For the year ended December 31,		
	2009 RMB	2010 RMB	2011 RMB
Beginning balance	39,973	154,393	846,752
Deemed dividend—modification of terms	19	—	—
Accretion to redemption value	114,401	692,359	88,261
Ending balance	154,393	846,752	935,013

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17. Convertible redeemable preferred shares (continued)

Accretion (continued)

Series B Preferred Shares

	For the year ended December 31,		
	2009 RMB	2010 RMB	2011 RMB
Beginning balance	44,786	124,173	639,799
Deemed dividend—modification of terms	176	—	—
Accretion to redemption value	79,211	515,626	64,102
Ending balance	124,173	639,799	703,901

Series C Preferred Shares

	For the year ended December 31,		
	2009 RMB	2010 RMB	2011 RMB
Beginning balance	—	169,852	770,720
Issuance of preferred shares, net of issuance cost	80,285	—	—
Beneficial conversion feature of redeemable preferred shares	(237)	—	—
Amortization of beneficial conversion feature of redeemable preferred shares	237	—	—
Accretion to redeemable value	89,567	600,868	71,300
Ending balance	169,852	770,720	842,020

The Company engaged an independent valuation firm to assist them in determining the fair values of the preferred and common shares which were estimated as of the date of issuance and at each financial statement reporting date using the "Discounted Cash Flow Method" , the "Guideline Transaction Method" and the "Backsolve Method", where methodologies, approaches and assumptions are consistent with the current working draft of the American Institute of Certified Public Accountants practice aid *Valuation of Privately Held Company Equity Securities Issued as Compensation.* The Guideline Transaction Method is a form of market approach based on the enterprise value to revenue multiples of the Group's own equity transactions close to the valuation date. The Backsolve Method is a form of market approach to valuation that derives the implied equity value for one type of equity security (e.g. common equity) from a contemporaneous transaction involving another type of equity security (e.g., preferred share). The Discounted Cash Flow Method, a form of income approach, estimates the fair value based on projected cash flows at each of the valuation dates. The followings are assumptions in the Discounted Cash Flow Method:

	November 1, 2009	December 31, 2011
Risk-free interest rate	2.05%	2.53%
Volatility	66.61%	66.1%
Dividend yield	—	—
Discount rate	20.50%	16%

The Company estimated the risk-free interest rate based on yield-to-maturities in continuous compounding of the China Government Bond with the time to maturities similar to the Preferred Shares. The Company estimated volatility at the dates of appraisal based on average of historical volatilities of the comparable companies in the same industry. The Company has no history or expectation of paying dividend on the

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17. Convertible redeemable preferred shares (continued)

Accretion (continued)

Preferred Shares. Discount rate is estimated by weighted average cost of capital as at each appraisal date. In addition to the above assumptions adopted, the Company's projections of future performance were also factored into the determination of the fair value of each Preferred Share.

Liquidity Preference

In the event of any liquidation, dissolution or winding up of the Company or any deemed liquidation event (e.g., change in control), the holders of Series B Preferred Shares and Series C Preferred Shares are entitled to receive an amount per share equal to 100% of the original issuance price plus all dividends accrued, or declared and unpaid. Series A Preferred Shares are entitled to receive an amount per share equal to 150% of the original issuance price plus all declared or accrued but unpaid dividends.

If the assets and funds distributed among the holders are insufficient to permit the payment of the full preferential amounts, then the holders of Series C Preferred Shares shall be entitled to be paid first, followed in sequence by Series B Preferred Shares, Series A Preferred Shares and common shares. After payment of the full amounts from above, the remaining assets of the Company available for distribution shall be distributed ratably among the holders of preferred shares and common shares in proportion to the number of outstanding shares held by each holder on an as converted basis.

Dividends

Each holder of Preferred Shares is entitled to receive dividends when and if declared by the Board of Directors of the Company. As long as the Preferred Shares are outstanding, the Company may not pay any dividend to common shareholders until all dividends declared and payable to the preferred shareholders have been paid. In the event the Company shall declare a dividend to the holders of common shares, then in each such case, the holders of the Preferred Shares shall be entitled to a proportionate share of such dividend on an as-converted basis.

Voting rights

Each Preferred Share conveys the right to the shareholder of one vote for each common share upon conversion.

18. Share-based compensation

(a) Share options

i) Pre-2009 Scheme Options

Grant of options

Before the adoption of the Employee Equity Incentive Scheme (the "2009 Incentive Scheme"), 12,705,700 and 8,499,050 share options were granted to employees through individually signed share option agreements, respectively to acquire common shares of Duowan BVI on a one-to-one basis on January 1, 2008 and 2009. In addition, on January 1, 2008, 3,832,290 share options were granted to one non-employee for the provision of consulting services to the Group (collectively defined as "Pre-2009 Scheme Options").

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18. Share-based compensation (continued)

(a) Share options (continued)

i) Pre-2009 Scheme Options (continued)

Vesting of options

These Pre-2009 Scheme Options will vest over a four year service period, with 25% of the options vesting after the first anniversary of the vesting inception date and the remaining 75% in six equal installments over the following 36 months. The options may be exercised provided that both the service conditions and a performance condition are met. The performance condition is defined to be i) an initial public offering, ii) completion of a financing meeting certain criteria, iii) an internal reorganization, or iv) a voluntary winding up of Duowan BVI. The performance condition that is tied to completion of a financing fulfilling certain criteria was met in June 2008 or November 2009.

The following table summarizes the activities of the Pre-2009 Scheme Options for employees and non-employee for the years ended December 31, 2009, 2010 and 2011:

	Number of options	Weighted average exercise price (US$)	Weighted average grant-date fair value (US$)	Weighted average remaining contractual life (years)	Aggregate intrinsic value (US$)
Outstanding, January 1, 2009	16,537,990	0.0041		9.00	512
Granted	8,499,050	0.0067	0.0297		
Forfeited	(369,950)	0.0060			
Outstanding, December 31, 2009	24,667,090	0.0050		8.34	3,799
Exercised/Repurchased[1]	(4,867,170)	0.0025			
Forfeited	(57,330)	0.0067			
Outstanding, December 31, 2010	19,742,590	0.0056		7.39	18,372
Exercised/Repurchased[2]	(1,853,055)	0.0061			
Forfeited	—				
Outstanding, December 31, 2011[3]	17,889,535	0.0055		6.37	19,366
Vested and exercisable at December 31, 2011	15,821,980	0.0054		6.29	17,131
Expected to vest at December 31, 2011	2,026,204	0.0067		7.00	2,191

(1) In connection with the issuance of the Series C-1 Preferred Shares of Duowan BVI in November 2009 (refer to Note 17 to the financial statements, which triggered the exit condition of the Pre-2009 Scheme Options to be met for a trade sale of Duowan BVI. Certain employees and one non-employee were given the opportunity to cash settle their vested options and were simultaneously repurchased by Duowan BVI by utilizing a portion of the proceeds received from the issuance of the Series C-1 Preferred Shares. The repurchase price of each vested option/share was the difference between the stated exercise price of the Pre-2009 Scheme Option and US$0.08, which was the per share issuance price of the Series C-1 Preferred Shares. A total of 4,867,170 Pre-2009 Scheme Options were repurchased by Duowan BVI for cash consideration of RMB2,576 paid by Duowan BVI. The underlying options were cancelled immediately after the repurchase (the “First Repurchase”). The negotiation and execution of the First Repurchase had formed an expectation to the Pre-2009 Scheme Option holders, including employees of the Group and the non-employee, that it was a practice of Duowan BVI to repurchase vested options from the option holders. Accordingly, the Pre-2009 Scheme Options were deemed to be tainted and they were no longer equity-classified awards but liability-classified awards. Such re-designation of the awards was applied to the date when Duowan BVI entered into an definitive agreement with shareholders of the Series C preferred shares on November 22, 2009, which committed Duowan BVI for the First Repurchase. As a result, fair values of the outstanding Pre-2009 Scheme Options had to be re-measured at the end of each reporting period until either the repurchase obligation are extinguished or the holders were exposed to fluctuation the market value of the shares for a period of at least six months, or the awards were settled, cancelled or expire unexercised.

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(All amount in thousands, except share and per share data, unless otherwise stated)

18. Share-based compensation (continued)

(a) Share options (continued)

i) Pre-2009 Scheme Options (continued)

Vesting of options (continued)

(2) In connection with the Series D Common Share Financing (Note 16) in January 2011, certain employees and the non-employee were given the opportunity to cash settle their vested options. The repurchase price of each vested option/share was the difference between the stated exercise price of the Pre-2009 Scheme Option and US$0.9777, which was the per share issuance price of the common shares issued to the new investor. A total of 1,853,055 Pre-2009 Scheme Options were exercised/repurchased by Duowan BVI for cash consideration of RMB11,701 paid by Duowan BVI. The underlying common shares were cancelled immediately after the repurchase (the "Second Repurchase"). Similar offer was made by Duowan BVI to the non-employee holding the Pre-2009 Scheme Options but that non-employee did not take up the offer.

(3) On September 15, 2011, the board of directors of the Company resolved not to undertake any repurchases of vested or unvested share-based compensation awards, except under those conditions specified in the relevant award scheme and grant documents. In addition, any proposed repurchase of vested or unvested share-based compensation awards should be approved by the majority votes of the board of directors. Such intention of the Company was specifically communicated to all employees with or without the awards. All the employees with vested or unvested awards also confirmed such understanding by a written confirmation. Accordingly, the classification of the liability-classified awards changed back to be equity-classified, and the related liability was reclassified to additional paid-in capital on the modification date.

Forfeitures are estimated at the time of grant. If necessary, forfeitures are revised in subsequent periods if actual forfeitures differ from those estimates.

The aggregate intrinsic value in the table above represents the difference between the estimated fair value of Duowan BVI's common shares as of December 31, 2009, 2010, the Company's common shares as of December 31, 2011 and the exercise price.

The Binomial option pricing model is used to determine the fair values of the share options granted to employees and the non-employee. The fair values of share options granted or remeasured during the years ended December 31, 2009, 2010 and 2011 were estimated using the following assumptions:

Pre-2009 Scheme Options granted to employees and a non-employee:

	2009	2010	2011
Risk-free interest rate(1)	2.81%-3.61%	3.01%-3.78%	3.34%-4.01%
Expected term(2)	8-10 years	7-9 years	6-8 years
Volatility rate(3)	62.50%-68.85%	54.60%-61.25%	53.06%-55.34%
Dividend yield(4)	—	—	—

(1) The risk-free interest rate of periods within the contractual life of the share option is based on the China Government Bond yield as at the valuation dates.
(2) The expected term is the remaining contractual life of the option.
(3) Expected volatility is estimated based on the average of historical volatilities of the comparable companies in the same industry as at the valuation dates.
(4) Duowan BVI and the Company has no history or expectation of paying dividend on its common shares. The expected dividend yield was estimated based on the Company's expected dividend policy over the expected term of the option.

The total intrinsic value of options exercised during the year ended December 31, 2009, 2010 and 2011 amounted to nil, RMB5,200 and RMB11,912, respectively.

For the years ended December 31, 2009, 2010 and 2011, the Company recorded share-based compensation of RMB18,921, RMB92,226 and RMB25,683, respectively, using the graded-vesting method for employees and non-employee.

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18. Share-based compensation (continued)

(a) Share options (continued)

i) Pre-2009 Scheme Options (continued)

Vesting of options (continued)

As of December 31, 2011, there was RMB2,725 unrecognized share-based compensation expense relating to Pre-2009 Scheme Options granted to employees and the non-employee. The expense is expected to be recognized over a weighted-average remaining vesting period of 0.82 years using the graded vesting attribution method.

ii) 2009 Incentive Scheme Options

On January 1, 2010, the Board of Directors of Duowan BVI formally approved the 2009 Incentive Scheme dated on December 3, 2009, which permits the grant of share options and restricted shares of up to 118,166,946 shares, to any qualified persons, as determined by the Board of Directors of Duowan BVI. The contractual life of all options under the 2009 Incentive Scheme is ten years.

Up to the date of approval of these financial statements, no options had been granted under the 2009 Incentive Scheme by Duowan BVI or the Company.

(b) Restricted shares

Since January 1, 2010, Duowan BVI granted 61,250,677 restricted shares to employees and 100,000 restricted shares to a non-employee pursuant to the 2009 Incentive Scheme.

Vesting of restricted shares

The restricted shares have vesting conditions and will vest 50% after 24 months of the grant date and the remaining 50% will vest in two equal installments over the next 24 months. Under the restricted shares agreement, no shares may be sold or transferred prior to the occurrence of an exit event, as defined in the respective restricted share agreements as: i) a listing on any recognized stock exchange, ii) a sale by Duowan BVI of all or substantially all of its assets, iii) a sale of all of the issued capital of Duowan BVI, or iv) passing for court order of winding up of Duowan BVI.

If the employee terminates employment, the service vested portion of the restricted shares may be subject to:

(i) repurchase (subject to Company's sole discretion) by Duowan BVI at fair value of common shares of Duowan BVI which is assessed by an independent valuation company; or

(ii) be held by a person who is an existing employee of the Group and is designated by the leaving restricted share holder according to a properly signed escrow agreement to hold such shares for and on his/her behalf. If the leaving employee fails to deliver a properly signed agreement to Duowan BVI within 30 days from receipt of the notification from Duowan BVI, such service vested shares shall automatically lapse and expire.

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18. Share-based compensation (continued)

(b) Restricted shares (continued)

Vesting of restricted shares (continued)

The following table summarizes the restricted shares activity for the years ended December 31, 2010 and 2011:

	Number of restricted shares	Weighted average grant-date fair value (US$)
Outstanding, January 1, 2010	—	—
Granted	50,503,877	0.2934
Forfeited	(2,017,841)	0.2886
Outstanding, December 31, 2010	48,486,036	0.2936
Granted	10,846,800	0.9362
Forfeited	(2,726,024)	0.3917
Vested	(13,321,711)	0.1636
Outstanding, December 31, 2011	43,285,101	0.4885
Expected to vest at December 31, 2011	39,605,867	0.4885

Forfeitures are estimated at the time of grant. If necessary, forfeitures are revised in subsequent periods if actual forfeitures differ from those estimates.

For the years ended December 31, 2010 and 2011, the Company recorded share-based compensation of RMB24,525 and RMB57,805, respectively, using the graded-vesting method for employees and non-employee.

As of December 31, 2011, total unrecognized compensation expense relating to the restricted shares was RMB65,375. The expense is expected to be recognized over a weighted average period of 1.75 years using the graded vesting attribution method.

(c) Share-based awards granted to CEO and Chairman of the Company

On February 23, 2010, the CEO and the Chairman of the Company, also directors and shareholders were granted 13,369,813 and 29,678,483 restricted shares, respectively. The Chairman's shares have a service condition that vest over a four year period (50% after the second anniversary and 25% each year thereafter). Both the CEO's and the Chairman's shares are subject to a performance condition which relates to the number of peak concurrent users on the YY Client. Such performance condition was met as at December 31, 2010.

Pursuant to the provisions stipulated in the grant document relating to these restricted shares grant, upon the occurrence of an Acceleration Event, the restricted shares granted to the Chairman would also become fully vested. An "Accelerated Event" is defined as (i) a Listing, (ii) a sale of all or substantially all of the issued share capital of Duowan BVI, (iii) a sale by Duowan BVI of all or substantially all of its assets, (iv) the passing of an effective resolution or the making of an order of a competent court for the winding up of Duowan BVI.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

18. Share-based compensation (continued)

(c) Share-based awards granted to CEO and Chairman of the Company (continued)

The following table summarizes information regarding the restricted shares granted to the CEO and the Chairman:

	Number of restricted shares	Weighted average grant-date fair value (US$)
Outstanding, January 1, 2010	—	
Granted	43,048,296	0.1875
Vested	(13,369,813)	0.1875
Outstanding, December 31, 2010 and 2011	29,678,483	

The fair value of the share-based awards above was determined at the respective grant dates by the Company with the assistance of an independent valuation company.

The Company recognized these awards as employee share-based compensation awards using fair value of the awards on the grant date. As of December 31, 2010, the performance condition was met. The compensation expense for the CEO's restricted shares was fully recognized and the compensation expense for the Chairman's restricted shares is recognized over the requisite service period using the graded vesting method.

The total fair value of restricted shares vested during the year ended December 31, 2010 and 2011 amounted to RMB16,602 and Nil, respectively.

Share-based compensation expenses related to the awards granted to the CEO and Chairman of RMB28,759 and RMB14,143 were recognized in general and administrative expenses in the consolidated statements of operations and comprehensive loss for the years ended December 31, 2010 and 2011.

As of December 31, 2011, there was RMB9,618 of total unrecognized compensation cost and expense related to the restricted shares. The cost and expense is expected to be recognized over a weighted average period of 1.51 years using the graded vesting attribution method.

(d) Share-based awards for former NeoTasks employees

On December 5, 2008, Duowan BVI granted the two founders of NeoTasks, 26,873,070 warrants to acquire common shares of Duowan BVI in connection with the NeoTasks acquisition for post-combination services at an exercise price of US$0. In October 2009, the Company converted the warrants into restricted shares having the same rights and vesting conditions as the original warrant grants. Accordingly, no incremental charge was recognized in the conversion. The shares were issued to the holders and legally registered in July 2010.

The awards shall vest over the earlier of (i) a three-year period, with one-third of the shares vesting annually or (ii) upon any sale, merger, amalgamation, liquidation or listing of Duowan BVI or the sale by Duowan BVI of all or substantially all of its assets (the "Awards to NeoTasks Founders").

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18. Share-based compensation (continued)

(d) Share-based awards for former NeoTasks employees (continued)

The following table summarizes information regarding the share-based award granted:

	Number of warrants	Number of restricted shares
Outstanding, January 1, 2009	26,873,070	—
Exercise of warrant with exercise price of US$0	(26,873,070)	26,873,070
Vested	—	(7,781,690)
Repurchases(1)	—	(1,176,000)
Outstanding, December 31, 2009	—	17,915,380
Vested	—	(8,957,690)
Outstanding, December 31, 2010	—	8,957,690
Vested	—	(8,957,690)
Outstanding, December 31, 2011(2)	—	—

(1) In connection with the First Repurchase occurred in November 2009, Duowan BVI repurchased a portion of their vested restricted shares by utilizing a portion of the proceeds obtained from the Series C preferred shares issuance. The negotiation and execution of the First Repurchase had formed an expectation to the holders of Awards to NeoTasks Founders that it was a practice of Duowan BVI to repurchase the vested restricted shares held by them. The Awards to NeoTasks Founders were deemed to be tainted and they were no longer equity-classified awards but liabilities-classified awards effective from November 2009. The awards would be re-measured at the end of each reporting period until either the repurchase obligation was extinguished or the awards holders were exposed to fluctuation of the market value of the shares for a period of at least six months, or the awards are settled, cancelled or expire unexercised.

(2) On September 15, 2011, the board of directors of the Company resolved not to undertake any repurchases of vested or unvested share-based compensation awards, except under those conditions specified in the relevant award scheme and grant documents. In addition, any proposed repurchase of vested or unvested share-based compensation awards should be approved by the majority votes of the board of directors. Such intention of the Company was specifically communicated to all employees with or without the awards. All the employees with vested or unvested awards also confirmed such understanding by a written confirmation.

Accordingly, the classification of the liability-classified awards changed back to be equity- classified, and the related liability was reclassified to additional paid-in capital on the modification date.

The fair value of the restricted shares above was determined at the grant date. Effective from the re-designation of the award as liability-classified, it was re-measured at the end of each reporting date by the Company with the assistance of an independent valuation company. The change in fair value was recognized in the consolidated statements of operations and comprehensive loss. After the award was changed back to equity-classified awards, it was measured based on the fair value of the awards on September 15, 2011, and the expenses to be recognized over the remaining requisite service period using the graded vesting attribution method.

Share-based compensation expenses related to the above share-based award of RMB17,561, RMB91,426 and RMB27,726 were recognized in general and administrative expenses in the consolidated statements of operations and comprehensive loss for the years ended December 31, 2009, 2010 and 2011, respectively.

As of December 31, 2011, there were no unrecognized compensation costs related to restricted shares for NeoTasks acquisition.

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18. Share-based compensation (continued)

(e) Restricted Share Units

On September 16, 2011, the Board of the Directors of the Company approved the 2011 Share Incentive Plan, which permits the grant of share options, restricted shares and restricted share units of up to 43,000,000 shares, to any qualified persons, as determined by the Board of the Directors of the Company. On the same date, the Company granted 9,097,000 restricted share units to employees pursuant to the 2011 Share Incentive Plan, that are subject to vesting over a four to five year period. No restricted share units were granted to non-employees as at December 31, 2011.

The following table summarizes the restricted share units activity for the year ended December 31, 2011:

	Number of restricted shares	Weighted average grant-date fair value (US$)
Outstanding, December 31, 2010	—	
Granted	9,097,000	1.0630
Forfeited	(100,700)	
Outstanding, December 31, 2011	8,996,300	
Vested at December 31, 2011	—	
Expected to vest at December 31, 2011	8,699,422	

For the year ended December 31, 2011, the Company recorded share-based compensation of RMB9,644, using the graded-vesting attribution method.

As of December 31, 2011, total unrecognized compensation expense relating to the restricted share units was RMB49,317. The expense is expected to be recognized over a weighted average period of 2.66 years using the graded vesting attribution method.

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18. Share-based compensation (continued)

(f) Movements of equity-classified and liability-classified awards

The table below shows the movements and details of various equity-classified and liability-classified awards granted by the Company to its employees and non-employee for the years ended December 31, 2009, 2010 and 2011:

	Equity-classified Awards (RMB)						Liability-classified Awards (RMB)			
	Pre-2009 Scheme options	2009 Incentive Scheme–restricted shares	2011 Incentive Scheme–restricted share units	Share-based awards to CEO and Chairman	Awards to NeoTasks Founders	Sub-total	Pre-2009 Scheme options	Awards to NeoTasks Founders	Sub-total	Total
Balance as at January 1, 2009	**1,066**	**—**	**—**	**2,049**	**310**	**3,425**	**—**	**—**	**—**	**3,425**
Share-based compensation expenses	71	—	—	—	3,407	3,478	18,850	14,154	33,004	36,482
Reclassifications										
— From equity-awards to liability-awards*	(1,137)	—	—	—	(3,717)	(4,854)	1,137	3,717	4,854	—
Exercised/Repurchased	—	—	—	—	—	—	—	(642)	(642)	(642)
Foreign currency translation adjustment	—	—	—	—	—	—	(1)	—	(1)	(1)
Balance as at December 31, 2009	**—**	**—**	**—**	**2,049**	**—**	**2,049**	**19,986**	**17,229**	**37,215**	**39,264**
Balance as at January 1, 2010	—	—	—	2,049	—	2,049	19,986	17,229	37,215	39,264
Share-based compensation expenses	—	24,525	—	28,759	—	53,284	92,226	91,426	183,652	236,936
Exercised/Repurchased	—	—	—	—	—	—	(2,576)	—	(2,576)	(2,576)
Reclassifications										
— From liability-awards to common share**	—	—	—	—	—	—	—	(14,028)	(14,028)	(14,028)
Foreign currency translation adjustment	—	—	—	—	—	—	(601)	(538)	(1,139)	(1,139)
Balance as at December 31, 2010	**—**	**24,525**	**—**	**30,808**	**—**	**55,333**	**109,035**	**94,089**	**203,124**	**258,457**
Balance as at January 1, 2011	—	24,525	—	30,808	—	55,333	109,035	94,089	203,124	258,457
Share-based compensation expenses	2,219	57,805	9,644	14,143	3,359	87,170	23,464	24,367	47,831	135,001
Exercised/Repurchased	—	—	—	—	—	—	(11,701)	—	(11,701)	(11,701)
Reclassifications										
— From liability-awards to common share**	—	—	—	—	—	—	—	(57,692)	(57,692)	(57,692)
— From liability-awards to equity awards***	116,328	—	—	—	57,602	173,930	(116,328)	(57,602)	(173,930)	—
Foreign currency translation adjustment	—	—	—	—	—	—	(4,470)	(3,162)	(7,632)	(7,632)
Balance as at December 31, 2011	**118,547**	**82,330**	**9,644**	**44,951**	**60,961**	**316,433**	**—**	**—**	**—**	**316,433**

* As detailed in Note 18(a) and (d), the share options and the restricted shares to NeoTasks founders were tainted and they were reclassified from equity-classified awards to liability-classified awards in November 2009 accordingly.

** During the year ended December 31, 2010 and 2011, the restricted shares to NeoTasks founders were held by NeoTasks Founders for more than six months, therefore, the related awards amounting to RMB14,028 and RMB57,692 were reclassified back to common share respectively.

*** As detailed in Note 18(a) and (d), the share options and the restricted shares to NeoTasks founders were reclassified from liability-classified awards to equity-classified awards in September 2011, accordingly.

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19. Basic and diluted net loss per share

Basic and diluted net loss per share for the years ended December 31, 2009, 2010 and 2011 are calculated as follows:

	For the year ended December 31,		
	2009 RMB	2010 RMB	2011 RMB
Numerator:			
Net loss attributable to the Company	(47,116)	(238,857)	(83,156)
Amortization of beneficial conversion feature	(237)	—	—
Accretion to convertible redeemable preferred shares redemption value	(283,179)	(1,808,853)	(223,663)
Deemed dividend to Series A preferred shareholders	(19)	—	—
Deemed dividend to Series B preferred shareholders	(176)	—	—
Allocation of net income to participating preferred shareholders	—	—	—
Numerator of basic net loss per share	(330,727)	(2,047,710)	(306,819)
Dilutive effect of preferred shares	—	—	—
Numerator for diluted loss per share	(330,727)	(2,047,710)	(306,819)
Denominator:			
Denominator for basic and diluted net loss per share-weighted average shares outstanding	407,613,328	406,304,672	485,883,845
Basic net loss per share	(0.81)	(5.04)	(0.63)
Diluted net loss per share	(0.81)	(5.04)	(0.63)

The Company’s preferred shares are participating securities and as such would be included in the calculation of basic earnings per share under the two-class method. According to the contractual terms of the preferred shares, the preferred shares do not have a contractual obligation to share in the losses of the Company. Therefore no loss was allocated to the preferred shares in the computation of basic loss per share for the years ended December 31, 2009, 2010 and 2011.

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19. Basic and diluted net loss per share (continued)

The Preferred Shares, share-based awards for former NeoTasks employees, the share-based awards granted to the CEO and Chairman, share option, restricted shares, restricted share units and warrants to an independent institutional investor were excluded from the computation of diluted net loss per common share for the periods presented because including them would have had an anti-dilutive effect. The following table summarizes information regarding weighted average of common shares equivalents which were excluded from the computation of diluted net loss per common share:

	For the year ended December 31,		
	2009	2010	2011
Preferred shares-weighted average	251,130,218	359,424,310	359,424,310
Share-based awards for NeoTasks acquisition-weighted average	26,234,988	17,277,298	8,319,608
Share-based awards granted to CEO and Chairman-weighted average	—	36,679,507	29,678,483
Share options-weighted average	24,930,643	19,805,981	18,488,604
Restricted shares-weighted average	—	38,138,860	54,045,124
Restricted share units-weighted average	—	—	2,625,039
Warrants to an independent institutional investor-weighted average	—	—	12,609,970

20. Related party transactions

The table below sets forth the related parties and their relationships with the Group:

Related Party	Relationship with the Group
Zhuhai Daren Computer Technology Company Limited ("Zhuhai Daren")	Equity Investment
Guangzhou Shanghang Information Technical Co., Ltd. ("Shanghang")	Significant influence exercised by the Chairman as key shareholder

During the years ended December 31, 2009, 2010 and 2011, significant related party transactions were as follows:

	For the year ended December 31,		
	2009 RMB	2010 RMB	2011 RMB
Online game revenue sharing from Zhuhai Daren	822	1,683	4,451
Bandwidth costs paid to Shanghang	—	1,760	21,985
Interest-free loan to Zhuhai Daren	—	1,500	500

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

20. Related party transactions (continued)

As of December 31, 2010 and 2011, the amounts due from/to related parties were as follows:

	December 31,	
	2010 RMB	2011 RMB
Amount due from a related party		
Other receivables from Zhuhai Daren	1,500	2,000
Amounts due to related parties		
Account payables to Zhuhai Daren	386	793
Other payables to Shanghang	828	77
Total	1,214	870

The other receivables/payables from/to related parties are unsecured, interest-free and payable on demand.

21. Fair value measurements

Fair value reflects the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Group considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the assets or liabilities.

The Group applies a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. This guidance specifies a hierarchy of valuation techniques, which is based on whether the inputs into the valuation technique are observable or unobservable. The hierarchy is as follows:

Level 1—Valuation techniques in which all significant inputs are unadjusted quoted prices from active markets for assets or liabilities that are identical to the assets or liabilities being measured.

Level 2—Valuation techniques in which significant inputs include quoted prices from active markets for assets or liabilities that are similar to the assets or liabilities being measured and/or quoted prices for assets or liabilities that are identical or similar to the assets or liabilities being measured from markets that are not active. Also, model-derived valuations in which all significant inputs and significant value drivers are observable in active markets are Level 2 valuation techniques.

Level 3—Valuation techniques in which one or more significant inputs or significant value drivers are unobservable. Unobservable inputs are valuation technique inputs that reflect the Group's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The fair value guidance describes three main approaches to measure the fair value of assets and liabilities: (1) market approach; (2) income approach and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

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(All amount in thousands, except share and per share data, unless otherwise stated)

21. Fair value measurements (continued)

When available, the Group uses quoted market prices to determine the fair value of an asset or liability. If quoted market prices are not available, the Group will measure fair value using valuation techniques that use, when possible, current market-based or independently sourced market parameters, such as interest rates and currency rates. The Group did not have any financial instruments that were required to be measured at fair value on a recurring basis as of December 31, 2010 and 2011.

The Group's financial instruments consist principally of cash, short-term deposits, accounts receivable, amounts due to/from related parties, accounts payable and certain accrued expenses. The recorded values of cash, accounts receivable, amounts due to/from related parties, accounts payable and certain accrued expenses are recorded at cost which approximates fair value.

22. Commitments and contingencies

(a) Operating lease commitments

The Group leases facilities in the PRC under non-cancellable operating leases expiring on different dates.
Payments under operating leases are expensed on a straight-line basis over the periods of the respective leases.

Total office rental expenses under all operating leases were RMB1,853, RMB4,506 and RMB6,361 for the years ended December 31, 2009, 2010 and 2011, respectively.

As of December 31, 2011, future minimum payments under non-cancellable operating leases consist of the following:

	Office rental RMB
2012	10,987
2013	12,448
2014	13,561
2015 and thereafter	13,837
	50,833

(b) Capital commitment

As of December 31, 2011, total capital commitments for leasehold improvement, which was contracted but not yet reflected in the financial statements, amounted to RMB920.

(c) Litigation

The Group is not currently a party to, nor is aware of, any legal proceeding, investigation or claim which is likely to have a material adverse effect on the Group's business, financial condition, results or operations, or cash flows. The Group did not record any legal contingencies as of December 31, 2011.

23. Subsequent events

The Group evaluated subsequent events through July 13, 2012, which was the date which these financial statements were issued.

(a) On February 2, 2012, the Group disposed of a cost investment to the chairman of the Company, who is also a director and a shareholder, for a cash consideration of RMB1,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

23. Subsequent events (continued)

(b) On March 12, 2012, the Group acquired the business of an internet platform for cash consideration of RMB11,722.

(c) On January 1 and March 31, 2012, the Group granted 1,668,000 and 6,597,921 restricted share units under the 2011 Incentive Scheme, respectively. The fair value of the restricted share units at the grant date was US$1.0869 and US$1.1530, respectively.

24. Restricted net assets

Relevant PRC laws and regulations permit payments of dividends by the Group's subsidiaries, the VIE and the subsidiary of the VIE incorporated in the PRC only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. In addition, the Company's subsidiaries, the VIE and the subsidiary of the VIE incorporated in the PRC are required to annually appropriate 10% of their net after-tax income to the statutory general reserve fund prior to payment of any dividends, unless such reserve funds have reached 50% of their respective registered capital. As a result of these and other restrictions under PRC laws and regulations, the Group's subsidiaries, the VIE and the subsidiary of the VIE incorporated in the PRC are restricted in their ability to transfer a portion of their net assets to the Company either in the form of dividends, loans or advances, which restricted portion as calculated under US GAAP amounted to approximately RMB84,501 and RMB151,096 as of December 31, 2010 and 2011, respectively. There are no differences between US GAAP and PRC accounting standards in connection with the reported net assets of the legally owned subsidiaries in the PRC and the VIEs. Even though the Company currently does not require any such dividends, loans or advances from the PRC entities for working capital and other funding purposes, the Company may in the future require additional cash resources from them due to changes in business conditions, to fund future acquisitions and development, or merely to declare and pay dividends or distributions to our shareholders. Except for the above, there is no other restriction on use of proceeds generated by the Group's subsidiaries, the VIE and the subsidiary of the VIE to satisfy any obligations of the Company.

25. Additional information: condensed financial statements of the Company

Rule 12-04(a) and 4-08(e)(3) of Regulation S-X require condensed financial information as to financial position, changes in financial position and results of operations of a parent company as of the same dates and for the same periods for which audited consolidated financial statements have been presented when the restricted net assets of consolidated and unconsolidated subsidiaries together exceed 25 percent of consolidated net assets as of the end of the most recently completed fiscal year. However, the Group was only reorganized with the Company being the ultimate holding company of the Group upon the completion of the Share Swap on September 6, 2011 as described in Note 1. Therefore, condensed financial statements for 2009 and 2010 relate to Duowan BVI and for 2011 relate to the Company. The Company records its investments in its subsidiaries and VIEs under the equity method of accounting. Such investments are presented on the separate condensed balance sheets of the Company as "Long-term investments in subsidiaries and VIEs".

The subsidiaries did not pay any dividends to the Company for the years presented. Certain information and footnote disclosures generally included in financial statements prepared in accordance with US GAAP have been condensed and omitted. The footnote disclosures represent supplemental information relating to the operations of the Company, as such, these statements should be read in conjunction with the notes to the consolidated financial statements of the Group.

As of December 31, 2010 and 2011, the Company had no significant capital and other commitments, long-term obligations, or guarantee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

25. Additional information: condensed financial statements of the Company (continued)

Condensed balance sheets

	As of December 31,		
	2010 RMB (a)	2011 RMB (b)	2011 US$
Assets			
Current assets			
Cash and cash equivalents	22,013	—	—
Short-term deposits	—	—	—
Interest Receivables	—	—	—
Due from employees	970	—	—
Due from subsidiaries and VIE	—	—	—
Total current assets	22,983	—	—
Non-current assets			
Intangible assets, net	11,307	—	—
Investments in subsidiaries and consolidated VIEs	75,007	619,241	98,449
Other non-current assets	—	—	—
Total non-current assets	86,314	619,241	98,449
Total assets	109,297	619,241	98,449
Current liabilities			
Accrued liabilities and other payables	203,531	—	—
Total liabilities	203,531	—	—
Mezzanine equity			
Series A convertible redeemable preferred shares (US$0.00001 par value, 136,100,930 shares authorized, issued and outstanding as of December 31, 2010 and 2011)	846,752	935,013	148,651
Series B convertible redeemable preferred shares (US$0.00001 par value, 102,073,860 shares authorized, issued and outstanding as of December 31, 2010 and 2011)	639,799	703,901	111,908
Series C-1 convertible redeemable preferred shares (US$0.00001 par value, 16,249,870 shares authorized, issued and outstanding as of December 31, 2010 and 2011)	102,754	112,556	17,894
Series C-2 convertible redeemable preferred shares (US$0.00001 par value, 104,999,650 shares authorized, issued and outstanding as of December 31, 2010 and 2011)	667,966	729,464	115,972
Shareholders' deficit			
Common shares (US$0.00001 par value; 946,074,577 and 1,022,785,225 shares authorized, 466,630,266 and 543,340,914 shares issued and outstanding as of December 31, 2010 and 2011, respectively)	32	37	6
Additional paid-in capital	—	584,093	92,861
Accumulated deficits	(2,350,448)	(2,433,604)	(386,900)
Accumulated other comprehensive loss	(1,089)	(12,219)	(1,943)
Total shareholders' deficit	(2,351,505)	(1,861,693)	(295,976)
Total liabilities, mezzanine equity and shareholders' deficit	109,297	619,241	98,449

(a) Represents condensed balance sheet of Duowan BVI for 2010
(b) Represents condensed balance sheet of the Company for 2011

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

25. Additional information: condensed financial statements of the Company (continued)

Condensed statements of operations and comprehensive loss

	For the year ended December 31,			
	2009 RMB (a)	2010 RMB (a)	2011 RMB (b)	2011 US$
Operating expenses				
General and administrative expenses	(32)	(2,489)	—	—
Operating loss	**(32)**	**(2,489)**	**—**	**—**
Share of losses from subsidiaries and VIEs	(47,084)	(236,368)	(83,156)	(13,221)
Net loss	**(47,116)**	**(238,857)**	**(83,156)**	**(13,221)**
Amortization of beneficial conversion feature	(237)	—	—	—
Accretion to convertible redeemable preferred shares redemption value	(283,179)	(1,808,853)	(223,663)	(35,559)
Deemed dividend to Series A preferred shareholders	(19)	—	—	—
Deemed dividend to Series B preferred shareholders	(176)	—	—	—
Net loss attributable to common shareholders	**(330,727)**	**(2,047,710)**	**(306,819)**	**(48,780)**
Net loss	(47,116)	(238,857)	(83,156)	(13,221)
Other comprehensive income (loss):				
Foreign currency translation adjustment, net of nil tax	2	(935)	—	—
Comprehensive loss	(47,114)	(239,792)	(83,156)	(13,221)

(a) Represents condensed statements of operations and comprehensive loss of Duowan BVI for 2009 and 2010
(b) Represents condensed statement of operations and comprehensive loss of the Company for 2011

Condensed statement of cash flows

	For the year ended December 31,			
	2009 RMB (a)	2010 RMB (a)	2011 RMB (b)	2011 US$
Net cash used in operating activities	(33)	(2,436)	—	—
Net cash used in investing activities	(10,941)	(66,432)	—	—
Net cash provided by/(used in) financing activities	74,629	(3,138)	—	—
Net increase/(decrease) in cash and cash equivalents	**63,655**	**(72,006)**	**—**	**—**
Cash and cash equivalents at the beginning of the year	32,070	95,726	—	—
Effect of exchange rates on cash and cash equivalents	1	(1,707)	—	—
Cash and cash equivalents at the end of the year	**95,726**	**22,013**	**—**	**—**

(a) Represents condensed statements of cash flows of Duowan BVI for 2009 and 2010
(b) Represents condensed statement of cash flows of the Company for 2011

26. Unaudited pro forma balance sheet and earnings per share for conversion of preferred shares

All of the Preferred Shares shall automatically be converted into common shares at the conversion ratio of one preferred share to one common share immediately prior to (i) the closing of the Qualified IPO or (ii) at the election of a majority of the Series A Holders, a majority of the Series B Holders and a majority of the Series C Holders (each voting or consenting as a separate class).

The unaudited pro forma balance sheet as of December 31, 2011 presents an adjusted financial position as if the conversion of the preferred shares into common shares occurred on December 31, 2011. Accordingly, the carrying value of the preferred shares, in the amount of RMB2,480,934, was reclassified from preferred shares to common shares and additional paid in capital for such pro forma presentation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

26. Unaudited pro forma balance sheet and earnings per share for conversion of preferred shares (continued)

The unaudited pro forma loss per share for the year ended December 31, 2011 after giving effect to the conversion of the Preferred Shares into common shares as if the conversion occurred at January 1, 2011, respectively was as follows:

	For the year ended December 31, 2011 RMB
Numerator:	
Net loss attributable to common shareholders	(306,819)
Pro forma effect of conversion of Preferred Shares	223,663
Pro forma net loss attributable to common shareholders—Basic and diluted	(83,156)
Denominator:	
Denominator for basic calculation—weighted average number of common shares outstanding	485,883,845
Pro forma effect of conversion of Preferred Shares	359,424,310
Denominator for pro forma basic and diluted calculation	845,308,155
Pro forma basic net loss per share attributable to common shareholders	(0.0984)
Pro forma diluted net loss per share attributable to common shareholders	(0.0984)

For the year ended December 31, 2011, of the 18,488,604 share options, 29,678,483 share-based awards granted to CEO and Chairman, 8,319,608 share-based awards for former NeoTasks employees and 12,609,970 warrants to an independent institutional investor, 54,045,124 restricted shares and 2,625,039 restricted share units were excluded from the computation of diluted net loss per common share for the periods presented because including them would have an anti-dilutive effect.

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UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2011 AND JUNE 30, 2012

(All amounts in thousands, except share and per share data)

	Notes	As of December 31, 2011	As of June 30, 2012			
		2011	2012	2012	2012	2012
		RMB	RMB	US$ (Note 2(b))	RMB Pro forma (Note 21)	US$ Pro forma (Note 21) (Note 2(b))
Assets						
Current assets						
Cash and cash equivalents	4	128,891	187,934	29,582	187,934	29,582
Short-term deposits		472,655	507,060	79,814	507,060	79,814
Accounts receivable, net	5	47,022	64,431	10,142	64,431	10,142
Amounts due from related parties	16	2,000	1,973	311	1,973	311
Prepayments and other current assets		9,742	14,181	2,232	14,181	2,232
Deferred tax assets		12,487	22,539	3,548	22,539	3,548
Total current assets		672,797	798,118	125,629	798,118	125,629
Non-current assets						
Deferred tax assets		329	604	94	604	94
Investments	6	5,244	4,417	695	4,417	695
Property and equipment, net	7	53,582	75,126	11,825	75,126	11,825
Intangible assets, net	8	10,814	21,001	3,306	21,001	3,306
Goodwill		706	1,607	253	1,607	253
Other non-current assets		1,954	2,279	359	2,279	359
Total non-current assets		72,629	105,034	16,532	105,034	16,532
Total assets		**745,426**	**903,152**	**142,161**	**903,152**	**142,161**
Liabilities and shareholders' equity						
Current liabilities						
Accounts payable		16,114	23,250	3,660	23,250	3,660
Deferred revenue	9	40,357	84,833	13,353	84,833	13,353
Advances from users		2,453	4,202	661	4,202	661
Income taxes payable		16,872	31,805	5,006	31,805	5,006
Accrued liabilities and other current liabilities	10	49,071	60,836	9,576	60,836	9,576
Amounts due to related parties	16	870	763	120	763	120
Total current liabilities		125,737	205,689	32,376	205,689	32,376
Non-current liabilities						
Deferred revenue	9	448	1,255	198	1,255	198
Total liabilities		**126,185**	**206,944**	**32,574**	**206,944**	**32,574**
Commitments and contingencies	18					

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UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2011 AND JUNE 30, 2012 (CONTINUED)
(All amounts in thousands, except share and per share data)

	Notes	As of December 31, 2011	As of June 30,			
		2011	2012	2012	2012	2012
		RMB	RMB	US$ (Note 2(b))	RMB Pro forma (Note 21)	US$ Pro forma (Note 21) (Note 2(b))
Mezzanine equity						
Series A convertible redeemable preferred shares (US$0.00001 par value, 136,100,930 shares authorized, issued and outstanding as of December 31, 2011 and June 30, 2012 (unaudited), and none outstanding on a pro forma basis as of June 30, 2012 (unaudited))		935,013	983,057	154,739	—	—
Series B convertible redeemable preferred shares (US$0.00001 par value, 102,073,860 shares authorized, issued and outstanding as of December 31, 2011 and June 30, 2012 (unaudited), and none outstanding on a pro forma basis as of June 30, 2012 (unaudited))		703,901	739,903	116,465	—	—
Series C-1 convertible redeemable preferred shares (US$0.00001 par value, 16,249,870 shares authorized, issued and outstanding as of December 31, 2011 and June 30, 2012 (unaudited), and none outstanding on a pro forma basis as of June 30, 2012 (unaudited))		112,556	118,276	18,617	—	—
Series C-2 convertible redeemable preferred shares (US$0.00001 par value, 104,999,650 shares authorized, issued and outstanding as of December 31, 2011 and June 30, 2012 (unaudited), and none outstanding on a pro forma basis as of June 30, 2012 (unaudited))		729,464	766,319	120,623	—	—

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2011 AND JUNE 30, 2012 (CONTINUED)

(All amounts in thousands, except share and per share data)

	Notes	As of December 31, 2011	As of June 30,			
			2012	2012	2012	2012
		RMB	RMB	US$ (Note 2(b))	RMB Pro forma (Note 21)	US$ Pro forma (Note 21) (Note 2(b))
Shareholders' (deficits) equity						
Common shares (US$0.00001 par value; 1,022,785,225 shares authorized, 543,340,914 shares issued and outstanding as of December 31, 2011 and June 30, 2012 (unaudited) and 902,765,224 outstanding on a pro forma basis as of June 30, 2012 (unaudited))	13	37	37	6	61	9
Additional paid-in capital		584,093	511,732	80,550	3,119,263	490,991
Accumulated deficits		(2,433,604)	(2,412,788)	(379,787)	(2,412,788)	(379,787)
Accumulated other comprehensive losses		(12,219)	(10,328)	(1,626)	(10,328)	(1,626)
Total shareholders' (deficits) equity		(1,861,693)	(1,911,347)	(300,857)	696,208	109,587
Total liabilities, mezzanine equity and shareholders' (deficits) equity		**745,426**	**903,152**	**142,161**	**903,152**	**142,161**

The accompanying notes are an integral part of these consolidated financial statements.

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UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2012
(All amounts in thousands, except share and per share data)

	Notes	For the six months ended June 30,		
		2011	2012	2012
		RMB	RMB	US$ (Note 2(b))
Net revenues				
Internet value-added services				
—Online game		71,679	150,398	23,674
—YY music		9,645	92,721	14,595
—Others		1,969	30,961	4,873
Online advertising		35,467	50,370	7,929
Total net revenues		118,760	324,450	51,071
Cost of revenues[(1)]	11	(78,349)	(164,138)	(25,836)
Gross profit		40,411	160,312	25,235
Operating expenses[(1)]				
Research and development expenses		(43,215)	(77,809)	(12,248)
Sales and marketing expenses		(7,917)	(4,862)	(765)
General and administrative expenses		(59,165)	(50,170)	(7,897)
Total operating expenses		(110,297)	(132,841)	(20,910)
Government grants		—	671	106
Operating (loss) income		(69,886)	28,142	4,431
Foreign currency exchange gains (loss), net		4,014	(1,786)	(281)
Interest income		1,348	5,986	942
(Loss) income before income tax expenses		(64,524)	32,342	5,092
Income tax expenses	12	(3,365)	(11,152)	(1,755)
(Loss) income before loss in equity method investments, net of income taxes		(67,889)	21,190	3,337
Loss in equity method investments, net of income taxes		(746)	(374)	(60)
Net (loss) income attributable to YY Inc.		(68,635)	20,816	3,277
Accretion to convertible redeemable preferred shares redemption value		(157,859)	(126,621)	(19,931)
Net loss attributable to common shareholders		**(226,494)**	**(105,805)**	**(16,654)**
Net (loss) income		(68,635)	20,816	3,277
Other comprehensive (loss) income:				
Foreign currency translation adjustments, net of nil tax		(1,160)	1,891	298
Comprehensive (loss) income attributable to YY Inc.		**(69,795)**	**22,707**	**3,575**
Net loss per share				
—basic	15	(0.48)	(0.20)	(0.03)
—diluted	15	(0.48)	(0.20)	(0.03)
Weighted average number of common shares used incalculating—basic loss per share	15	467,627,928	537,420,517	537,420,517
Weighted average number of common shares used incalculating—diluted loss per share	15	467,627,928	537,420,517	537,420,517

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UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2012 (CONTINUED)

(All amounts in thousands, except share and per share data)

(1) Share-based compensation was allocated in cost of revenues and operating expenses as follows:

	Notes	For the six months ended June 30,		
		2011	2012	2012
		RMB	RMB	US$ (Note 2(b))
Cost of revenues		9,240	4,386	690
Research and development expenses		13,887	19,731	3,106
Sales and marketing expenses		660	500	79
General and administrative expenses		48,181	29,643	4,666

The accompanying notes are an integral part of these consolidated financial statements.

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UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICITS FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2012
(All amounts in thousands, except share and per share data)

	Notes	Common shares		Additional paid-in capital	Accumulated deficits	Accumulated other comprehensive losses	Total shareholders' deficits
		Number of shares	Amount				
		Note 13	RMB	RMB	RMB	RMB	RMB
Balance as of December 31, 2011		**543,340,914**	**37**	**584,093**	**(2,433,604)**	**(12,219)**	**(1,861,693)**
Share-based compensation—share options	14	—	—	2,119	—	—	2,119
Share-based compensation—restricted shares	14	—	—	25,775	—	—	25,775
Share-based compensation—restricted share units	14	—	—	22,350	—	—	22,350
Share-based compensation—restricted shares to the CEO and Chairman	14	—	—	4,016	—	—	4,016
Accretion of Series A convertible redeemable preferred shares to redemption value		—	—	(48,044)	—	—	(48,044)
Accretion of Series B convertible redeemable preferred shares to redemption value		—	—	(36,002)	—	—	(36,002)
Accretion of Series C convertible redeemable preferred shares to redemption value		—	—	(42,575)	—	—	(42,575)
Components of comprehensive income							
Net income		—	—	—	20,816	—	20,816
Foreign currency translation adjustment, net of nil tax		—	—	—	—	1,891	1,891
Balance as of June 30, 2012		**543,340,914**	**37**	**511,732**	**(2,412,788)**	**(10,328)**	**(1,911,347)**

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UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICITS FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2012 (CONTINUED)
(All amounts in thousands, except share and per share data)

	Notes	Common shares		Additional paid-in capital	Accumulated deficits	Accumulated other comprehensive losses	Total shareholders' deficits
		Number of shares	Amount				
		Note 13	RMB	RMB	RMB	RMB	RMB
Balance as of December 31, 2010		**466,630,266**	**32**	**—**	**(2,350,448)**	**(1,089)**	**(2,351,505)**
Issuance of common shares		51,140,432	3	328,129	—	—	328,132
Share-based compensation—restricted shares	14	—	—	30,586	—	—	30,586
Share-based compensation—restricted shares to the CEO and Chairman	14	—	—	7,174	—	—	7,174
Transferred from matured liability award for NeoTasks founders		—	—	57,692	—	—	57,692
Accretion of Series A convertible redeemable preferred shares to redemption value		—	—	(63,151)	—	—	(63,151)
Accretion of Series B convertible redeemable preferred shares to redemption value		—	—	(45,372)	—	—	(45,372)
Accretion of Series C convertible redeemable preferred shares to redemption value		—	—	(49,336)	—	—	(49,336)
Components of comprehensive losses							
Net loss		—	—	—	(68,635)	—	(68,635)
Foreign currency translation adjustment, net of nil tax		—	—	—	—	(1,160)	(1,160)
Balance as of June 30, 2011		**517,770,698**	**35**	**265,722**	**(2,419,083)**	**(2,249)**	**(2,155,575)**

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2012
(All amounts in thousands)

	Notes	For the six months ended June 30, 2011	2012	2012
		RMB	RMB	US$ (Note 2(b))
Cash flows from operating activities				
Net (loss) income		(68,635)	20,816	3,277
Adjustments to reconcile net (loss) income to net cash provided by operating activities				
Depreciation of property and equipment	7	5,068	11,256	1,772
Amortization of acquired intangible assets	8	618	1,328	209
Allowance for doubtful accounts	5	—	1,969	310
Gain on disposal of property and equipment		(66)	—	—
Impairment of cost investment		—	453	71
Share-based compensation	14	71,968	54,260	8,541
Share of loss from equity investments		746	374	60
Deferred income taxes, net	12	(1,952)	(10,327)	(1,626)
Foreign exchange gains (loss), net		(4,014)	1,786	281
Changes in operating assets and liabilities, net				
Accounts receivable	5	(17,187)	(19,378)	(3,050)
Prepayments and other current assets		1,209	(4,734)	(745)
Amounts due from a related party	16	—	72	11
Amounts due to related parties	16	(446)	(107)	(17)
Accounts payable		2,247	225	35
Deferred revenue	9	2,892	45,283	7,128
Advances from users		623	1,749	275
Income taxes payable		5,317	14,933	2,351
Accrued liabilities and other current liabilities		14,109	11,765	1,851
Net cash provided by operating activities		12,497	131,723	20,734
Cash flows from investing activities				
Placements of short-term deposits		(382,935)	(364,405)	(57,360)
Maturities of short-term deposits		84,233	330,000	51,944
Purchase of property and equipment		(18,457)	(25,779)	(4,058)
Purchase of intangible assets		(219)	(813)	(128)
Cash paid for equity investments		(4,500)	(1,000)	(157)
Cash paid for cost investments		(1,000)	—	—
Cash received from disposal of cost investment	6	—	1,000	157
Consideration paid in connection with business acquisition	3	—	(11,722)	(1,845)
Loan to a related party	16	(500)	(700)	(110)
Repayment of loan from related parties	16	—	1,100	173
Loans to employees		(1,025)	(791)	(125)
Repayment of loans from employees		48	316	50
Proceeds from disposal of property and equipment		374	17	3
Net cash used in investing activities		(323,981)	(72,777)	(11,456)
Cash flows from financing activities				
Proceeds from issuance of common shares and warrants, net of issuance costs	13	328,132	—	—
Repurchase of vested share options		(11,087)	—	—
Net cash provided by financing activities		317,045	—	—
Net increase in cash and cash equivalents		**5,561**	**58,946**	**9,278**
Cash and cash equivalents at the beginning of the period		83,683	128,891	20,288
Effect of exchange rates change on cash and cash equivalents		(2,153)	97	16
Cash and cash equivalents at the end of the period		**87,091**	**187,934**	**29,582**
Supplemental disclosure of cash flows information				
—Employee loans settled with repurchase of vested share options		614	—	—
—Income taxes paid		—	(6,546)	(1,030)

The accompanying notes are an integral part of these consolidated financial statements.

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NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

1. Organization and principal activities

(a) Principal activities

YY Inc. (the "Company") was incorporated in the Cayman Islands on July 22, 2011. The Company through its subsidiaries, and its variable interest entities ("VIEs") (collectively, the "Group") is principally engaged in operating an online social platform in the People's Republic of China (the "PRC" or "China") through its platform, YY Client and through its website *YY.com* and *Duowan.com*.

(b) Subsidiaries and VIEs

The details of the subsidiaries and VIEs as of June 30, 2012 are set out below:

Name	Place of incorporation	Date of incorporation	% of direct or indirect economic ownership	Principal activities
Subsidiaries				
Duowan Entertainment Corp. ("Duowan BVI")	British Virgin Islands	November 6, 2007	100%	Investment holding
NeoTasks Inc. ("NeoTasks")	Cayman Islands	April 26, 2006	100%	Investment holding
NeoTasks Limited	Hong Kong	June 16, 2005	100%	Investment holding
Huanju Shidai Technology (Beijing) Company Limited ("Huanju Shidai" or "Duowan Entertainment")*	PRC	March 19, 2008	100%	Investment holding
Zhuhai Duowan Information Technology Company Limited ("Zhuhai Duowan" or "Guangzhou Duowan")**	PRC	April 9, 2007	100%	Online advertising and software development
Zhuhai Duowan Technology Company Limited ("Zhuhai Duowan Technology")	PRC	December 2, 2010	100%	Software development
Variable Interest Entities ("VIEs")				
Guangzhou Huaduo Network Technology Company Limited ("Guangzhou Huaduo")	PRC	April 11, 2005	100%	Holder of internet content provider licenses and internet value added services
Beijing Tuda Science and Technology Company Limited ("Beijing Tuda")	PRC	June 2, 2005	100%	Holder of internet content provider licenses

* Formerly known as Duowan Entertainment Information Technology (Beijing) Company Limited.
** Formerly known as Guangzhou Duowan Information Technology Company Limited.

2. Summary of significant accounting policies

(a) Basis of presentation and use of estimates

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the annual audited consolidated financial statements. In the opinion of management, all adjustments, consisting of normal recurring adjustments necessary for the fair statement of results for the periods presented, have been included. The results of operations of any interim period are not necessarily indicative of the results of operations for the full year or any other interim period.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

2. Summary of significant accounting policies (continued)

(a) Basis of presentation and use of estimates (continued)

The preparation of condensed consolidated financial statements requires management to make estimates and assumptions that affect the recorded amounts reported therein. A change in facts or circumstances surrounding the estimate could result in a change to estimates and impact future operating results.

The unaudited condensed consolidated financial statements and related disclosures have been prepared with the presumption that users of the unaudited condensed consolidated financial statements have read or have access to the audited consolidated financial statements for the preceding fiscal year. The condensed consolidated balance sheet at December 31, 2011 has been derived from the audited financial statements at that date but does not include all the information and footnotes required by accounting principles generally accepted in the United States of America. Accordingly, these unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2011.

(b) Convenience translation

Translations of amounts from RMB into US$ for the convenience of the reader were calculated at the noon buying rate of US$1.00 = RMB6.3530 on June 30, 2012 as set forth in the H.10 statistical release of the U.S. Federal Reserve Board. No representation is made that the RMB amounts could have been, or could be, converted into US$ at such rate.

(c) Statutory reserves

The Group did not make any appropriation to its general reserve fund, statutory surpluses fund, discretionary surplus fund, and the staff bonus and welfare fund for the six months ended June 30, 2011 and 2012, respectively.

(d) Revenue

YY Music revenue

YY Music revenue consists of sales of virtual items the Group creates and offers to users to be used on YY Client’s music channels, which the Group operates and maintains. Users purchase consumable virtual items from the Group to show support for their favorite performers or time-based virtual items, that provide users with recognized status, such as priority speaking rights or special symbols on the music channels for a specific period of time. In order to attract user traffic, the Group shares with certain popular performers and channel owners a portion of the revenues the Group derives from such in-channel virtual item sales on YY Music, which the Group accounts for as costs of revenue. Accordingly, YY Music revenue is recognized for the sale of virtual items sold in YY Music channels immediately if the virtual item is a consumable or, in the case of time-based virtual items, recognized ratably over the period each virtual item is made available to the user, which does not exceed one year. The Group does not have further obligations to the user after the virtual items are consumed. Virtual items may be sold individually or bundled into one arrangement. When the Group’s users purchase multiple virtual items bundled within the same arrangement, the Group evaluates such arrangements under ASC 605-25 *Multiple-Element Arrangements.* The Group identifies individual elements under the arrangement and determines if such elements meet the criteria to be accounted for as separate units of accounting. The Group allocates the arrangement consideration to the separate units of accounting based on their relative selling price. The following hierarchy has been followed when determining the relative selling price for each element: (1) vendor specific objective evidence (“VSOE”), (2) third party evidence (“TPE”), and (3) best estimate of selling price (“BESP”). Given that the VSOE of the selling price cannot be determined, the Group has adopted a policy to allocate the consideration of the

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

2. Summary of significant accounting policies (continued)

(d) Revenue (continued)

YY Music revenue (continued)

whole arrangement to different virtual item elements based on the TPE of selling price or the BESP for each virtual item element. The Group determines the fair values of virtual items sold in a bundle based on similar products sold separately on the YY platform based on the TPE of the selling price and determines the fair values of virtual items without similar products sold separately on the YY platform based on the BESP. The BESP is generally based on the selling prices of the various elements of a similar nature when they are sold to users on a standalone basis. The BESP may also be based on an estimated stand-alone pricing when the element has not previously been sold on a stand-alone basis. These estimates are generally determined based on pricing strategies, market factors and strategic objectives. The Group recognizes revenue for each virtual item element in accordance with the applicable revenue recognition method.

(e) Segment reporting

Operating segments are defined as components of an enterprise engaging in business activities for which separate financial information is available that is regularly evaluated by the Group's chief operating decision makers in deciding how to allocate resources and assess performance. The Group's chief operating decision maker has been identified as the Chief Executive Officer, who reviews consolidated results when making decisions about allocating resources and assessing performance of the Group. The Group has internal reporting of cost and expenses that does not distinguish between segments, and reports costs and expenses by nature as a whole. The Group does not distinguish between markets or segments for the purpose of internal reporting. Hence, the Group has only one operating segment. As the Group's long-lived assets and revenue are substantially located in and derived from the PRC, no geographical segments are presented.

(f) Recently Adopted Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board ("FASB") issued Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs, an accounting standard update which amended the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. The Group adopted this standard effective January 1, 2012 with no material impact on the consolidated financial statements and disclosures.

In June 2011, the FASB issued an accounting standards update on the presentation of comprehensive income under which the option to present the components of other comprehensive income as part of the statement of shareholders' equity has been eliminated. The Group adopted this standard effective January 1, 2012.

In September 2011, the FASB issued an amendment to the existing standard which provides entities with an option to perform a qualitative assessment to determine whether further impairment testing on goodwill is necessary. The Group adopted this standard effective January 1, 2012 with no material impact on the consolidated financial statements and disclosures.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

3. Business Acquisition

On March 12, 2012, the Group acquired a majority of the assets of an internet service company, which is in the business of operating an internet platform, for cash consideration of RMB11,722. As a result of the acquisition, the Group obtained the key intellectual property to develop and expand the platform of YY Client. The acquisition was recorded using the acquisition method of accounting and the allocation of the purchase price at the date of acquisition is as follows:

	RMB
Property and equipment	128
Intangible assets	
Technology	10,035
Software	660
Goodwill	899
Total	11,722

The excess of purchase price over tangible assets and identifiable intangible assets acquired and liabilities assumed was recorded as goodwill. The acquired goodwill is not deductible for tax purposes. Acquisition-related costs were immaterial and were included in general and administrative expenses for six months ended June 30, 2012.

Pro forma results of operations related to the acquisition have not been presented because they are not material to the Group's consolidated statements of operations and comprehensive (loss) income for the six months ended June 30, 2011 and 2012.

4. Cash and cash equivalents

Cash and cash equivalents represent cash on hand, demand deposits placed with banks or other financial institutions, which have original maturities of three months or less. Cash and cash equivalents balance as of December 31, 2011 and June 30, 2012 primarily consist of the following currencies:

	December 31, 2011		June 30, 2012	
	Amount	RMB equivalent	Amount	RMB equivalent
RMB	108,775	108,775	174,494	174,494
US$	3,193	20,116	2,125	13,440
Total		128,891		187,934

5. Accounts receivable, net

	December 31, 2011 RMB	June 30, 2012 RMB
Accounts receivable, gross	47,022	65,762
Less: allowance for doubtful receivables	—	(1,331)
Accounts receivable, net	47,022	64,431

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

5. Accounts receivable, net (continued)

The following table presents movement of the allowance for doubtful receivables:

	For the six months ended June 30,	
	2011 RMB	2012 RMB
Balance at the beginning of the period	387	—
Additions charged to general and administrative expenses	—	1,969
Write-off during the period	—	(638)
Balance at the end of the period	387	1,331

6. Investments

	December 31, 2011 RMB	June 30, 2012 RMB
Equity investments	3,142	3,768
Cost investments (Note i)	2,102	649
Total	5,244	4,417

(i) As of June 30, 2012, the Group's cost investment represents an equity interest of 25% in a private company. As part of the share purchase agreement, the Group is entitled to receive an amount equal to 100% of its original investment in the event of liquidation in preference to other common shareholders. As a result, the investment is not an investment in common stock or in-substance common stock and precluded from applying the equity method of accounting. The Group accounted for the investment under the cost method.

On February 2, 2012, the Group disposed of a cost investment to the Chairman of the Company at fair value for cash consideration of RMB1,000.

7. Property and equipment, net

Property and equipment consists of the following:

	December 31, 2011 RMB	June 30, 2012 RMB
Gross carrying amount		
Servers, computers and equipment	61,595	73,758
Furniture, fixture and office equipment	5,440	8,513
Leasehold improvement	3,759	19,474
Motor vehicles	1,149	2,205
Construction in progress	400	1,189
Total	72,343	105,139
Less: accumulated depreciation	(18,761)	(30,013)
Property and equipment, net	53,582	75,126

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

7. Property and equipment, net (continued)

Depreciation expenses for the six months ended June 30, 2011 and 2012 were RMB5,068 and RMB11,256, respectively.

No impairment loss for property and equipment had been recognized for the six months ended June 30, 2011 and 2012.

8. Intangible assets, net

The following table summarizes the Group's intangible assets:

	December 31, 2011 RMB	June 30, 2012 RMB
Gross carrying amount		
Domain name	11,504	11,548
Technology	—	10,012
Software	1,601	3,064
Total of gross carrying amount	13,105	24,624
Less: accumulated amortization		
Domain name	(1,389)	(1,794)
Technology	—	(667)
Software	(902)	(1,162)
Total of accumulated amortization	(2,291)	(3,623)
Intangible assets, net	10,814	21,001

Amortization expenses for the six months ended June 30, 2011 and 2012 were RMB618 and RMB1,328, respectively.

No impairment loss for intangible assets had been recognized for the six months ended June 30, 2011 and 2012.

The estimated amortization expenses for each of the following five years as of June 30, 2012 are as follows:

Twelve months ended June 30,	Domain name RMB	Software RMB	Technology RMB
2013	789	954	2,002
2014	789	344	2,002
2015	781	316	2,002
2016	759	187	2,002
2017	759	101	1,337

The weighted average amortization periods of intangible assets as of December 31, 2011 and June 30, 2012 are as below:

	December 31, 2011	June 30, 2012
Domain name	15 years	15 years
Technology	—	5 years
Software	5 years	5 years

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

9. Deferred revenue

	December 31, 2011 RMB	June 30, 2012 RMB
Deferred revenue, current:		
Online game	31,171	44,624
Membership subscription	9,142	31,196
YY music	—	8,866
Government grant	—	116
Others	44	31
Total current deferred revenue, net	40,357	84,833
Deferred revenue, non-current:		
Membership subscription	448	542
Government grant	—	713
Total non-current deferred revenue, net	448	1,255

10. Accrued liabilities and other current liabilities

	December 31, 2011 RMB	June 30, 2012 RMB
Accrued salaries and welfare	25,902	23,815
Accrued bandwidth costs	5,801	9,989
Accrued YY music activities costs	1,148	9,730
Business and other taxes payable	7,028	8,971
Deposits from advertising customers	6,250	3,250
Others	2,942	5,081
Total	49,071	60,836

11. Cost of revenues

	For the six months ended June 30,	
	2011 RMB	2012 RMB
Bandwidth costs	32,848	64,219
YY music activities costs	600	30,499
Salaries and welfare	15,929	20,384
Business tax and subcharges	5,935	14,264
Depreciation and amortization	4,981	10,853
Payment handling costs	4,792	8,912
Share-based compensation	9,240	4,386
Others	4,024	10,621
Total	78,349	164,138

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

12. Income Tax

(i) Cayman Islands (“Cayman”)

Under the current tax laws of Cayman Islands, the Company and its subsidiary are not subject to tax on income or capital gains. Besides, upon payment of dividends by the Company to its shareholders, no Cayman Islands withholding tax will be imposed.

(ii) British Virgin Islands (“BVI”)

Duowan BVI is exempted from income tax on its foreign-derived income in the BVI. There are no withholding taxes in the BVI.

(iii) Hong Kong profits tax

Entities incorporated in Hong Kong are subject to the Hong Kong profits tax at a rate of 16.5% on the estimated assessable profit for the period. No Hong Kong profits tax has been provided as the Group’s subsidiary has no assessable profit arising in Hong Kong.

(iv) PRC Enterprise Income Tax (“EIT”)

The Company’s subsidiaries and VIEs are subject to EIT on their taxable income as reported in their respective statutory financial statements adjusted in accordance with the relevant tax laws and regulations in the PRC. All the PRC entities of the Group (including subsidiaries and VIEs) are subject to EIT at a rate of 25%. In 2011, Guangzhou Huaduo has been qualified as “High and New Technology Enterprise” (“HNTE”) under the EIT Law. Therefore, it is entitled to a preferential tax rate of 15% from 2011 to 2012 and will continue to enjoy the preferential tax rate, provided that it continues to be qualified as HNTE during such period.

According to a policy promulgated by the State Tax Bureau of the PRC and effective from 2008 onwards, enterprises engaged in research and development activities are entitled to claim 150% of the research and development expenses so incurred in a year as tax deductible expenses in determining its tax assessable profits for that year (“Super Deduction”). Both Guangzhou Huaduo and Zhuhai Duowan are entitled to claim such Super Deduction in ascertaining their tax assessable profits for the six months ended June 30, 2012.

In addition, according to the EIT Law and its implementation rules, foreign enterprises, which have no establishment or place in the PRC but derive dividends, interest, rents, royalties and other income (including capital gains) from sources in the PRC shall be subject to PRC withholding tax (“WHT”) at 10% (a further reduced WHT rate may be available according to the applicable double tax treaty or arrangement). The 10% WHT is applicable to any dividends to be distributed from Huanju Shidai and Zhuhai Duowan Technology to Duowan BVI out of any profits of Huanju Shidai and its subsidiaries, and Zhuhai Duowan Technology derived after January 1, 2008.

Up to June 30, 2012, the Group does not have any present plan to pay out the retained earnings in the subsidiaries and VIEs in the foreseeable future. The Group currently intends to retain the available funds and any future earnings to operate and expand its business. Accordingly, no such WHT had been accrued.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

12. Income Tax (continued)

(iv) PRC Enterprise Income Tax ("EIT") (continued)

The current and deferred portions of income tax expenses included in the consolidated statements of operations and comprehensive (loss) income are as follows:

	For the six months ended June 30,	
	2011 RMB	2012 RMB
Current income tax expenses	5,317	21,479
Deferred income tax benefits	(1,952)	(10,327)
Income tax expense for the period	3,365	11,152

The reconciliation of total income tax expenses computed by applying the respective statutory income tax rate to pre-tax (loss) income is as follows:

	For the six months ended June 30,	
	2011	2012
PRC statutory income tax rate	(25.0%)	(25.0%)
Effect of preferential tax rate	7.7%	13.3%
Effect of tax-exempt entities	(1.8%)	(0.2%)
Permanent differences*	21.4%	(32.1%)
Changes in valuation allowance	0.8%	(1.4%)
Effect of Super Deduction available to the Group	(2.4%)	10.9%
Adjustments of deferred tax for changes in tax rates	4.5%	—
Effective income tax rate	5.2%	(34.5%)

* Permanent differences mainly arise from expenses not deductable for tax purposes including primarily share-based compensation costs and expenses incurred by the subsidiaries and VIEs.

13. Common shares

Common Shares

The Company's Memorandum and Articles of Association authorized the Company to issue 1,022,785,225 common shares at US$0.00001 par value as of June 30, 2012. Each common share is entitled to one vote. The holders of common shares are also entitled to receive dividends whenever funds are legally available and when declared by the Board of Directors, subject to prior rights of holders of all other classes of shares outstanding.

As of June 30, 2012, there were 543,340,914 common shares outstanding.

14. Share-based compensation

(a) Share option

i) Pre-2009 Scheme Options

Grant of options

Before the adoption of the Employee Equity Incentive Scheme (the "2009 Incentive Scheme"), 12,705,700 and 8,499,050 share options were granted to employees through individually signed share option

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

14. Share-based compensation (continued)

(a) Share option (continued)

i) Pre-2009 Scheme Options (continued)

Grant of options (continued)

agreements, respectively to acquire common shares of Duowan BVI on a one-to-one basis on January 1, 2008 and 2009. In addition, on January 1, 2008, 3,832,290 share options were granted to one non-employee for the provision of consulting services to the Group (collectively defined as "Pre-2009 Scheme Options").

Vesting of options

These Pre-2009 Scheme Options will vest over a four year service period, with 25% of the options vesting after the first anniversary of the vesting inception date and the remaining 75% in six equal installments over the following 36 months. The options may be exercised provided that both the service conditions and a performance condition are met. The performance condition is defined to be i) an initial public offering, ii) completion of a financing meeting certain criteria, iii) an internal reorganization, or iv) a voluntary winding up of Duowan BVI. The performance condition that is tied to completion of a financing fulfilling certain criteria was met in June 2008 or November 2009.

The following table summarizes the activities of the Pre-2009 Scheme Options for employees and non-employee for the six months ended June 30, 2012:

	Number of options	Weighted average exercise price (US$)	Weighted average remaining contractual life (years)	Aggregate intrinsic value (US$)
Outstanding, December 31, 2011	17,889,535	0.0055	6.37	19,366
Forfeited	(19,110)	0.0067		
Outstanding, June 30, 2012	17,870,425	0.0055	5.87	20,157
Vested and exercisable at June 30, 2012	16,846,189	0.0055	5.84	19,002
Expected to vest at June 30, 2012	1,020,661	0.0067	6.50	1,150

The aggregate intrinsic value in the table above represents the difference between the estimated fair value of the Company's common shares as of June 30, 2012 and the exercise price.

The Binomial option pricing model is used to remeasured the fair values of the share options granted to the non-employee. The following table summarized the assumptions used to remeasure the fair value as of June 30, 2012:

	As of June 30, 2012
Risk-free interest rate[1]	2.99%
Expected term[2]	5.50 years
Volatility rate[3]	56.19%
Dividend yield[4]	—

(1) The risk-free interest rate of periods within the contractual life of the share option is based on the China Government Bond yield as at the valuation date.
(2) The expected term is the remaining contractual life of the option.
(3) Expected volatility is estimated based on the average of historical volatilities of the comparable companies in the same industry as at the valuation date.
(4) The Company and Duowan BVI have no history or expectation of paying dividend on its common shares.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

14. Share-based compensation (continued)

(a) Share option (continued)

i) Pre-2009 Scheme Options (continued)

Vesting of options (continued)

For the six months ended June 30, 2011 and 2012, the Group recorded share-based compensation of RMB16,914 and RMB2,119, respectively, using the graded-vesting method to the employees and a non-employee.

As of June 30, 2012, there was RMB870 unrecognized share-based compensation expense relating to Pre-2009 Scheme Options granted to employees. The expense is expected to be recognized over a weighted-average remaining vesting period of 0.5 years using the graded vesting attribution method.

ii) 2009 Incentive Scheme Options

On January 1, 2010, the Board of Directors of Duowan BVI formally approved the 2009 Incentive Scheme dated on December 3, 2009, which permits the grant of share options and restricted shares of up to 120,020,001 shares, to any qualified persons, as determined by the Board of Directors of Duowan BVI. The contractual life of all options and restricted shares under the 2009 Incentive Scheme is ten years.

Up to the date of approval of these financial statements, no options had been granted under the 2009 Incentive Scheme by Duowan BVI or the Company.

(b) Restricted shares

Since January 1, 2010, Duowan BVI granted 61,250,677 restricted shares to employees and 100,000 restricted shares to a non-employee pursuant to the 2009 Incentive Scheme.

Vesting of restricted shares

The restricted shares have a vesting condition and will vest 50% after 24 months of grant and the remaining 50% will vest in two equal installments over the next 24 months. Under the restricted shares agreement, no shares may be sold or transferred prior to the occurrence of an exit event, as defined in the respective restricted share agreements as: i) a listing on any recognized stock exchange, ii) a sale by Duowan BVI of all or substantially all of its assets, iii) a sale of all of the issued capital of Duowan BVI, or iv) passing for court order of winding up of Duowan BVI.

If the employee terminates employment, the service vested portion of the restricted shares may be subject to:

(i) repurchase (subject to Company’s sole discretion) by Duowan BVI at fair value of common shares of Duowan BVI which is assessed by an independent valuation company; or

(ii) be held by a person who is an existing employee of the Group and is designated by the leaving restricted share holder according to a properly signed escrow agreement to hold such shares for and on his/her behalf. If the leaving employee fails to deliver a properly signed agreement to Duowan BVI within 30 days from receipt of the notification from Duowan BVI, such service vested shares shall automatically lapse and expire.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

14. Share-based compensation (continued)

(b) Restricted shares (continued)

Vesting of restricted shares (continued)

The following table summarizes the restricted shares activities for the six months ended June 30, 2012:

	Number of restricted shares	Weighted average grant-date fair value (US$
Outstanding, December 31, 2011	43,285,101	0.4885
Forfeited	(333,378)	0.5460
Vested	(10,669,318)	0.4388
Outstanding, June 30, 2012	32,282,405	0.5043
Expected to vest at June 30, 2012	31,551,928	0.5033

For the six months ended June 30, 2011 and 2012, the Company recorded share-based compensation of RMB30,586 and RMB25,775, respectively, using the graded-vesting method.

As of June 30, 2012, total unrecognized compensation expense relating to the restricted shares was RMB40,154. The expense is expected to be recognized over a weighted average period of 1.55 years using the graded vesting attribution method.

(c) Share-based awards granted to CEO and Chairman of the Company

On February 23, 2010, the CEO and the Chairman of the Company, also directors and shareholders were granted 13,369,813 and 29,678,483 restricted shares, respectively. The Chairman's shares have a service condition that vest over a four year period (50% after the second anniversary and 25% each year thereafter). Both the CEO's and the Chairman's shares are subject to a performance condition which relates to the number of peak concurrent users on the YY Client. Such performance condition was met as at December 31, 2010.

Pursuant to the provisions stipulated in the grant document relating to these restricted shares grant, upon the occurrence of an Acceleration Event, the restricted shares granted to the Chairman would become fully vested. An "Accelerated Event" is defined as (i) a Listing, (ii) a sale of all or substantially all of the issued share capital of Duowan BVI, (iii) a sale by Duowan BVI of all or substantially all of its assets, (iv) the passing of an effective resolution or the making of an order of a competent court for the winding up of Duowan BVI.

The following table summarizes the restricted shares activities for the six months ended June 30, 2012:

	Number of restricted shares	Weighted average grant-date fair value (US$)
Outstanding, December 31, 2011	29,678,483	0.1875
Vested	(14,839,242)	0.1875
Outstanding, June 30, 2012	14,839,241	0.1875

The total fair value of restricted shares vested for the six months ended June 30, 2011 and 2012 amounted to Nil and RMB17,515, respectively.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

14. Share-based compensation (continued)

(c) Share-based awards granted to CEO and Chairman of the Company (continued)

Share-based compensation expenses related to the awards granted to the Chairman of RMB7,174 and RMB4,016 were recognized in general and administrative expenses in the consolidated statements of operations and comprehensive (loss) income for the six months ended June 30, 2011 and 2012, respectively.

As of June 30, 2012, there was RMB5,622 of total unrecognized compensation cost and expense related to the restricted shares, which is expected to be recognized over a weighted average period of 1.32 years using the graded vesting attribution method.

(d) Restricted Share Units

On September 16, 2011, the Board of the Directors of the Company approved the 2011 Share Incentive Plan, which permits the grant of share options, restricted shares and restricted share units of up to 43,000,000 shares, to any qualified persons, as determined by the Board of the Directors of the Company. On the same date, the Company granted 9,097,000 restricted share units to employees pursuant to the 2011 Share Incentive Plan, that are subject to vesting over a four to five years period.

For the six months ended June 30, 2012, 8,265,921 restricted share units were granted to the Group's employees, that are subject to vesting over a two to four years period. No restricted share units were granted to non-employees.

The following table summarizes the restricted share units' activities for the six months ended June 30, 2012:

	Number of restricted shares	Weighted average grant-date fair value (US$)
Outstanding, December 31, 2011	8,996,300	1.0630
Granted	8,265,921	1.1096
Forfeited	(339,800)	1.0846
Outstanding, June 30, 2012	16,922,421	1.0853
Expected to vest at June 30, 2012	16,574,231	1.0854

For the six months ended June 30, 2012, the Company recorded share-based compensation of RMB22,350, using the graded-vesting attribution method.

As of June 30, 2012, total unrecognized compensation expense relating to the restricted share units was RMB83,735. The expense is expected to be recognized over a weighted average period of 2.19 years using the graded vesting attribution method.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

14. Share-based compensation (continued)

(e) Movements of the equity-classified and liability-classified awards

The table below shows details of the movement of various equity-classified and liability-classified awards granted by the Company to its employees and non-employees for the six months ended June 30, 2011 and 2012:

	Equity-classified Awards (RMB)						Liability-classified Awards(RMB)			
	Pre-2009 Scheme options	2009 Incentive Scheme – restricted shares	2011 Incentive Scheme – restricted share units	Share-based awards to CEO and Chairman	Awards to NeoTasks Founders	Sub-total	Pre-2009 Scheme options	Awards to NeoTasks Founders	Sub-total	Total
Balance as of January 1, 2011	**—**	**24,525**	**—**	**30,808**	**—**	**55,333**	**109,035**	**94,089**	**203,124**	**258,457**
Share-based compensation expenses	—	30,586	—	7,174	—	37,760	16,914	17,294	34,208	71,968
Exercised/Repurchased	—	—	—	—	—	—	(11,701)	—	(11,701)	(11,701)
Transfer from matured liability award for NeoTasks founders	—	—	—	—	—	—	—	(57,692)	(57,692)	(57,692)
Foreign currency translation adjustment	—	—	—	—	—	—	(2,639)	(2,587)	(5,226)	(5,226)
Balance as of June 30, 2011	**—**	**55,111**	**—**	**37,982**	**—**	**93,093**	**111,609**	**51,104**	**162,713**	**255,806**
Balance as of January 1, 2012	**118,547**	**82,330**	**9,644**	**44,951**	**60,961**	**316,433**	**—**	**—**	**—**	**316,433**
Share-based compensation expense	2,119	25,775	22,350	4,016	—	54,260	—	—	—	54,260
Balance as of June 30, 2012	**120,666**	**108,105**	**31,994**	**48,967**	**60,961**	**370,693**	**—**	**—**	**—**	**370,693**

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

15. Basic and diluted net loss per share

Basic and diluted net loss per share for the six months ended June 30, 2011 and 2012 are calculated as follows:

	For the six months ended June 30,	
	2011 RMB	2012 RMB
Numerator:		
Net (loss) income attributable to the Company	(68,635)	20,816
Accretion to convertible redeemable preferred shares redemption value	(157,859)	(126,621)
Allocation of net income to participating preferred shareholders	—	—
Numerator of basic net loss per share	(226,494)	(105,805)
Dilutive effect of preferred shares	—	—
Numerator for diluted loss per share	(226,494)	(105,805)
Denominator:		
Denominator for basic and diluted net loss per share-weighted average shares outstanding	467,627,928	537,420,517
Basic net loss per share	(0.48)	(0.20)
Diluted net loss per share	(0.48)	(0.20)

The Company's preferred shares are participating securities and as such would be included in the calculation of basic earnings per share under the two-class method. According to the contractual terms of the preferred shares, the preferred shares do not have a contractual obligation to share in the losses of the Company. Therefore no loss was allocated to the preferred shares in the computation of basic loss per share for the six months ended June 30, 2011 and 2012.

The preferred shares, share-based awards for former NeoTasks employees, share-based awards granted to the CEO and Chairman, share options, restricted shares, restricted share units and warrants to an independent institutional investor were excluded from the computation of diluted net loss per common share for the periods presented because including them would have had an anti-dilutive effect. The following table summarizes information regarding weighted average of common shares equivalents which were excluded from the computation of diluted net loss per common share:

	For the six months ended June 30,	
	2011	2012
Preferred shares-weighted average	359,424,310	359,424,310
Share-based awards for former NeoTasks employees—weighted average	8,957,690	—
Share-based awards granted to the CEO and Chairman—weighted average	29,678,483	19,242,094
Share options-weighted average	19,094,020	17,882,500
Restricted shares-weighted average	58,509,930	43,222,027
Restricted share units-weighted average	—	13,855,715
Warrants to an independent institutional investor-weighted average	21,450,570	—

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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16. Related party transactions

The table below sets forth the related parties and their relationships with the Group:

Related Party	Relationship with the Group
Zhuhai Daren Computer Technology Company Limited ("Zhuhai Daren")	Equity Investment
Guangzhou Shanghang Information Technical Co., Ltd. ("Shanghang")	Significant influence exercised by the Chairman as key shareholder
Zhuhai Lequ Technology Co., Ltd. ("Zhuhai Lequ")	Equity Investment

During the six months ended June 30, 2011 and 2012, significant related party transactions were as follows:

	For the six months ended June 30,	
	2011 RMB	2012 RMB
Online game revenue sharing from Zhuhai Daren	2,225	2,891
Bandwidth costs paid to Shanghang	10,469	5,961
Interest-free loan to Zhuhai Daren	500	—
Repayment of interest-free loan from Zhuhai Daren	—	600
Interest-free loan to Zhuhai Lequ	—	700
Repayment of interest-free loan from Zhuhai Lequ	—	500
Disposal of a cost investment to the Chairman and Co-founder, who is also a director of the Company	—	1,000

As of December 31, 2011 and June 30, 2012, the amounts due from/to related parties were as follows:

	December 31, 2011 RMB	June 30, 2012 RMB
Amounts due from related parties		
Other receivable from Zhuhai Daren	2,000	1,400
Other receivable from Zhuhai Lequ	—	573
Total	2,000	1,973
Amounts due to related parties		
Accounts payable to Zhuhai Daren	793	744
Other payables to Shanghang	77	19
Total	870	763

The amounts due from/to related parties are unsecured, interest-free and payable on demand.

17. Fair value measurements

Fair value reflects the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Group considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the assets or liabilities.

The Group applies a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

17. Fair value measurements (continued)

measurement. This guidance specifies a hierarchy of valuation techniques, which is based on whether the inputs into the valuation technique are observable or unobservable. The hierarchy is as follows:

Level 1—Valuation techniques in which all significant inputs are unadjusted quoted prices from active markets for assets or liabilities that are identical to the assets or liabilities being measured.

Level 2—Valuation techniques in which significant inputs include quoted prices from active markets for assets or liabilities that are similar to the assets or liabilities being measured and/or quoted prices for assets or liabilities that are identical or similar to the assets or liabilities being measured from markets that are not active. Also, model-derived valuations in which all significant inputs and significant value drivers are observable in active markets are Level 2 valuation techniques.

Level 3—Valuation techniques in which one or more significant inputs or significant value drivers are unobservable. Unobservable inputs are valuation technique inputs that reflect the Group's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The fair value guidance describes three main approaches to measure the fair value of assets and liabilities: (1) market approach; (2) income approach and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

When available, the Group uses quoted market prices to determine the fair value of an asset or liability. If quoted market prices are not available, the Group will measure fair value using valuation techniques that use, when possible, current market-based or independently sourced market parameters, such as interest rates and currency rates. The Group did not have any financial instruments that were required to be measured at fair value on a recurring basis as of June 30, 2012.

The Group's financial instruments consist principally of cash, short-term deposits, accounts receivable, amounts due to/from related parties, accounts payable and certain accrued expenses. The recorded values of cash, accounts receivable, amounts due to/from related parties, accounts payable and certain accrued expenses are recorded at cost which approximates fair value.

18. Commitments and contingencies

(a) Operating lease commitments

The Group leases facilities in the PRC under non-cancellable operating leases expiring on different dates. Payments under operating leases are expensed on a straight-line basis over the periods of the respective leases.

Total office rental expenses under all operating leases were RMB3,028 and RMB6,818 for the six months ended June 30, 2011 and 2012, respectively.

As of June 30, 2012, future minimum payments under non-cancellable operating leases consist of the following:

Twelve months ended June 30,	Office rental RMB
2013	18,143
2014	17,877
2015	13,833
2016 and thereafter	5,024
Total	54,877

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18. Commitments and contingencies (continued)

(b) Capital commitments

As of June 30, 2012, total capital commitments for leasehold improvement, which was contracted but not yet reflected in the financial statements, amounted to RMB500.

(c) Litigation

The Group is not currently a party to, nor is aware of, any legal proceeding, investigation or claim which is likely to have a material adverse effect on the Group’s business, financial condition, results of operations, or cash flows. The Group did not record any legal contingency accruals as of June 30, 2012.

19. Subsequent events

(a) On July 14, 2012, the Group disposed of its equity interest in Shenzhen Yingpeng to a related company, of which the Company’s Chairman is also the Chairman of the related company, at fair value for cash consideration of RMB2,000.

(b) On July 15, 2012, the Group granted 533,000 restricted share units under the 2011 Incentive Scheme to employees that are subject to four years vesting period. The fair value of the restricted share units at the grant date was US$1.1284 per share.

(c) Pursuant to a shareholders’ resolution on August 2, 2012, the four individual shareholders holding common shares of the Company, including Mr. David Xueling Li, CEO, Mr. Jun Lei, Chairman of the Company, Mr. Tony Bin Zhao, Chief Technology Officer, Mr. Jin Cao, General Manager of the Website Department transferred their common share interests in the Company to investment holding British Virgin Island companies, namely YYME Limited, Top Brand Holdings Limited, YY TZ Limited and CJ Entertainment Limited, respectively, of which they own 100% equity interest. Subsequent to the reorganization, the individual shareholders continued to beneficially hold the same common share interests in the Company, but now through an intermediate holding company.

(d) On September 1, 2012, the Group granted 6,151,300 restricted share units under the 2011 Incentive Scheme to certain eligible employees and they are subject to a four-year vesting period. The fair value determination of these restricted share units as at grant date was in progress.

(e) On September 10, 2012, the shareholders of one of the Group’s investment companies resolved to liquidate the company and the liquidation procedures commenced. As of June 30, 2012, the carrying amount of such investment was approximately RMB649. The board of directors of the Company consider that the financial impact to the Group would not be significant.

(f) On September 19, 2012, the board of directors of the Company approved the Group’s proposal to raise additional capital through an underwritten initial public offering of its shares in the United States of America (the “Proposed IPO”) as a Qualified IPO.

On the same date, the board of directors of the Company resolved that upon the completion of the Proposed IPO, the Group will have a dual class common share structure. The Group’s 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 in all shareholders’ meetings, while holders of Class B common shares are entitled to ten votes per share. Each Class B common share is convertible into one Class A common share at any time at the discretion of the Class B shareholders thereof, while Class A common shares are not convertible into Class B common shares under any circumstances. Upon any transfer of Class B common shares by a holder to any person or entity which is not an affiliate of such holder and which is not any of our founders or any affiliates of our founders, such Class B common shares shall be automatically and immediately converted into the equivalent number of Class A common shares. The board of directors of the Company also approved that all outstanding common shares prior to the completion of the Proposed IPO will be re-designated as, and all outstanding preferred shares prior to the completion of the Proposed IPO will be automatically converted into Class B common shares.

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

20. Restricted net assets

Relevant PRC laws and regulations permit payments of dividends by the Group's subsidiaries and VIEs incorporated in the PRC only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. In addition, the Company's subsidiaries and VIEs incorporated in the PRC are required to annually appropriate 10% of their net after-tax income to the statutory general reserve fund prior to payment of any dividends, unless such reserve funds have reached 50% of their respective registered capital. As a result of these and other restrictions under PRC laws and regulations, the Group's subsidiaries and VIEs incorporated in the PRC are restricted in their ability to transfer a portion of their net assets to the Company either in the form of dividends, loans or advances, which restricted portion amounted to approximately RMB151,096 and RMB197,404 as of December 31, 2011 and June 30, 2012, respectively, as calculated under US GAAP. There are no differences between the US GAAP and PRC accounting standards in connection with the reported net assets of the legally owned subsidiaries in the PRC and VIEs. Even though the Company currently does not require any such dividends, loans or advances from the PRC entities for working capital and other funding purposes, the Company may in the future require additional cash resources from them due to changes in business conditions, to fund future acquisitions and development, or merely to declare and pay dividends or distributions to our shareholders. Except for the above, there is no other restriction on use of proceeds generated by the Group's subsidiaries and VIEs to satisfy any obligations of the Company.

21. Unaudited pro forma balance sheet and earnings per share for conversion of preferred shares

All of the preferred shares shall automatically be converted into common shares at the conversion ratio of one preferred share to one common share immediately prior to (i) the closing of the Qualified IPO or (ii) at the election of a majority of the Series A Holders, a majority of the Series B Holders and a majority of the Series C Holders (each voting or consenting as a separate class).

The unaudited pro forma balance sheet as of June 30, 2012 presents an adjusted financial position as if the conversion of the preferred shares into common shares occurred on June 30, 2012. Accordingly, the carrying value of the preferred shares, in the amount of RMB2,607,555, was reclassified from preferred shares to common shares and additional paid in capital for such pro forma presentation.

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NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(All amount in thousands, except share and per share data, unless otherwise stated)

21. Unaudited pro forma balance sheet and earnings per share for conversion of preferred shares (continued)

The unaudited pro forma loss per share for the six months ended June 30, 2012 after giving effect to the conversion of the preferred shares into common shares as if the conversion occurred at January 1, 2012, respectively was as follows:

	For the six months ended June 30, 2012 RMB
Numerator:	
Net loss attributable to common shareholders	(105,805)
Pro forma effect of conversion of preferred shares	126,621
Pro forma net income attributable to common shareholders—Basic and diluted	20,816
Denominator:	
Denominator for basic calculation—weighted average number of common shares outstanding	537,420,517
Pro forma effect of conversion of preferred shares	359,424,310
Denominator for pro forma basic calculation	896,844,827
Dilutive effect of share options	17,533,247
Dilutive effect of restricted shares	35,631,449
Dilutive effect of restricted share units	3,788,083
Dilutive effect of share-based awards granted to CEO and Chairman	18,180,449
Denominator of pro-forma diluted calculation	971,978,055
Pro forma basic net income per share attributable to common shareholders	0.0232
Pro forma diluted net income per share attributable to common shareholders	0.0214

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American Depositary Shares

YY Inc.

Representing **Class A Common Shares**

Deutsche Bank Securities **Morgan Stanley**

Until , 2012 (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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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 6. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences or committing a crime. Our second amended and restated memorandum and articles of association provide for indemnification of officers and directors for losses, damages, costs and expenses incurred in their capacities as such, except through their fraud or dishonesty.

Pursuant to the form of indemnification agreements filed as Exhibit 10.3 to this Registration Statement, we will agree to indemnify our directors and officers against certain liabilities and expenses incurred by such persons in connection with claims made by reason of their being such a director or officer.

The form of Underwriting Agreement to be filed as Exhibit 1.1 to this Registration Statement will also provide for indemnification of us and our officers and directors.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended (the "Securities Act") may be permitted to directors, officers or persons controlling us pursuant to the foregoing provisions, we have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

ITEM 7. RECENT SALES OF UNREGISTERED SECURITIES.

During the past three years, we issued (including options and warrants to acquire its common shares), which were outstanding prior to the share exchange between Duowan Entertainment Corp. and YY Inc. on September 6, 2011. We believe that each of the following issuances was exempt from registration under the Securities Act in reliance on Regulation S under the Securities Act regarding sales by an issuer in offshore transactions. On September 6, 2011, YY Inc. entered into a share exchange agreement with the then shareholders of Duowan Entertainment Corp., under the terms of which YY Inc. issued one preferred or common share in exchange for each preferred or common share that the shareholders held in Duowan Entertainment Corp. As a result of the share exchange, YY Inc. became our ultimate holding company.

Purchaser	Date of Sale or Issuance	Number of Securities	Consideration	Underwriting Discount and Commission
An executive officer and employees	January 1, 2009	Options to purchase 17,345 common shares[1]	Past and future services	Not applicable
Tony Bin Zhao	July 1, 2009	2,554,401 restricted shares	Past and future services	Not applicable
Jin Cao	July 1, 2009	1,702,934 restricted shares	Past and future services	Not applicable
Granite Global Ventures III L.P.	December 3, 2009	21,755 series C-1 preferred shares[1]	US$852,796	Not applicable
Granite Global Ventures III L.P.	December 3, 2009	140,571 series C-2 preferred shares[1]	US$6,887,979	Not applicable
GGV III Entrepreneurs Fund L.P.	December 3, 2009	354 C-1 preferred shares[1]	US$13,867.80	Not applicable
GGV III Entrepreneurs Fund L.P.	December 3, 2009	2,286 series C-2 preferred shares[1]	US$112,014	Not applicable
Steamboat Ventures Asia, L.P.	December 3, 2009	7,896 C-1 preferred shares[1]	US$309,523.20	Not applicable
Steamboat Ventures Asia, L.P.	December 3, 2009	51,020 series C-2 preferred shares[1]	US$2,499,980	Not applicable
Morningside China TMT Fund I, L.P.	December 3, 2009	3,158 C-1 preferred shares[1]	US$123,793.60	Not applicable
Morningside China TMT Fund I, L.P.	December 3, 2009	20,408 series C-2 preferred shares[1]	US$999,992	Not applicable
An executive officer and employees	January 1, 2010	23,686,542 restricted shares	Past and future services	Not applicable

Purchaser	Date of Sale or Issuance	Number of Securities	Consideration	Underwriting Discount and Commission
An employee	April 1, 2010	2,000,000 restricted shares	Past and future services	Not applicable
Employees	July 1, 2010	20,060,000 restricted shares	Past and future services	Not applicable
David Xueling Li	July 9, 2010	13,369,813 common shares	Agreeing to enter into an employment agreement and a restricted share agreement with Duowan Entertainment Corp.	Not applicable
Jun Lei	July 9, 2010	29,678,483 common shares	Agreeing to enter into an employment agreement and a restricted share agreement with Duowan Entertainment Corp.	Not applicable
Tony Bin Zhao	August 13, 2010	17,768,380 common shares upon exercise of the warrant	None	Not applicable
Jin Cao	August 13, 2010	7,928,690 common shares upon exercise of the warrant	None	Not applicable
An employee	October 1, 2010	500,000 restricted shares	Past and future services	Not applicable
Executive officers and employees	January 1, 2011	10,850,800 restricted shares	Past and future services	Not applicable
Tiger Global Six YY Holdings	January 21, 2011	25,570,216 common shares	US$25,000,000	Not applicable
Tiger Global Six YY Holdings	January 21, 2011	Warrant to purchase 25,570,216 common shares	US$25,000,000	Not applicable
Tiger Global Six YY Holdings	February 11, 2011	25,570,216 common shares	US$25,000,000	Not applicable
Tiger Global Six YY Holdings	July 29, 2011	25,570,216 common shares upon exercise of the warrant	None	Not applicable
An executive officer and employees	September 16, 2011	8,822,300 restricted share units	Past and future services	Not applicable

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Purchaser	Date of Sale or Issuance	Number of Securities	Consideration	Underwriting Discount and Commission
Employees	January 1, 2012	1,618,000 restricted share units	Past and future services	Not applicable
An executive officer and employees	March 31, 2012	6,431,021 restricted share units	Past and future services	Not applicable
Employees	July 15, 2012	533,000 restricted share units	Past and future services	Not applicable
Employees	September 1, 2012	6,151,300 restricted share units	Past and future services	Not applicable

(1) The number of the securities is presented to give retroactive effect to a 1:490 share split effected by Duowan Entertainment Corp. on July 9, 2010.

(2) Apart from the warrant to purchase 36,562 common shares in Duowan Entertainment Corp., Duowan Entertainment Corp. also paid Mr. Tony Bin Zhao RMB0.8 million in exchange for Mr. Zhao’s termination of the option to purchase 5,553,000 common shares in NeoTasks Inc.

(3) Apart from the warrant to purchase 18,281 common shares in Duowan Entertainment Corp., Duowan Entertainment Corp. also paid Mr.Jin Cao RMB0.4 million in exchange for Mr.Cao’s termination of the option to purchase 2,777,000 common shares in NeoTasks Inc.

ITEM 8. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) Exhibits

See Exhibit Index beginning on page II-8 of this registration statement.

(b) Financial Statement Schedules

Schedules have been omitted because the information required to be set forth therein is not applicable or is shown in the Consolidated Financial Statements or the Notes thereto.

ITEM 9. UNDERTAKINGS.

The undersigned registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the provisions described in Item 6, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant under Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form F-1 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in , on , 2012.

YY INC.

By:	___________________________
Name:	David Xueling Li
Title:	Chief Executive Officer

POWERS OF ATTORNEY

Each person whose signature appears below constitutes and appoints and as attorneys-in-fact with full power of substitution, for him or her in any and all capacities, to do any and all acts and all things and to execute any and all instruments which said attorney and agent may deem necessary or desirable to enable the registrant to comply with the Securities Act of 1933, as amended (the "Securities Act"), and any rules, regulations and requirements of the Securities and Exchange Commission thereunder, in connection with the registration under the Securities Act of Class A common shares of the registrant (the "Shares"), including, without limitation, the power and authority to sign the name of each of the undersigned in the capacities indicated below to the Registration Statement on Form F-1 (the "Registration Statement") to be filed with the Securities and Exchange Commission with respect to such Shares, to any and all amendments or supplements to such Registration Statement, whether such amendments or supplements are filed before or after the effective date of such Registration Statement, to any related Registration Statement filed pursuant to Rule 462(b) under the Securities Act, and to any and all instruments or documents filed as part of or in connection with such Registration Statement or any and all amendments thereto, whether such amendments are filed before or after the effective date of such Registration Statement; and each of the undersigned hereby ratifies and confirms all that such attorney and agent shall do or cause to be done by virtue hereof.

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Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
David Xueling Li	Chief Executive Officer and Director (principal executive officer)	
Eric He	Chief Financial Officer (principal financial and principal accounting officer)	
Jun Lei	Chairman of the Board of Directors	
Qin Liu	Director	
Alexander Barrett Hartigan	Director	
Jenny Hong Wei Lee	Director	
Tony Bin Zhao	Director	
Nazar Yasin	Director	

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SIGNATURE OF AUTHORIZED REPRESENTATIVE IN THE UNITED STATES

Pursuant to the Securities Act of 1933, the undersigned, the duly authorized representative in the United States of YY Inc. has signed this registration statement or amendment thereto in on , 2012.

Authorized U.S. Representative

By: ______________________________
Name:
Title:

YY INC.

EXHIBIT INDEX

Exhibit Number	Description of Document
1.1*	Form of Underwriting Agreement.
3.1†	Amended and Restated Memorandum and Articles of Association of the Registrant, as currently in effect.
3.2*	Form of Second Amended and Restated Memorandum and Articles of Association of the Registrant, as effective upon the completion of this offering.
4.1*	Registrant's Specimen American Depositary Receipt (included in Exhibit 4.3).
4.2*	Registrant's Specimen Certificate for Class A Common Shares.
4.3*	Deposit Agreement, dated as of , 2012, among the Registrant, the depositary and holder of the American Depositary Receipts.
4.4†	Investors' Rights Agreement dated September 6, 2011 among the Registrant, its common shareholders, preferred shareholders and several other parties named therein.
4.5†	Right of First Refusal and Co-Sale Agreement dated September 6, 2011 among the Registrant, its common shareholders, preferred shareholders and several other parties named therein.
4.6†	Share Exchange Agreement dated September 6, 2011, relating to Duowan Entertainment Corp.
5.1	Form of opinion of Conyers Dill & Pearman regarding the validity of the Class A common shares being registered.
8.1	Form of opinion of Conyers Dill & Pearman regarding certain Cayman Islands tax matters (included in Exhibit 5.1).
8.2	Form of opinion of Skadden, Arps, Slate, Meagher & Flom LLP regarding certain U.S. tax matters.
8.3	Form of opinion of Zhong Lun Law Firm regarding certain PRC tax matters.
10.1*	2009 Employee Equity Incentive Scheme of the Registrant, as amended and restated.
10.2	2011 Share Incentive Plan of the Registrant.
10.3*	Form of Indemnification Agreement with the Registrant's directors.
10.4*	Form of Employment Agreement between the Registrant and an Executive Officer of the Registrant.
10.5	English translation of Exclusive Business Cooperation Agreement dated August 12, 2008 between Huanju Shidai (formerly known as Duowan Entertainment Information Technology (Beijing) Company Limited) and Guangzhou Huaduo.
10.6	English translation of Supplementary Agreement dated November 10, 2011 to Exclusive Business Cooperation Agreement between Huanju Shidai and Guangzhou Huaduo.
10.7	English translation of Confirmation Letter dated November 10, 2011 to Exclusive Business Cooperation Agreement between Huanju Shidai and Guangzhou Huaduo.
10.8	English translation of Exclusive Technology Support and Technology Services Agreement dated August 12, 2008 between Huanju Shidai and Guangzhou Huaduo.

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Exhibit Number	Description of Document
10.9	English translation of Supplementary Agreement dated November 10, 2011 to Exclusive Technology Support and Technology Services Agreement between Huanju Shidai and Guangzhou Huaduo.
10.10	English translation of Confirmation letter dated November 10, 2011 to Exclusive Technology Support and Technology Services Agreement between Huanju Shidai and Guangzhou Huaduo.
10.11	English translation of Powers of Attorney dated September 16, 2011 issued to Huanju Shidai by each of the shareholders of Guangzhou Huaduo.
10.12	English translation of Exclusive Option Agreements dated September 16, 2011 among Huanju Shidai, Guangzhou Huaduo and each of the shareholders of Guangzhou Huaduo.
10.13	English translation of Equity Interest Pledge Agreements dated September 16, 2011 between Huanju Shidai and each of the shareholders of Guangzhou Huaduo.
10.14	English translation of Consent Letter dated November 10, 2011 issued by the shareholders of Guangzhou Huaduo.
10.15	English translation of Exclusive Business Cooperation Agreement dated December 3, 2009 between Huanju Shidai and Beijing Tuda.
10.16	English translation of Supplementary Agreement dated November 10, 2011 to Exclusive Business Cooperation Agreement between Huanju Shidai and Beijing Tuda.
10.17	English translation of Confirmation Letter dated November 10, 2011 to Exclusive Business Cooperation Agreement between Huanju Shidai and Beijing Tuda.
10.18	English translation of Exclusive Technology Support and Technology Services Agreement dated December 3, 2009 between Huanju Shidai and Beijing Tuda.
10.19	English translation of Supplementary Agreement dated November 10, 2011 to Exclusive Technology Support and Technology Services Agreement between Huanju Shidai and Beijing Tuda.
10.20	English translation of Confirmation Letter dated November 10, 2011 to Exclusive Technology Support and Technology Services Agreement between Huanju Shidai and Beijing Tuda.
10.21	English translation of Powers of Attorney dated May 27, 2011 issued to Huanju Shidai by each of the shareholders of Beijing Tuda.
10.22	English translation of Exclusive Option Agreements dated May 27, 2011 among Huanju Shidai, Beijing Tuda and each of the shareholders of Beijing Tuda.
10.23	English translation of Equity Interest Pledge Agreements dated July 1, 2011 between Huanju Shidai and each of the shareholders of Beijing Tuda.
10.24	English translation of Consent Letter dated November 10, 2011 issued by the shareholders of Beijing Tuda.
10.25†**	English translation of the Joint Operation Agreement dated July 1, 2011 between the Zhuhai branch of Guangzhou Huaduo and Shenzhen 7th Road Technology Co., Ltd.
21.1†	Subsidiaries of the Registrant.
23.1*	Consent of PricewaterhouseCoopers Zhong Tian CPAs Limited Company, Independent Registered Public Accounting Firm.
23.2*	Consent of Conyers Dill & Pearman (included in exhibit 5.1).
23.3*	Consent of Skadden, Arps, Slate, Meagher & Flom LLP (included in exhibit 8.2).

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Exhibit Number	Description of Document
23.4	Consent of Zhong Lun Law Firm (included in exhibit 99.2).
23.5*	Consent of iResearch Consulting Group.
23.6†	Consent of DCCI.
24.1*	Powers of Attorney (included on signature page).
99.1*	Code of Business Conduct and Ethics of the Registrant.
99.2	Form of Opinion of Zhong Lun Law Firm regarding certain PRC law matters.

* To be filed by amendment.

** Confidential treatment requested for certain confidential portions of this exhibit pursuant to Rule 406 under the Securities Act. In accordance with Rule 406, these confidential portions have been omitted and filed separately with the Commission.

† Previously filed.

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Exhibit 5.1

[date], 2012

Matter No.:876102
Doc Ref: Pl/al/1920585v1

(852) 2842 9551
Paul.Lim@conyersdill.com

YY Inc.
Building 3-08, Yangcheng Creative Industry Zone
No. 309 Huangpu Avenue Middle
Tianhe District
Guangzhou 510655
China

Dear Sirs,

Re: YY Inc. (the "Company")

We have acted as special Cayman Islands legal counsel to the Company in connection with an initial public offering on the NASDAQ Stock Market (the "**Public Offering**") of American Depositary Shares ("**ADSs**") representing Class A common shares of par value US$0.0001 each to be issued by the Company ("**Common Shares**") as described in the prospectus (the "**Prospectus**") contained in the Company's registration statement on Form F-1, as amended (the "**Registration Statement**" which term does not include any other document or agreement whether or not specifically referred to therein or attached as an exhibit or schedule thereto) filed by the Company under the United States Securities Act 1933 (the "**Securities Act**") with the United States Securities and Exchange Commission (the "**Commission**").

For the purposes of giving this opinion, we have examined a copy of (i) the Registration Statement; (ii) a Certificate of Good Standing issued by the Registrar of Companies in relation to the Company on [ ], 2012 (the "**Certificate Date**"); and (iii) an undertaking from the Governor-in-Cabinet of the Cayman Islands under the Tax Concessions Law (1999 Revision) dated 2 August, 2011.

We have also reviewed the current amended and restated memorandum and articles of association of the Company, as adopted by the Company on 6 September, 2011, the second amended and restated memorandum and articles of association of the Company conditionally adopted by the Company on [ ], 2012 to become effective immediately upon consummation of the Public Offering of the Common Shares on the NASDAQ Stock Market, the resolutions in writing of all the directors of the Company dated [ ] September, 2012 and the resolutions in writing of all the shareholders of the Company dated [ ] September, 2012, (together, the "**Resolutions**"), and such other documents and made such enquiries as to questions of law as we have deemed necessary in order to render the opinion set forth below.

We have assumed (a) the genuineness and authenticity of all signatures and the conformity to the originals of all copies (whether or not certified) examined by us and the authenticity and completeness of the originals from which such copies were taken, (b) the accuracy and completeness of all factual representations made in the Registration Statement and other documents reviewed by us, (c) that the resolutions contained in the Resolutions were, or will be, passed at one or more duly convened, constituted and quorate meetings, or by unanimous written resolutions, will be and/or remain in full force and effect and have not been rescinded or amended, (d) that there is no provision of the law of any jurisdiction, other than the Cayman Islands, which would have any implication in relation to the opinions expressed herein, (e) that the second amended and restated memorandum and articles of association of the Company conditionally adopted shall become effective immediately prior to consummation of the Public Offering of the Common Shares, (f) that upon issue of any Common Shares to be sold by the Company, the Company will receive consideration for the full issue price thereof which shall be equal to at least the par value thereof, (g) the validity and binding effect under the laws of the United States of America of the Registration Statement and that the Registration Statement will be duly filed with and declared effective by the Commission; and (h) that the Prospectus contained in the Registration Statement, when declared effective by the Commission will be in substantially the same form as that examined by us for purposes of this opinion.

We have made no investigation of and express no opinion in relation to the laws of any jurisdiction other than the Cayman Islands. This opinion is to be governed by and construed in accordance with the laws of the Cayman Islands and is limited to and is given on the basis of the current law and practice in the Cayman Islands. This opinion is issued solely for the purposes of the filing of the Registration Statement and the offering of the Common Shares in the form of ADS by the Company and is not to be relied upon in respect of any other matter.

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On the basis of and subject to the foregoing, we are of the opinion that:

1. The Company is duly incorporated and existing under the laws of the Cayman Islands and is, as at the Certificate Date, in good standing (meaning solely that it has not failed to make any filing with any Cayman Islands governmental authority, or to pay any Cayman Islands government fee which would make it liable to be struck off the Register of Companies and thereby cease to exist under the laws of the Cayman Islands).
2. The issue of the Common Shares has been duly authorised, and when issued and paid for in accordance with the Registration Statement, the Common Shares will be validly issued, fully paid and non-assessable (which term when used herein means that no further sums are required to be paid by the holders thereof in connection with the issue of such Common Shares).
3. The statements relating to certain Cayman Islands law tax matters under the caption “Taxation – Cayman Islands Taxation” in the Registration Statement to the extent that they constitute a summary of statements of Cayman Islands law are true and accurate based on current law and practice at the date of this letter and that such statements constitute our opinion.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the references to our firm under the captions “Enforceability of Civil Liabilities”, “Taxation – Cayman Islands Taxation” and “Legal Matters” in the prospectus forming a part of the Registration Statement. In giving this consent, we do not hereby admit that we are experts within the meaning of Section 11 of the Securities Act or that we are within the category of persons whose consent is required under Section 7 of the Securities Act or the Rules and Regulations of the Commission promulgated thereunder.

Yours faithfully,

Conyers Dill & Pearman (Cayman) Limited

Exhibit 8.2

[LETTERHEAD OF SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP]

[—], 2012

YY Inc.
Building 3-08
Yangcheng Creative Industry Zone
No. 309 Huangpu Avenue Middle
Tianhe District, Guangzhou 510655
People's Republic of China

Re: American Depositary Shares of YY Inc. (the "Company")

Ladies and Gentlemen:

You have requested our opinion as special United States counsel concerning the statements in the Registration Statement (as described below) under the caption "Taxation—Material United States Federal Income Considerations" in connection with the public offering of certain American Depositary Shares ("ADSs"), which represent ordinary shares, par value $0.00001 per share, of the Company, pursuant to the registration statement on Form F-1 under the Securities Act of 1933, as amended (the "Act"), originally filed by the Company with the Securities and Exchange Commission (the "Commission") on [—], 2012 (the "Registration Statement")

This opinion is being furnished to you pursuant to Exhibit 8.2 of the Exhibit Index of the Registration Statement.

In connection with rendering the opinion set forth herein, we have examined and relied on originals or copies of the following:

(a) the Registration Statement; and

(b) such other documents, certificates, and records as we have deemed necessary or appropriate as a basis for the opinion set forth herein.

Our opinion is conditioned on the initial and continuing accuracy of the facts, information and analyses set forth in such documents, certificates, and records (as identified in clauses (a) and (b) of the immediately preceding paragraph). All capitalized terms used but not otherwise defined herein shall have the respective meanings set forth in the Registration Statement.

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For purposes of our opinion, we have assumed the legal capacity of all natural persons, the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified, conformed, electronic, or photostatic copies, and the authenticity of the originals of such latter documents. We have relied on a representation of the Company that such documents, certificates, and records are duly authorized, valid and enforceable.

In addition, we have relied on factual statements and representations of the officers and other representatives of the Company and others, and we have assumed that such statements and representations are and will continue to be correct without regard to any qualification as to knowledge or belief.

Our opinion is based on the Internal Revenue Code of 1986, as amended, United States Treasury regulations, judicial decisions, published positions of the United States Internal Revenue Service, and such other authorities as we have considered relevant, all as in effect as of the date of this opinion and all of which are subject to differing interpretations or change at any time (possibly with retroactive effect). A change in the authorities upon which our opinion is based could affect the conclusions expressed herein. There can be no assurance, moreover, that the opinion expressed herein will be accepted by the United States Internal Revenue Service or, if challenged, by a court.

Based on and subject to the foregoing, we are of the opinion that, under current United States federal income tax law, although the discussion set forth in the Registration Statement under the heading "Taxation—Material United States Federal Income Tax Considerations" does not purport to summarize all possible United States federal income tax considerations of the ownership and disposition of ADSs to U.S. Holders (as defined therein), such discussion constitutes, in all material respects, a fair and accurate summary of the United States federal income tax consequences of the ownership and disposition of the ADSs that are anticipated to be material to U.S. Holders who purchase the ADSs pursuant to the Registration Statement, subject to the qualifications set forth in such discussion.

Except as set forth above, we express no other opinion. This opinion is furnished to you in connection with the sale of the securities. This opinion is expressed as of the date hereof, and we are under no obligation to supplement or revise our opinion to reflect any legal developments or factual matters arising subsequent to the date hereof or the impact of any information, document, certificate, record, statement, representation, covenant, or assumption relied upon herein that becomes incorrect or untrue.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the use of our name under the caption "Legal Matters" in the prospectus included in the Registration Statement. In giving such consent, we do not thereby admit that we are within the category of persons whose consent is required under Section 7 of the Act or the rules or regulations of the Commission promulgated thereunder.

Very truly yours,

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Exhibit 8.3

深圳市福田区益田路 6003 号荣超中心 A 座 10 楼 邮政编码: 518026
10/F, Tower A, Rongchao Center, 6003 Yitian Road, Futian District, Shenzhen, 518026, People's Republic of China
电话/ Tel: (86755) 3325-6666 传真/ Fax: (86755) 3320-6888/6889
网址 http://www.zhonglun.com

LEGAL OPINION

To: YY Inc.
Building 3-08 Yangcheng Creative Industry Zone
No.309 Huangpu Avenue Middle
Tianhe District
Guangzhou 510655
P.R.C

[ ], 2012

Dear Sir/Madam

YY INC.

We are lawyers qualified in the People's Republic of China (the "**PRC**", which, for the purpose of this opinion only, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan) and are qualified to issue an opinion on PRC Laws (as defined below).

We are acting as PRC legal counsel to YY Inc. (the "**Company**") solely in connection with (A) the Company's registration statement on Form F-1 including all amendments or supplements thereto (the "**Registration Statement**") filed with the Securities and Exchange Commission (the "**SEC**") under the U.S. Securities Act of 1933, as amended, on , 2012, relating to the initial public offering by the Company of a certain number of the Company's American depositary shares ("**ADSs**"), each representing a certain number of class A common shares of par value US$0.00001 per share of the Company, and (B) the proposed listing and trading of the Company's ADSs on the Nasdaq Global Market (the "**Offering**").

In so acting, we have examined the Registration Statement, the originals or copies certified or otherwise identified to our satisfaction, of documents provided to us by the Company and such other documents, corporate records, certificates, approvals and other instruments as we have deemed necessary for the purpose of rendering this opinion, including, without limitation, originals or copies of the agreements and certificates issued by PRC authorities and officers of the Company ("**Documents**"). In such examination, we have assumed the accuracy of the factual matters described in the Registration Statement and that the Registration Statement and other documents will be executed by the parties in the forms provided to and reviewed by us. We have also assumed the genuineness of all signatures, seals and chops, the authenticity of all documents submitted to us as originals, and the conformity with the originals of all documents submitted to us as copies, and the truthfulness, accuracy and completeness of all factual statements in the documents.

Based upon and subject to the foregoing assumptions and the below qualifications, we are of the opinion that the statements set forth under the captioned "Taxation — People's Republic of China Taxation" in the Registration Statement insofar as they constitute statement of PRC tax law, are accurate in all material respects and that such statements constitute our opinion.

We do not express any opinion herein concerning any law other than PRC tax law.

This opinion is subject to the following qualifications:

(a) This opinion relates only to any and all laws, regulations, statutes, rules, decrees, notices, and supreme court's judicial interpretations currently in force and publicly available in the PRC as of the date hereof ("**PRC Laws**") and we express no opinion as to any other laws and regulations. There is no guarantee that any of the PRC Laws, or the interpretation thereof or enforcement therefor, will not be changed, amended or replaced in the immediate future or in the longer term with or without retrospective effect.

(b) This opinion is intended to be used in the context which is specifically referred to herein and each section should be looked on as a whole regarding the same subject matter.

(c) This opinion is subject to the effects of (i) certain legal or statutory principles affecting the enforceability of contractual rights generally under the concepts of public interest, national security, good faith and fair dealing, applicable statutes of limitation, and the limitations by bankruptcy, insolvency, reorganization or similar laws affecting the enforcement of creditor's rights generally; (ii) any circumstance in connection with formulation, execution or performance of any legal documents that would be deemed materially mistaken, clearly unconscionable, fraudulent; (iii) judicial discretion with respect to the availability of injunctive relief, the calculation of damages, and the entitlement of attorneys' fees and other costs; and (iv) the discretion of any competent PRC legislative, administrative or judicial bodies in exercising their authority in connection with the interpretation, implementation and application of relevant PRC Laws.

(d) This opinion is issued based on our understanding of the current PRC Laws. For matters not explicitly provided under the current PRC Laws, the interpretation, implementation and application of the specific requirements under the PRC Laws are subject to the final discretion of competent PRC legislative, administrative and judicial authorities.

This Opinion is rendered to you for the purpose hereof only, and save as provided herein, this Opinion shall not be quoted nor shall a copy be given to any person (apart from the addressee) without our express prior written consent except where such disclosure is required to be made by the applicable law or is requested by SEC or any other regulatory agencies.

We hereby consent to the use of this opinion in, and the filing hereof as an exhibit to, the Registration Statement and to the reference to our firm under the headings "Taxation" in the Registration Statement. In giving such consent, we do not thereby admit that we fall within the category of the person whose consent is required under Section 7 of the U.S. Securities Act of 1933, as amended, or the regulations promulgated thereunder.

[The remainder of this page is intentionally left blank.]

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[Signature Page]

Yours faithfully,

ZHONG LUN LAW FIRM

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Exhibit 10.2

YY INC.

2011 SHARE INCENTIVE PLAN

ARTICLE 1

PURPOSE

The purpose of the YY Inc. 2011 Share Incentive Plan (the "Plan") is to promote the success and enhance the value of YY Inc., a company formed under the laws of the Cayman Islands (the "Company"), by linking the personal interests of the members of the Board, Employees, and Consultants to those of the Company's shareholders and by providing such individuals with an incentive for outstanding performance to generate superior returns to the Company's shareholders. The Plan is further intended to provide flexibility to the Company in its ability to motivate, attract, and retain the services of members of the Board, Employees, and Consultants upon whose judgment, interest, and special effort the successful conduct of the Company's operation is largely dependent.

ARTICLE 2

DEFINITIONS AND CONSTRUCTION

Wherever the following terms are used in the Plan they shall have the meanings specified below, unless the context clearly indicates otherwise. The singular pronoun shall include the plural where the context so indicates.

2.1 "Applicable Laws" means the legal requirements relating to the Plan and the Awards under applicable provisions of the corporate, securities, tax and other laws, rules, regulations and government orders, and the rules of any applicable stock exchange or national market system, of any jurisdiction applicable to Awards granted to residents therein.

2.2 "Award" means an Option, Restricted Share or Restricted Share Unit award granted to a Participant pursuant to the Plan.

2.3 "Award Agreement" means any written agreement, contract, or other instrument or document evidencing an Award, including through electronic medium.

2.4 "Board" means the Board of Directors of the Company.

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2.5 "Cause" with respect to a Participant means (unless otherwise expressly provided in the applicable Award Agreement, or another applicable contract with the Participant that defines such term for purposes of determining the effect that a "for cause" termination has on the Participant's Awards) a termination of employment or service based upon a finding by the Service Recipient, acting in good faith and based on its reasonable belief at the time, that the Participant:

(a) has been negligent in the discharge of his or her duties to the Service Recipient, has refused to perform stated or assigned duties or is incompetent in or (other than by reason of a disability or analogous condition) incapable of performing those duties;

(b) has been dishonest or committed or engaged in an act of theft, embezzlement or fraud, a breach of confidentiality, an unauthorized disclosure or use of inside information, customer lists, trade secrets or other confidential information;

(c) has breached a fiduciary duty, or willfully and materially violated any other duty, law, rule, regulation or policy of the Service Recipient; or has been convicted of, or plead guilty or nolo contendere to, a felony or misdemeanor (other than minor traffic violations or similar offenses);

(d) has materially breached any of the provisions of any agreement with the Service Recipient;

(e) has engaged in unfair competition with, or otherwise acted intentionally in a manner injurious to the reputation, business or assets of, the Service Recipient; or

(f) has improperly induced a vendor or customer to break or terminate any contract with the Service Recipient or induced a principal for whom the Service Recipient acts as agent to terminate such agency relationship.

A termination for Cause shall be deemed to occur (subject to reinstatement upon a contrary final determination by the Committee) on the date on which the Service Recipient first delivers written notice to the Participant of a finding of termination for Cause.

2.6 "Code" means the Internal Revenue Code of 1986 of the United States, as amended.

2.7 "Committee" means the Board or a committee of the Board described in Article 10.

2.8 "Consultant" means any consultant or adviser if: (a) the consultant or adviser renders bona fide services to a Service Recipient; (b) the services rendered by the consultant or adviser are not in connection with the offer or sale of securities in a capital-raising transaction and do not directly or indirectly promote or maintain a market for the Company's securities; and (c) the consultant or adviser is a natural person who has contracted directly with the Service Recipient to render such services.

2.9 "Corporate Transaction", unless otherwise defined in an Award Agreement, means any of the following transactions, provided, however, that the Committee shall determine under (d) and (e) whether multiple transactions are related, and its determination shall be final, binding and conclusive:

(a) an amalgamation, arrangement or consolidation or scheme of arrangement (i) in which the Company is not the surviving entity, except for a transaction the principal purpose of which is to change the jurisdiction in which the Company is incorporated or (ii) following which the holders of the voting securities of the Company do not continue to hold more than 50% of the combined voting power of the voting securities of the surviving entity;

(b) the sale, transfer or other disposition of all or substantially all of the assets of the Company;

(c) the complete liquidation or dissolution of the Company;

(d) any reverse takeover or series of related transactions culminating in a reverse takeover (including, but not limited to, a tender offer followed by a reverse takeover) in which the Company is the surviving entity but (A) the Company's equity securities outstanding immediately prior to such takeover are converted or exchanged by virtue of the takeover into other property, whether in the form of securities, cash or otherwise, or (B) in which securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities are transferred to a person or persons different from those who held such securities immediately prior to such takeover or the initial transaction culminating in such takeover, but excluding any such transaction or series of related transactions that the Committee determines shall not be a Corporate Transaction; or

(e) acquisition in a single or series of related transactions by any person or related group of persons (other than the Company or by a Company-sponsored employee benefit plan) of beneficial ownership (within the meaning of Rule 13d-3 of the Exchange Act) of securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities but excluding any such transaction or series of related transactions that the Committee determines shall not be a Corporate Transaction.

2.10 "Disability", unless otherwise defined in an Award Agreement, means that the Participant qualifies to receive long-term disability payments under the Service Recipient's long-term disability insurance program, as it may be amended from time to time, to which the Participant provides services regardless of whether the Participant is covered by such policy. If the Service Recipient to which the Participant provides service does not have a long-term disability plan in place, "Disability" means that a Participant is unable to carry out the responsibilities and functions of the position held by the Participant by reason of any medically determinable physical or mental impairment for a period of not less than ninety (90) consecutive days. A Participant will not be considered to have incurred a Disability unless he or she furnishes proof of such impairment sufficient to satisfy the Committee in its discretion.

2.11 "Effective Date" shall have the meaning set forth in Section 11.1.

2.12 "Employee" means any person, including an officer or a member of the Board of the Company or any Parent or Subsidiary of the Company, who is in the employment of a Service Recipient, subject to the control and direction of the Service Recipient as to both the work to be performed and the manner and method of performance. The payment of a director's fee by a Service Recipient shall not be sufficient to constitute "employment" by the Service Recipient.

2.13 "Exchange Act" means the Securities Exchange Act of 1934 of the United States, as amended.

2.14 "Fair Market Value" means, as of any date, the value of Shares determined as follows:

(a) If the Shares are listed on one or more established stock exchanges or national market systems, including without limitation, The New York Stock Exchange and The Nasdaq Stock Market, its Fair Market Value shall be the closing sales price for such shares (or the closing bid, if no sales were reported) as quoted on the principal exchange or system on which the Shares are listed (as determined by the Committee) on the date of determination (or, if no closing sales price or closing bid was reported on that date, as applicable, on the last trading date such closing sales price or closing bid was reported), as reported in The Wall Street Journal or such other source as the Committee deems reliable;

(b) If the Shares are regularly quoted on an automated quotation system (including the OTC Bulletin Board) or by a recognized securities dealer, its Fair Market Value shall be the closing sales price for such shares as quoted on such system or by such securities dealer on the date of determination, but if selling prices are not reported, the Fair Market Value of a Share shall be the mean between the high bid and low asked prices for the Shares on the date of determination (or, if no such prices were reported on that date, on the last date such prices were reported), as reported in The Wall Street Journal or such other source as the Committee deems reliable; or

(c) In the absence of an established market for the Shares of the type described in (a) and (b), above, the Fair Market Value thereof shall be determined by the Committee in good faith and in its discretion by reference to (i) the placing price of the latest private placement of the Shares and the development of the Company's business operations and the general economic and market conditions since such latest private placement, (ii) other third party transactions involving the Shares and the development of the Company's business operation and the general economic and market conditions since such sale, (iii) an independent valuation of the Shares, or (iv) such other methodologies or information as the Committee determines to be indicative of Fair Market Value and relevant.

2.15 "Incentive Share Option" means an Option that is intended to meet the requirements of Section 422 of the Code or any successor provision thereto.

2.16 "Independent Director" means (i) before the Shares or other securities representing the Shares are listed on a stock exchange, a member of the Board who is a Non-Employee Director; and (ii) after the Shares or other securities representing the Shares are listed on a stock exchange, a member of the Board who meets the independence standards under the applicable corporate governance rules of the stock exchange.

2.17 "Non-Employee Director" means a member of the Board who qualifies as a "Non-Employee Director" as defined in Rule 16b-3(b)(3) of the Exchange Act, or any successor definition adopted by the Board.

2.18 "Non-Qualified Share Option" means an Option that is not intended to be an Incentive Share Option.

2.19 "Option" means a right granted to a Participant pursuant to Article 5 of the Plan to purchase a specified number of Shares at a specified price during specified time periods. An Option may be either an Incentive Share Option or a Non-Qualified Share Option.

2.20 "Participant" means a person who, as a member of the Board, Consultant or Employee, has been granted an Award pursuant to the Plan.

2.21 "Parent" means a parent corporation under Section 424(e) of the Code.

2.22 "Plan" means this YY Inc. 2011 Share Incentive Plan, as it may be amended from time to time.

2.23 "Related Entity" means any business, corporation, partnership, limited liability company or other entity in which the Company, a Parent or Subsidiary of the Company holds a substantial ownership interest, directly or indirectly, but which is not a Subsidiary and which the Board designates as a Related Entity for purposes of the Plan.

2.24 "Restricted Share" means a Share awarded to a Participant pursuant to Article 6 that is subject to certain restrictions and may be subject to risk of forfeiture.

2.25 "Restricted Share Unit" means the right granted to a Participant pursuant to Article 7 to receive a Share at a future date.

2.26 "Securities Act" means the Securities Act of 1933 of the United States, as amended.

2.27 "Service Recipient" means the Company, any Parent or Subsidiary of the Company and any Related Entity to which a Participant provides services as an Employee, a Consultant or a Director.

2.28 "Share" means any class of Common Shares of the Company, and such other securities of the Company that may be substituted for Shares pursuant to Article 9.

2.29 "Subsidiary" means any corporation or other entity of which a majority of the outstanding voting shares or voting power is beneficially owned directly or indirectly by the Company.

2.30 "Trading Date" means the closing of the first sale to the general public of the Shares pursuant to a registration statement filed with and declared effective by the U.S. Securities and Exchange Commission under the Securities Act.

ARTICLE 3

SHARES SUBJECT TO THE PLAN

3.1 Number of Shares.

(a) Subject to the provisions of Article 9 and Section 3.1(b), the maximum aggregate number of Shares which may be issued pursuant to all Awards (including Incentive Share Options) shall be 43,000,000.

(b) To the extent that an Award terminates, expires, or lapses for any reason, any Shares subject to the Award shall again be available for the grant of an Award pursuant to the Plan. To the extent permitted by Applicable Laws, Shares issued in assumption of, or in substitution for, any outstanding awards of any entity acquired in any form or combination by the Company or any Parent or Subsidiary of the Company shall not be counted against Shares available for grant pursuant to the Plan. Shares delivered by the Participant or withheld by the Company upon the exercise of any Award under the Plan, in payment of the exercise price thereof or tax withholding thereon, may again be optioned, granted or awarded hereunder, subject to the limitations of Section 3.1(a). If any Restricted Shares are forfeited by the Participant or repurchased by the Company, such Shares may again be optioned, granted or awarded hereunder, subject to the limitations of Section 3.1(a). Notwithstanding the provisions of this Section 3.1(b), no Shares may again be optioned, granted or awarded if such action would cause an Incentive Share Option to fail to qualify as an Incentive Share Option under Section 422 of the Code.

3.2 Shares Distributed. Any Shares distributed pursuant to an Award may consist, in whole or in part, of authorized and unissued Shares, treasury shares (subject to Applicable Laws) or Shares purchased on the open market. Additionally, in the discretion of the Committee, American Depository Shares in an amount equal to the number of Shares which otherwise would be distributed pursuant to an Award may be distributed in lieu of Shares in settlement of any Award. If the number of Shares represented by an American Depository Share is other than on a one-to-one basis, the limitations of Section 3.1 shall be adjusted to reflect the distribution of American Depository Shares in lieu of Shares.

ARTICLE 4

ELIGIBILITY AND PARTICIPATION

4.1 Eligibility. Persons eligible to participate in this Plan include Employees, Consultants, and all members of the Board, as determined by the Committee.

4.2 Participation. Subject to the provisions of the Plan, the Committee may, from time to time, select from among all eligible individuals, those to whom Awards shall be granted and shall determine the nature and amount of each Award. No individual shall have any right to be granted an Award pursuant to this Plan.

4.3 Jurisdictions. In order to assure the viability of Awards granted to Participants employed in various jurisdictions, the Committee may provide for such special terms as it may consider necessary or appropriate to accommodate differences in local law, tax policy, or custom applicable in the jurisdiction in which the Participant resides or is employed. Moreover, the Committee may approve such supplements to, or amendments, restatements, or alternative versions of, the Plan as it may consider necessary or appropriate for such purposes without thereby affecting the terms of the Plan as in effect for any other purpose; *provided, however*, that no such supplements, amendments, restatements, or alternative versions shall increase the share limitations contained in Section 3.1 of the Plan. Notwithstanding the foregoing, the Committee may not take any actions hereunder, and no Awards shall be granted, that would violate any Applicable Laws.

ARTICLE 5

OPTIONS

5.1 General. The Committee is authorized to grant Options to Participants on the following terms and conditions:

(a) Exercise Price. The exercise price per Share subject to an Option shall be determined by the Committee and set forth in the Award Agreement which may be a fixed or variable price related to the Fair Market Value of the Shares. The exercise price per Share subject to an Option may be amended or adjusted in the absolute discretion of the Committee, the determination of which shall be final, binding and conclusive. For the avoidance of doubt, to the extent not prohibited by Applicable Laws or any exchange rule, a downward adjustment of the exercise prices of Options mentioned in the preceding sentence shall be effective without the approval of the Company’s shareholders or the approval of the affected Participants.

(b) Time and Conditions of Exercise. The Committee shall determine the time or times at which an Option may be exercised in whole or in part, including exercise prior to vesting; *provided* that the term of any Option granted under the Plan shall not exceed ten years, except as provided in Section 12.1. The Committee shall also determine any conditions, if any, that must be satisfied before all or part of an Option may be exercised.

(c) Payment. The Committee shall determine the methods by which the exercise price of an Option may be paid, the form of payment, including, without limitation (i) cash or check denominated in U.S. Dollars, (ii) to the extent permissible under the Applicable Laws, cash or check in Chinese Renminbi, (iii) cash or check denominated in any other local currency as approved by the Committee, (iv) Shares held for such period of time as may be required by the Committee in order to avoid adverse financial accounting consequences and having a Fair Market Value on the date of delivery equal to the aggregate exercise price of the Option or exercised portion thereof, (v) after the Trading Date the delivery of a notice that the Participant has placed a market sell order with a broker with respect to Shares then issuable upon exercise of the Option, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the Option exercise price; *provided* that payment of such proceeds is then made to the Company upon settlement of such sale, (vi) other property acceptable to the Committee with a Fair Market Value equal to the exercise price, or (vii) any combination of the foregoing. Notwithstanding any other provision of the Plan to the contrary, no Participant who is a member of the Board or an "executive officer" of the Company within the meaning of Section 13(k) of the Exchange Act shall be permitted to pay the exercise price of an Option in any method which would violate Section 13(k) of the Exchange Act.

(d) Evidence of Grant. All Options shall be evidenced by an Award Agreement between the Company and the Participant. The Award Agreement shall include such additional provisions as may be specified by the Committee.

(e) Effects of Termination of Employment or Service on Options. Termination of employment or service shall have the following effects on Options granted to the Participants:

(i) Dismissal for Cause. Unless otherwise provided in the Award Agreement, if a Participant's employment by or service to the Service Recipient is terminated by the Service Recipient for Cause, the Participant's Options will terminate upon such termination, whether or not the Option is then vested and/or exercisable;

(ii) Death or Disability. Unless otherwise provided in the Award Agreement, if a Participant's employment by or service to the Service Recipient terminates as a result of the Participant's death or Disability:

(a) the Participant (or his or her legal representative or beneficiary, in the case of the Participant's Disability or death, respectively), will have until the date that is 12 months after the Participant's termination of Employment to exercise the Participant's Options (or portion thereof) to the extent that such Options were vested and exercisable on the date of the Participant's termination of Employment on account of death or Disability;

(b) the Options, to the extent not vested and exercisable on the date of the Participant's termination of Employment or service, shall terminate upon the Participant's termination of Employment or service on account of death or Disability; and

(c) the Options, to the extent exercisable for the 12-month period following the Participant's termination of Employment or service and not exercised during such period, shall terminate at the close of business on the last day of the 12-month period.

(iii) Other Terminations of Employment or Service. Unless otherwise provided in the Award Agreement, if a Participant's employment by or service to the Service Recipient terminates for any reason other than a termination by the Service Recipient for Cause or because of the Participant's death or Disability:

(a) the Participant will have until the date that is 90 days after the Participant's termination of Employment or service to exercise his or her Options (or portion thereof) to the extent that such Options were vested and exercisable on the date of the Participant's termination of Employment or service;

(b) the Options, to the extent not vested and exercisable on the date of the Participant's termination of Employment or service, shall terminate upon the Participant's termination of Employment or service; and

(c) the Options, to the extent exercisable for the 90-day period following the Participant's termination of Employment or service and not exercised during such period, shall terminate at the close of business on the last day of the 90-day period.

5.2 Incentive Share Options. Incentive Share Options may be granted to Employees of the Company, a Parent or Subsidiary of the Company. Incentive Share Options may not be granted to Employees of a Related Entity or to Independent Directors or Consultants. The terms of any Incentive Share Options granted pursuant to the Plan, in addition to the requirements of Section 5.1, must comply with the following additional provisions of this Section 5.2:

(a) Individual Dollar Limitation. The aggregate Fair Market Value (determined as of the time the Option is granted) of all Shares with respect to which Incentive Share Options are first exercisable by a Participant in any calendar year may not exceed $100,000 or such other limitation as imposed by Section 422(d) of the Code, or any successor provision. To the extent that Incentive Share Options are first exercisable by a Participant in excess of such limitation, the excess shall be considered Non-Qualified Share Options.

(b) Exercise Price. The exercise price of an Incentive Share Option shall be equal to the Fair Market Value on the date of grant. However, the exercise price of any Incentive Share Option granted to any individual who, at the date of grant, owns Shares possessing more than ten percent of the total combined voting power of all classes of shares of the Company may not be less than 110% of Fair Market Value on the date of grant and such Option may not be exercisable for more than five years from the date of grant.

(c) Transfer Restriction. The Participant shall give the Company prompt notice of any disposition of Shares acquired by exercise of an Incentive Share Option within (i) two years from the date of grant of such Incentive Share Option or (ii) one year after the transfer of such Shares to the Participant.

(d) Expiration of Incentive Share Options. No Award of an Incentive Share Option may be made pursuant to this Plan after the tenth anniversary of the Effective Date.

(e) Right to Exercise. During a Participant's lifetime, an Incentive Share Option may be exercised only by the Participant.

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ARTICLE 6

RESTRICTED SHARES

6.1 Grant of Restricted Shares. The Committee, at any time and from time to time, may grant Restricted Shares to Participants as the Committee, in its sole discretion, shall determine. The Committee, in its sole discretion, shall determine the number of Restricted Shares to be granted to each Participant.

6.2 Restricted Shares Award Agreement. Each Award of Restricted Shares shall be evidenced by an Award Agreement that shall specify the period of restriction, the number of Restricted Shares granted, and such other terms and conditions as the Committee, in its sole discretion, shall determine. Unless the Committee determines otherwise, Restricted Shares shall be held by the Company as escrow agent until the restrictions on such Restricted Shares have lapsed.

6.3 Issuance and Restrictions. Restricted Shares shall be subject to such restrictions on transferability and other restrictions as the Committee may impose (including, without limitation, limitations on the right to vote Restricted Shares or the right to receive dividends on the Restricted Share). These restrictions may lapse separately or in combination at such times, pursuant to such circumstances, in such installments, or otherwise, as the Committee determines at the time of the grant of the Award or thereafter.

6.4 Forfeiture/Repurchase. Except as otherwise determined by the Committee at the time of the grant of the Award or thereafter, upon termination of employment or service during the applicable restriction period, Restricted Shares that are at that time subject to restrictions shall be forfeited or repurchased in accordance with the Award Agreement; *provided, however*, the Committee may (a) provide in any Restricted Share Award Agreement that restrictions or forfeiture and repurchase conditions relating to Restricted Shares will be waived in whole or in part in the event of terminations resulting from specified causes, and (b) in other cases waive in whole or in part restrictions or forfeiture and repurchase conditions relating to Restricted Shares.

6.5 Certificates for Restricted Shares. Restricted Shares granted pursuant to the Plan may be evidenced in such manner as the Committee shall determine. If certificates representing Restricted Shares are registered in the name of the Participant, certificates must bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Shares, and the Company may, at its discretion, retain physical possession of the certificate until such time as all applicable restrictions lapse.

6.6 Removal of Restrictions. Except as otherwise provided in this Article 6, Restricted Shares granted under the Plan shall be released from escrow as soon as practicable after the last day of the period of restriction. The Committee, in its discretion, may accelerate the time at which any restrictions shall lapse or be removed. After the restrictions have lapsed, the Participant shall be entitled to have any legend or legends under Section 6.5 removed from his or her Share certificate, and the Shares shall be freely transferable by the Participant, subject to applicable legal restrictions. The Committee (in its discretion) may establish procedures regarding the release of Shares from escrow and the removal of legends, as necessary or appropriate to minimize administrative burdens on the Company.

ARTICLE 7

RESTRICTED SHARE UNITS

7.1 Grant of Restricted Share Units. The Committee, at any time and from time to time, may grant Restricted Share Units to Participants as the Committee, in its sole discretion, shall determine. The Committee, in its sole discretion, shall determine the number of Restricted Share Units to be granted to each Participant.

7.2 Restricted Share Units Award Agreement. Each Award of Restricted Share Units shall be evidenced by an Award Agreement that shall specify any vesting conditions, the number of Restricted Share Units granted, and such other terms and conditions as the Committee, in its sole discretion, shall determine.

7.3 Performance Objectives and Other Terms. The Committee, in its discretion, may set performance objectives or other vesting criteria which, depending on the extent to which they are met, will determine the number or value of Restricted Share Units that will be paid out to the Participants.

7.4 Form and Timing of Payment of Restricted Share Units. At the time of grant, the Committee shall specify the date or dates on which the Restricted Share Units shall become fully vested and nonforfeitable. Upon vesting, the Committee, in its sole discretion, may pay Restricted Share Units in the form of cash, in Shares or in a combination thereof.

7.5 Forfeiture/Repurchase. Except as otherwise determined by the Committee at the time of the grant of the Award or thereafter, upon termination of employment or service during the applicable restriction period, Restricted Share Units that are at that time unvested shall be forfeited or repurchased in accordance with the Award Agreement; *provided, however*, the Committee may (a) provide in any Restricted Share Unit Award Agreement that restrictions or forfeiture and repurchase conditions relating to Restricted Share Units will be waived in whole or in part in the event of terminations resulting from specified causes, and (b) in other cases waive in whole or in part restrictions or forfeiture and repurchase conditions relating to Restricted Share Units.

ARTICLE 8

PROVISIONS APPLICABLE TO AWARDS

8.1 Award Agreement. Awards under the Plan shall be evidenced by Award Agreements that set forth the terms, conditions and limitations for each Award which may include the term of an Award, the provisions applicable in the event the Participant’s employment or service terminates, and the Company’s authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind an Award.

8.2 No Transferability; Limited Exception to Transfer Restrictions.

8.2.1 Limits on Transfer. Unless otherwise expressly provided in (or pursuant to) this Section 8.2, by applicable law and by the Award Agreement, as the same may be amended:

(a) all Awards are non-transferable and will not be subject in any manner to sale, transfer, anticipation, alienation, assignment, pledge, encumbrance or charge;

(b) Awards will be exercised only by the Participant; and

(c) amounts payable or shares issuable pursuant to an Award will be delivered only to (or for the account of), and, in the case of Shares, registered in the name of, the Participant.

In addition, the shares shall be subject to the restrictions set forth in the applicable Award Agreement.

8.2.2 Further Exceptions to Limits on Transfer. The exercise and transfer restrictions in Section 8.2.1 will not apply to:

(a) transfers to the Company or a Subsidiary;

(b) transfers by gift to “immediate family” as that term is defined in SEC Rule 16a-1(e) promulgated under the Exchange Act;

(c) the designation of a beneficiary to receive benefits if the Participant dies or, if the Participant has died, transfers to or exercises by the Participant’s beneficiary, or, in the absence of a validly designated beneficiary, transfers by will or the laws of descent and distribution; or

(d) if the Participant has suffered a disability, permitted transfers or exercises on behalf of the Participant by the Participant’s duly authorized legal representative; or

(e) subject to the prior approval of the Committee or an executive officer or director of the Company authorized by the Committee, transfer to one or more natural persons who are the Participant’s family members or entities owned and controlled by the Participant and/or the Participant’s family members, including but not limited to trusts or other entities whose beneficiaries or beneficial owners are the Participant and/or the Participant’s family members, or to such other persons or entities as may be expressly approved by the Committee, pursuant to such conditions and procedures as the Committee or may establish. Any permitted transfer shall be subject to the condition that the Committee receives evidence satisfactory to it that the transfer is being made for estate and/or tax planning purposes and on a basis consistent with the Company’s lawful issue of securities.

Notwithstanding anything else in this Section 8.2.2 to the contrary, but subject to compliance with all applicable laws, Incentive Share Options, Restricted Shares and Restricted Share Units will be subject to any and all transfer restrictions under the Code applicable to such Awards or necessary to maintain the intended tax consequences of such Awards. Notwithstanding clause (b) above but subject to compliance with all applicable laws, any contemplated transfer by gift to “immediate family” as referenced in clause (b) above is subject to the condition precedent that the transfer be approved by the Administrator in order for it to be effective.

8.3 Beneficiaries. Notwithstanding Section 8.2, a Participant may, in the manner determined by the Committee, designate a beneficiary to exercise the rights of the Participant and to receive any distribution with respect to any Award upon the Participant’s death. A beneficiary, legal guardian, legal representative, or other person claiming any rights pursuant to the Plan is subject to all terms and conditions of the Plan and any Award Agreement applicable to the Participant, except to the extent the Plan and Award Agreement otherwise provide, and to any additional restrictions deemed necessary or appropriate by the Committee. If the Participant is married and resides in a community property state, a designation of a person other than the Participant’s spouse as his or her beneficiary with respect to more than 50% of the Participant’s interest in the Award shall not be effective without the prior written consent of the Participant’s spouse. If no beneficiary has been designated or survives the Participant, payment shall be made to the person entitled thereto pursuant to the Participant’s will or the laws of descent and distribution. Subject to the foregoing, a beneficiary designation may be changed or revoked by a Participant at any time provided the change or revocation is filed with the Committee.

8.4 Share Certificates. Notwithstanding anything herein to the contrary, the Company shall not be required to issue or deliver any certificates evidencing the Shares pursuant to the exercise of any Award, unless and until the Committee has determined, with advice of counsel, that the issuance and delivery of such certificates is in compliance with all Applicable Laws, regulations of governmental authorities and, if applicable, the requirements of any exchange on which the Shares are listed or traded. All Share certificates delivered pursuant to the Plan are subject to any stop-transfer orders and other restrictions as the Committee deems necessary or advisable to comply all Applicable Laws, and the rules of any national securities exchange or automated quotation system on which the Shares are listed, quoted, or traded. The Committee may place legends on any Share certificate to reference restrictions applicable to the Shares. In addition to the terms and conditions provided herein, the Committee may require that a Participant make such reasonable covenants, agreements, and representations as the Committee, in its discretion, deems advisable in order to comply with any such laws, regulations, or requirements. The Committee shall have the right to require any Participant to comply with any timing or other restrictions with respect to the settlement or exercise of any Award, including a window-period limitation, as may be imposed in the discretion of the Committee.

8.5 Paperless Administration. Subject to Applicable Laws, the Committee may make Awards, provide applicable disclosure and procedures for exercise of Awards by an internet website or interactive voice response system for the paperless administration of Awards.

8.6 Foreign Currency. A Participant may be required to provide evidence that any currency used to pay the exercise price of any Award were acquired and taken out of the jurisdiction in which the Participant resides in accordance with Applicable Laws, including foreign exchange control laws and regulations. In the event the exercise price for an Award is paid in Chinese Renminbi or other foreign currency, as permitted by the Committee, the amount payable will be determined by conversion from U.S. dollars at the official rate promulgated by the People's Bank of China for Chinese Renminbi, or for jurisdictions other than the Peoples Republic of China, the exchange rate as selected by the Committee on the date of exercise.

ARTICLE 9

CHANGES IN CAPITAL STRUCTURE

9.1 Adjustments. In the event of any dividend, share split, combination or exchange of Shares, amalgamation, arrangement or consolidation, spin-off, recapitalization or other distribution (other than normal cash dividends) of Company assets to its shareholders, or any other change affecting the shares of Shares or the share price of a Share, the Committee shall make such proportionate adjustments, if any, as the Committee in its discretion may deem appropriate to reflect such change with respect to (a) the aggregate number and type of shares that may be issued under the Plan (including, but not limited to, adjustments of the limitations in Section 3.1); (b) the terms and conditions of any outstanding Awards (including, without limitation, any applicable performance targets or criteria with respect thereto); and (c) the grant or exercise price per share for any outstanding Awards under the Plan.

9.2 Corporate Transactions. Except as may otherwise be provided in any Award Agreement or any other written agreement entered into by and between the Company and a Participant, if the Committee anticipates the occurrence, or upon the occurrence, of a Corporate Transaction, the Committee may, in its sole discretion, provide for (i) any and all Awards outstanding hereunder to terminate at a specific time in the future and shall give each Participant the right to exercise the vested portion of such Awards during a period of time as the Committee shall determine, or (ii) the purchase of any Award for an amount of cash equal to the amount that could have been attained upon the exercise of such Award (and, for the avoidance of doubt, if as of such date the Committee determines in good faith that no amount would have been attained upon the exercise of such Award, then such Award may be terminated by the Company without payment), or (iii) the replacement of such Award with other rights or property selected by the Committee in its sole discretion or the assumption of or substitution of such Award by the successor or surviving corporation, or a Parent or Subsidiary thereof, with appropriate adjustments as to the number and kind of Shares and prices, or (iv) payment of Award in cash based on the value of Shares on the date of the Corporate Transaction plus reasonable interest on the Award through the date when such Award would otherwise be vested or have been paid in accordance with its original terms, if necessary to comply with Section 409A of the Code.

9.3 Outstanding Awards – Other Changes. In the event of any other change in the capitalization of the Company or corporate change other than those specifically referred to in this Article 9, the Committee may, in its absolute discretion, make such adjustments in the number and class of shares subject to Awards outstanding on the date on which such change occurs and in the per share grant or exercise price of each Award as the Committee may consider appropriate to prevent dilution or enlargement of rights.

9.4 No Other Rights. Except as expressly provided in the Plan, no Participant shall have any rights by reason of any subdivision or consolidation of Shares of any class, the payment of any dividend, any increase or decrease in the number of shares of any class or any dissolution, liquidation, merger, or consolidation of the Company or any other corporation. Except as expressly provided in the Plan or pursuant to action of the Committee under the Plan, no issuance by the Company of shares of any class, or securities convertible into shares of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number of shares subject to an Award or the grant or exercise price of any Award.

ARTICLE 10

ADMINISTRATION

10.1 Committee. The Plan shall be administered by the Board or a committee of one or more members of the Board to whom the Board shall delegate the authority to grant or amend Awards to Participants other than any of the Committee members. Any grant or amendment of Awards to any Committee member shall then require an affirmative vote of a majority of the Board members who are not on the Committee.

10.2 Action by the Committee. A quorum is only formed when all of the members of the Committee are present. The acts of a majority of the members of the Committee present at any meeting at which a quorum is present, and acts approved in writing by a majority of the Committee in lieu of a meeting, shall be deemed the acts of the Committee, *provided that* such majority shall always include any member of the Committee who is also an Investor Director (as defined in Company's Memorandum of Association and Articles). Initially, the Investor Director on the Committee shall be Ms. Jenny Hong Wei Li. Each member of the Committee is entitled to, in good faith, rely or act upon any report or other information furnished to that member by any officer or other employee of the Company or any Subsidiary, the Company's independent certified public accountants, or any executive compensation consultant or other professional retained by the Company to assist in the administration of the Plan.

10.3 Authority of the Committee. Subject to any specific designation in the Plan, the Committee has the exclusive power, authority and discretion to:

(a) designate Participants to receive Awards;

(b) determine the type or types of Awards to be granted to each Participant;

(c) determine the number of Awards to be granted and the number of Shares to which an Award will relate;

(d) determine the terms and conditions of any Award granted pursuant to the Plan, including, but not limited to, the exercise price, grant price, or purchase price, any restrictions or limitations on the Award, any schedule for lapse of forfeiture restrictions or restrictions on the exercisability of an Award, and accelerations or waivers thereof, any provisions related to non-competition and recapture of gain on an Award, based in each case on such considerations as the Committee in its sole discretion determines;

(e) determine whether, to what extent, and pursuant to what circumstances an Award may be settled in, or the exercise price of an Award may be paid in, cash, Shares, other Awards, or other property, or an Award may be canceled, forfeited, or surrendered;

(f) prescribe the form of each Award Agreement, which need not be identical for each Participant;

(g) decide all other matters that must be determined in connection with an Award;

(h) establish, adopt, or revise any rules and regulations as it may deem necessary or advisable to administer the Plan;

(i) interpret the terms of, and any matter arising pursuant to, the Plan or any Award Agreement; and

(j) make all other decisions and determinations that may be required pursuant to the Plan or as the Committee deems necessary or advisable to administer the Plan.

10.4 Decisions Binding. The Committee's interpretation of the Plan, any Awards granted pursuant to the Plan, any Award Agreement and all decisions and determinations by the Committee with respect to the Plan are final, binding, and conclusive on all parties.

ARTICLE 11

EFFECTIVE AND EXPIRATION DATE

11.1 Effective Date. The Plan is effective as of July 1, 2011 (the "Effective Date"). The Plan will be deemed to be approved by the shareholders if it receives the affirmative vote of the holders of a majority of the share capital of the Company present or represented and entitled to vote at a meeting duly held in accordance with the applicable provisions of the Company's Memorandum of Association and Articles of Association, including affirmative consents of a majority of the Investor Directors. The term "Investor Directors" is as defined in the Memorandum and Articles of Association of the Company, as amended and restated from time to time.

11.2 Expiration Date. The Plan will expire on, and no Award may be granted pursuant to the Plan after, the tenth anniversary of the Effective Date. Any Awards that are outstanding on the tenth anniversary of the Effective Date shall remain in force according to the terms of the Plan and the applicable Award Agreement.

ARTICLE 12

AMENDMENT, MODIFICATION, AND TERMINATION

12.1 Amendment, Modification, And Termination. With the approval of the Board, at any time and from time to time, the Committee may terminate, amend or modify the Plan; *provided, however*, that (a) to the extent necessary and desirable to comply with Applicable Laws, the Company shall obtain shareholder approval of any Plan amendment in such a manner and to such a degree as required, unless the Company decides to follow home country practice, and (b) unless the Company decides to follow home country practice, shareholder approval is required for any amendment to the Plan that (i) increases the number of Shares available under the Plan (other than any adjustment as provided by Article 9), (ii) permits the Committee to extend the term of the Plan or the exercise period for an Option beyond ten years from the date of grant, or (iii) results in a material increase in benefits or a change in eligibility requirements.

12.2 Awards Previously Granted. Except with respect to amendments made pursuant to Section 12.1, no termination, amendment, or modification of the Plan shall adversely affect in any material way any Award previously granted pursuant to the Plan without the prior written consent of the Participant.

ARTICLE 13

GENERAL PROVISIONS

13.1 No Rights to Awards. No Participant, employee, or other person shall have any claim to be granted any Award pursuant to the Plan, and neither the Company nor the Committee is obligated to treat Participants, employees, and other persons uniformly.

13.2 No Shareholders Rights. No Award gives the Participant any of the rights of a Shareholder of the Company unless and until Shares are in fact issued to such person in connection with such Award.

13.3 Taxes. No Shares shall be delivered under the Plan to any Participant until such Participant has made arrangements acceptable to the Committee for the satisfaction of any income and employment tax withholding obligations under Applicable Laws. The Company or any Subsidiary shall have the authority and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy all applicable taxes (including the Participant's payroll tax obligations) required or permitted by Applicable Laws to be withheld with respect to any taxable event concerning a Participant arising as a result of this Plan. The Committee may in its discretion and in satisfaction of the foregoing requirement allow a Participant to elect to have the Company withhold Shares otherwise issuable under an Award (or allow the return of Shares) having a Fair Market Value equal to the sums required to be withheld. Notwithstanding any other provision of the Plan, the number of Shares which may be withheld with respect to the issuance, vesting, exercise or payment of any Award (or which may be repurchased from the Participant of such Award after such Shares were acquired by the Participant from the Company) in order to satisfy any income and payroll tax liabilities applicable to the Participant with respect to the issuance, vesting, exercise or payment of the Award shall, unless specifically approved by the Committee, be limited to the number of Shares which have a Fair Market Value on the date of withholding or repurchase equal to the aggregate amount of such liabilities based on the minimum statutory withholding rates for the applicable income and payroll tax purposes that are applicable to such supplemental taxable income.

13.4 No Right to Employment or Services. Nothing in the Plan or any Award Agreement shall interfere with or limit in any way the right of the Service Recipient to terminate any Participant's employment or services at any time, nor confer upon any Participant any right to continue in the employment or services of any Service Recipient.

13.5 Unfunded Status of Awards. The Plan is intended to be an "unfunded" plan for incentive compensation. With respect to any payments not yet made to a Participant pursuant to an Award, nothing contained in the Plan or any Award Agreement shall give the Participant any rights that are greater than those of a general creditor of the Company or any Subsidiary.

13.6 Indemnification. To the extent allowable pursuant to Applicable Laws, each member of the Committee or of the Board shall be indemnified and held harmless by the Company from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by such member in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action or failure to act pursuant to the Plan and against and from any and all amounts paid by him or her in satisfaction of judgment in such action, suit, or proceeding against him or her; *provided* he or she gives the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled pursuant to the Company's Memorandum of Association and Articles of Association, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

13.7 Relationship to other Benefits. No payment pursuant to the Plan shall be taken into account in determining any benefits pursuant to any pension, retirement, savings, profit sharing, group insurance, welfare or other benefit plan of the Company or any Subsidiary except to the extent otherwise expressly provided in writing in such other plan or an agreement thereunder.

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13.8 Expenses. The expenses of administering the Plan shall be borne by the Company and its Subsidiaries.

13.9 Titles and Headings. The titles and headings of the Sections in the Plan are for convenience of reference only and, in the event of any conflict, the text of the Plan, rather than such titles or headings, shall control.

13.10 Fractional Shares. No fractional Shares shall be issued and the Committee shall determine, in its discretion, whether cash shall be given in lieu of fractional Shares or whether such fractional Shares shall be eliminated by rounding up or down as appropriate.

13.11 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan, the Plan, and any Award granted or awarded to any Participant who is then subject to Section 16 of the Exchange Act, shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by the Applicable Laws, the Plan and Awards granted or awarded hereunder shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

13.12 Government and Other Regulations. The obligation of the Company to make payment of awards in Shares or otherwise shall be subject to all Applicable Laws, and to such approvals by government agencies as may be required. The Company shall be under no obligation to register any of the Shares paid pursuant to the Plan under the Securities Act or any other similar law in any applicable jurisdiction. If the Shares paid pursuant to the Plan may in certain circumstances be exempt from registration pursuant to the Securities Act or other Applicable Laws, the Company may restrict the transfer of such Shares in such manner as it deems advisable to ensure the availability of any such exemption.

13.13 Governing Law. The Plan and all Award Agreements shall be construed in accordance with and governed by the laws of the Cayman Islands.

13.14 Section 409A. To the extent that the Committee determines that any Award granted under the Plan is or may become subject to Section 409A of the Code, the Award Agreement evidencing such Award shall incorporate the terms and conditions required by Section 409A of the Code. To the extent applicable, the Plan and the Award Agreements shall be interpreted in accordance with Section 409A of the Code and the U.S. Department of Treasury regulations and other interpretative guidance issued thereunder, including without limitation any such regulation or other guidance that may be issued after the Effective Date. Notwithstanding any provision of the Plan to the contrary, in the event that following the Effective Date the Committee determines that any Award may be subject to Section 409A of the Code and related Department of Treasury guidance (including such Department of Treasury guidance as may be issued after the Effective Date), the Committee may adopt such amendments to the Plan and the applicable Award agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Committee determines are necessary or appropriate to (a) exempt the Award from Section 409A of the Code and/or preserve the intended tax treatment of the benefits provided with respect to the Award, or (b) comply with the requirements of Section 409A of the Code and related U.S. Department of Treasury guidance.

13.15 Appendices. The Committee may approve such supplements, amendments or appendices to the Plan as it may consider necessary or appropriate for purposes of compliance with Applicable Laws or otherwise and such supplements, amendments or appendices shall be considered a part of the Plan; provided, however, that no such supplements shall increase the share limitation contained in Section 3.1 of the Plan without the approval of the Board.

Exhibit 10.5

Exclusive Business Cooperation Agreement

This Exclusive Business Cooperation Agreement (this “Agreement”) is made and entered into by and between the following parties on August 12, 2008 in Beijing, the People’s Republic of China (“China” or the “PRC”).

Party A: Duowan Entertainment Information Technology (Beijing) Company Limited
Address: Suite 1707C3, Qingyun Dangdai Plaza, No. 9 Mantingfangyuan Community, Qingyunli, Haidian District, Beijing

Party B: Guangzhou Huaduo Network Technology Company Limited
Address: Suite 602, East Tower, No. 64 and 66, Jianzhong Road, Tianhe District, Beijing

Each of Party A and Party B shall be hereinafter referred to as a “Party” respectively, and as the “Parties” collectively.

Whereas,

(1) Party A is a wholly-foreign-owned enterprise established in China, and has the necessary resources to provide technology and consulting services;

(2) Party B is a company with exclusively domestic capital registered in China and may engage in Internet based valued added services as approved by the applicable government authorities in China; and

(3) Party A is willing to provide Party B with comprehensive business support services ranging from commercial consulting, employee training, market consulting to technology support services on exclusive basis during the term of this Agreement, utilizing its advantages in technology, human resources, and information, and Party B is willing to accept such services provided by Party A or Party A’s designee(s), each on the terms set forth herein.

Now, therefore, through mutual discussion, the Parties have reached the following agreements:

1. SERVICES PROVIDED BY PARTY A

1.1 Party B hereby appoints Party A as Party B’s exclusive services provider to provide Party B with complete technology support, business support and related consulting services during the term of this Agreement, in accordance with the terms and conditions of this Agreement, which may include all services within the scope of business of Party B as may be determined from time to time by Party A, such as, but not limited to, technology services, business consultations, equipment or property leasing, marketing consultancy, employee training, business management consulting and services, system maintenance and financial support.

1.2 Party B agrees to accept all the consultations and services provided by Party A. Party B further agrees that unless with Party A’s prior written consent, during the term of this Agreement, Party B shall not accept the same or any similar consultations and/or services provided by any third party and shall not establish similar cooperation relationships with any third party regarding the matters contemplated by this Agreement. Party A may appoint other parties, who may enter into certain agreements described in Section 1.3 with Party B, to provide Party B with the consultations and/or services under this Agreement.

1.3 Service Providing Methodology

1.3.1 Party A and Party B agree that during the term of this Agreement Party B may enter into further technology service agreements or consulting service agreements with Party A or any other party designated by Party A, which agreement shall provide the specific contents, manner, personnel, and fees for the specific technology services and consulting services.

1.3.2 To fulfill this Agreement, Party A and Party B agree that during the term of this Agreement, where necessary, Party B may enter into equipment or property leases with Party A or any other party designated by Party A, which lease shall permit Party B to use Party A's relevant equipment or property based on the needs of the business of Party B.

1.3.3 To fulfill this Agreement, Party A and Party B agree to directly or through their respective affiliates enter into any other relevant agreements during the term of this Agreement as necessary to provide supporting services to Party B from Party A based on the needs of the business of Party B.

2. THE CALCULATION AND PAYMENT OF THE SERVICE FEES

Both Parties agree that, in consideration of the services provided by Party A, Party B shall pay Party A service fees equal to certain portion of its audited annual operating income ("Service Fee Rate"). The Service Fee Rate will be separately agreed in writing by the Parties following execution of this Agreement. Party B will pay annual service fees to Party A within 15 days upon completion of its annual financial audit. With prior written consent by Party A, the Service Fee Rate may be adjusted pursuant to the operational needs of Party B subject to agreement of the Parties in writing.

3. INTELLECTUAL PROPERTY RIGHTS AND CONFIDENTIALITY CLAUSES

3.1 Party A shall have exclusive and proprietary rights and interests in all rights, ownership, interests and intellectual properties arising out of or created during the performance of this Agreement, including but not limited to copyrights, patents, patent applications, software, technology secrets, trade secrets and others.

3.2 The Parties acknowledge that the existence and the terms of this Agreement and any oral or written information exchanged between the Parties in connection with the preparation and performance of this Agreement are regarded as confidential information. Each Party shall maintain confidentiality of all such confidential information, and without obtaining the written consent of the other Party, it shall not disclose any relevant confidential information to any third parties, except for the information that: (a) is or will be in the public domain (other than through the receiving Party's unauthorized disclosure); (b) is under the obligation to be disclosed pursuant to the applicable laws or regulations, rules of any stock exchanges or orders of the court or other government authorities; or (c) is required to be disclosed by any Party to its shareholders, investors, legal counsels or financial advisors regarding the transaction contemplated hereunder, provided that such shareholders, investors, legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this Section. Disclosure of any confidential information by the staff members or agencies hired by any Party shall be deemed disclosure of such confidential information by such Party, which Party shall be held liable for breach of this Agreement. This Section shall survive the termination of this Agreement for any reason.

3.3 The Parties agree that this Section shall survive changes to, and rescission or termination of, this Agreement.

4. REPRESENTATIONS AND WARRANTIES

4.1 Party A hereby represents and warrants as follows:

4.1.1 Party A is a wholly owned foreign enterprise legally registered and validly existing in accordance with the laws of China.

4.1.2 Party A has taken all necessary corporate actions, obtained all necessary authorization and the consent and approval from third parties and government agencies (if any) for the execution, delivery and performance of this Agreement. Party A's execution, delivery and performance of this Agreement do not violate any explicit requirements under any law or regulation binding on Party A.

4.1.3 This Agreement constitutes Party A's legal, valid and binding obligations, enforceable in accordance with its terms.

4.2 Party B hereby represents and warrants as follows:

4.2.1 Party B is a company legally registered and validly existing in accordance with the laws of China and has obtained the relevant permit and license for engaging in the network research and development, sports and cultural promotion services from the government;

4.2.2 Party B has taken all necessary corporate actions, obtained all necessary authorization and the consent and approval from third parties and government agencies (if any) for the execution, delivery and performance of this Agreement. Party B's execution, delivery and performance of this Agreement do not violate any explicit requirements under any law or regulation binding on Party B.

4.2.3 This Agreement constitutes Party B's legal, valid and binding obligations, and shall be enforceable against it.

5. EFFECTIVENESS AND TERM

5.1 This Agreement is executed on the date first above written and shall take effect as of such date. Unless earlier terminated in accordance with the provisions of this Agreement or relevant agreements separately executed between the Parties, the term of this Agreement shall be 30 years. After the execution of this Agreement, both Parties shall review this Agreement every 3 months to determine whether to amend or supplement the provisions in this Agreement based on the actual circumstances at that time.

5.2 The term of this Agreement may be extended if confirmed in writing by Party A prior to the expiration thereof. The extended term shall be determined by Party A, and Party B shall accept such extended term unconditionally.

6. TERMINATION

6.1 Unless renewed in accordance with the relevant terms of this Agreement, this Agreement shall be terminated upon the date of expiration hereof.

6.2 During the term of this Agreement, unless Party A commits gross negligence, or a fraudulent act, against Party B, Party B shall not terminate this Agreement prior to its expiration date. Nevertheless, Party A shall have the right to terminate this Agreement upon giving 30 days' prior written notice to Party B at any time.

6.3 The rights and obligations of the Parties under Articles 3, 7 and 8 shall survive the termination of this Agreement.

7. GOVERNING LAW AND RESOLUTION OF DISPUTES

7.1 The execution, effectiveness, construction, performance, amendment and termination of this Agreement and the resolution of disputes hereunder shall be governed by the laws of China.

7.2 In the event of any dispute with respect to the construction and performance of this Agreement, the Parties shall first resolve the dispute through friendly negotiations. In the event the Parties fail to reach an agreement on the dispute within 30 days after either Party has sent a written request to the other Party for resolution of the dispute through negotiations, either Party may submit the relevant dispute to the China International Economic and Trade Arbitration Commission for arbitration, in accordance with its Arbitration Rules. The arbitration shall be conducted in Beijing, and the language used in arbitration shall be Chinese. The arbitration award shall be final and binding on both Parties.

7.3 Upon the occurrence of any disputes arising from the construction and performance of this Agreement or during the pending arbitration of any dispute, except for the matters under dispute, the Parties to this Agreement shall continue to exercise their respective rights under this Agreement and perform their respective obligations under this Agreement.

8. INDEMNIFICATION

Party B shall indemnify and hold harmless Party A from any losses, injuries, obligations or expenses caused by any lawsuit, claims or other demands against Party A arising from or caused by the consultations and services provided by Party A to Party B pursuant to this Agreement, except where such losses, injuries, obligations or expenses arise from the gross negligence or willful misconduct of Party A.

9. NOTICES

9.1 All notices and other communications required or permitted to be given pursuant to this Agreement shall be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by facsimile transmission to the address of such Party set forth below. A confirmation copy of each notice shall also be sent by electronic mail. The date on which notices shall be deemed to have been effectively given shall be determined as follows:

9.1.1 Notices given in person, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of receipt or refusal at the address specified for notices.

9.1.2 Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).

9.2 For the purpose of notices, the addresses of the Parties are as follows:

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited**
Address: Suite 1707C3, Qingyun Dangdai Plaza, No. 9 Mantingfangyuan Community, Qingyunli, Haidian District, Beijing
Attn: Xueling Li
Phone:
Facsimile:

Party B: **Guangzhou Huaduo Network Technology Company Limited**
Address: Suite 602, East Tower, No. 64 and 66, Jianzhong Road, Tianhe District, Beijing
Attn: Xueling Li
Phone:
Facsimile:

9.3 Any Party may at any time change its address for notices by a notice delivered to the other Party in accordance with the terms hereof.

10. ASSIGNMENT

10.1 Without Party A's prior written consent, Party B shall not assign its rights or obligations under this Agreement to any third party.

10.2 Party B agrees that Party A may assign its obligations and rights under this Agreement to any third party upon a prior written notice to Party B but without the consent of Party B.

11. SEVERABILITY

In the event that one or several of the provisions of this Agreement are held invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any aspect. The Parties shall seek in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by law and the intentions of the Parties, and the economic effect of such effective provisions shall be as close as possible to the economic effect of those invalid, illegal or unenforceable provisions.

12. AMENDMENTS AND SUPPLEMENTS

Any amendment and supplement to this Agreement shall be in writing. Any amendment and supplement to this Agreement that have been signed by both Parties shall be an integral part of this Agreement and shall have the same legal validity as this Agreement.

13. COUNTERPARTS

This Agreement is in two counterparts with each Party having one copy. Both copies have the same legal effect.

[Signature page]

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Business Cooperation Agreement as of the date first above written.

Party A: Duowan Entertainment Information Technology (Beijing) Company Limited (Seal)

By: /s/ Xueling Li
Name: Xueling Li
Title: Authorized Representative

Party B: Guangzhou Huaduo Network Technology Company Limited (Seal)

By: /s/ Xueling Li
Name: Xueling Li
Title: Authorized Representative

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Exhibit 10.6

Supplementary Agreement to Exclusive Business Cooperation Agreement

This Supplementary Agreement to Exclusive Business Cooperation Agreement (the "Supplementary Agreement") is entered into by and among the following parties on November 10, 2011:

Party A: Duowan Entertainment Information Technology (Beijing) Company

Address: Room B1507, Huizhi Building, No. 9 Xueqing Road, Haidian District, Beijing

Party B: Guangzhou Huaduo Network Technology Company Limited

Address: 2nd Floor, Jiadu International Building, No. 48-50 Jianzhong Road, Tianhe District, Guangzhou

WHEREAS:

(A) Party A and Party B entered into the Exclusive Business Cooperation Agreement on August 12, 2008 (the "Original Agreement");

(B) Both parties propose to revise Section 6.2 of the Original Agreement.

Through friendly negotiation, the parties hereto agree to supplement the Original Agreement as follows:

1. Section 6.2 of Original Agreement shall be deleted and be replaced by the following:

"6.2 Within the term of the Agreement, Party B shall not terminate the Agreement under any circumstance. Party A is entitled to terminate the Agreement by written notice to Party B 30 days in advance."

2. The Original Agreement shall be applied to the matters not provided in this Supplementary Agreement.

3. This Supplementary Agreement shall prevail should there be any inconsistency between the Original Agreement and this Supplementary Agreement.

4. This Supplementary Agreement shall be executed in two originals, each party holding one original. All the originals shall have the same legal effect.

Both parties authorize their authorized representatives to sign this Supplementary Agreement on the date indicated above and to make effective upon signing.

Party A: Duowan Entertainment Information Technology (Beijing) Company (Seal)

Signature: /s/ Xueling Li
Name: Xueling Li
Position: Legal Representative/Authorized Representative

Party B: Guangzhou Huaduo Network Technology Company Limited (Seal)

Signature: /s/ Xueling Li
Name: Xueling Li
Position: Legal Representative/Authorized Representative

Exhibit 10.7

Confirmation Letter

Duowan Entertainment Information Technology (Beijing) Company (“Beijing Duowan”) and Guangzhou Huaduo Network Technology Company Limited (“Guangzhou Huaduo”) have entered into an Exclusive Business Cooperation Agreement (the “Original Agreement”) on August 12, 2008. According to Section 2 of the Original Agreement, both parties confirm the fee rate and payment of services as follows:

1. Fee rate of services: Guangzhou Huaduo shall, according to the Original Agreement, pay services fees to Beijing Duowan at the rate of not more than 100% of Guangzhou Huaduo’s annual audited net income of each year.

2. Payment time: The time of paying services fees above shall be determined by Beijing Duowan according to actual situation. Guangzhou Huaduo shall arrange payment after receiving written notice from Beijing Duowan.

3. This confirmation letter shall prevail should there be any inconsistency between the Original Agreement and this confirmation letter.

Party A: Duowan Entertainment Information Technology (Beijing) Company (Seal)

Signature: /s/ Xueling Li
Name: Xueling Li
Position: Legal Representative/Authorized Representative

Party B: Guangzhou Huaduo Network Technology Company Limited (Seal)

Signature: /s/ Xueling Li
Name: Xueling Li
Position: Legal Representative/Authorized Representative

Date: November 10, 2011

Exhibit 10.8

Exclusive Technology Support and Technology Service Agreement

This Exclusive Technology Support and Technology Services Agreement (the "Agreement") is executed by the following parties on August 12, 2008 in Beijing:

Party A: Duowan Entertainment Information Technology (Beijing) Company Limited

Address: Suite 1707C3, Qingyun Dangdai Plaza, No.9 Mantingfangyuan Community, Qingyunli, Haidian District, Beijing

Party B: Guangzhou Huaduo Network Technology Company Limited

Address: Suite 602, East Tower, No. 64 and 66, Jianzhong Road, Tianhe District, Beijing

Whereas:

1. Party A is a duly registered and established wholly foreign owned enterprise, has strong Internet technology development and supporting strength, and rich experience in providing technology support and services; and
2. Party B needs professional technology company to provide technology support and services during its operation.

Based on the above, through friendly negotiation and based on the principles of equality and reciprocity, both parties agree to the following provisions and intend to be bound by such provisions:

Article I Technology Support and Technology Services

1.1 Party A agrees to provide to Party B, and Party B agrees to accept from Party A, the technology support and services in accordance with the terms and conditions of this Agreement, the detailed contents of which are as follows:

(1) To make research and development of relevant software and technologies according to Party B's business needs;

(2) To be responsible for daily maintenance, supervision, testing and debugging for Party B's computer network equipment;

(3) To provide technology consultation and answers to Party B's technology question regarding network equipment, technology products and software; and

(4) To provide other relevant technology support and services to Party B in accordance with this Agreement.

1.2 Party B shall actively cooperate with Party A to complete the above support and services, including, but not limited to, providing relevant data, technology specifications and instructions.

1.3 The service term under this Agreement is 20 years commencing on the effective date of the Agreement. The parties agree to grant Party A an option to extend the term of this Agreement. Before expiration of this Agreement, Party A is entitled to extend the term of this Agreement for 10 years by written notification. Party A may use its option to extend the term of this Agreement for unlimited times.

1.4 Party A shall be the exclusive provider of the technology support and services under this Agreement to Party B; without Party A's prior written consent, Party B shall not accept any technology support or services from any third parties.

1.5 Party A has sole and exclusive rights to and interests in any rights, ownership, interests and all intellectual property including but not limited to copyrights, patents, technology secrets, commercial secrets and others, arising from the performance of this Agreement, whether developed by Party B or Party A. The parties agree that this article survives the modification, termination or expiration of this Agreement.

Article II Service Fees

2.1 The parties agree that Party B shall pay services fees to Party A in accordance with the Appendix to this Agreement as consideration for the technology support and services provided by Party A under Section 1.1 of this Agreement, the amount and payment method of which are set forth in such Appendix. The Appendix may be amended by both parties according to their negotiation and the implementation of the Agreement.

Article III Confidentiality

3.1 For the purpose of this Agreement, Confidential Information include, but is not limited to, all or any part of the following contents or information: technology information, materials, plans, drawing, data, indicators, standards, software, computer applications, network design materials provided by one party to the other party with respect to technology development, design, research, production, manufacture and repair; any contracts, agreements, memorandum, appendix, draft or minutes executed for the purpose of this Agreement (including this Agreement); and any notice given by one party to the other party for the purpose of this Agreement without indicating such information as public information when provided. Upon the termination of this Agreement, Party A shall return or destroy, in accordance with Party B's requirements, any documents, materials or software that contain Confidential Information, and delete any Confidential Information from any memory device, and refrain from using such Confidential Information any longer.

3.2 Without prior written consent of the other party, neither party shall disclose Confidential Information by any means to any third parties.

3.3 Both parties shall adopt necessary measures to restrict the Confidential Information known or understood by it within the scope of relevant employees, agents or consultants, and require such person to comply with this provision strictly and not disclose the Confidential Information to any third parties. Both parties undertake not to disclose or reveal Confidential Information obtained from the other party to its irrelevant employees.

3.4 Under the following circumstances, neither party will be deemed to have disclosed or revealed Confidential Information:

3.4.1 The disclosed information has been known to public before disclosure (not by any means in violation of this provision);

3.4.2 The disclosure is made with the other party's prior written consent;

3.4.3 The disclosure is made under mandatory requirements by governmental departments, laws or orders, provided that requirements by governmental departments must be issued by formal documents, otherwise the party shall refuse to comply and shall not disclose or reveal any Confidential Information.

3.5 If any party violates this provision, such breaching party shall compensate all losses incurred by the non-breaching party.

Article IV Breach Liabilities

4.1 If any party violates the provisions of this Agreement, such breaching party shall compensate all losses incurred by the non-breaching party.

4.2 Any waiver of the breaching party's breach may only be made in writing to be effective. The non-exercise or delay in exercise by any party of any rights or remedies under this Agreement does not constitute waiver of such party; any partial exercise of rights or remedies by any party shall not prejudice such party's exercise of other rights or remedies.

4.3 The effectiveness of this Article IV shall not be affected by the expiration or termination of this Agreement.

Article V Force Majeure

5.1 Under this Agreement, force majeure means wars, fires, earthquakes, floods, rainstorms, snowstorms and other natural disasters; or other events that cannot be foreseen, overcome or avoided by the parties when entering into this Agreement.

5.2 If a party cannot perform or delay to perform all or part of its obligations under this Agreement due to effect of force majeure, such party shall be released from relevant liabilities, but shall continue to perform after the effect of such force majeure is eliminated. If the force majeure has caused the performance of this Agreement to be impossible or unnecessary, the parties shall friendly negotiate about other resolutions.

Article VI Modification, Termination and Expiration of the Agreement

6.1 This Agreement may be modified through both parties' negotiation, or due to force majeure or other events provided by laws and regulations and this Agreement.

6.2 Any modification to this Agreement shall be executed by both parties in writing, otherwise it shall not bind the parties.

6.3 If any party fails to perform this Agreement within specified term, and the non-performance continues for a grace period of up to thirty days granted by the non-breaching party, the non-breaching party may terminate this Agreement by notice to the other party. The terminating notice is effective on the date when it is sent. Within the term of this Agreement, Party B may terminate this Agreement by 30-day's written notice to Party B.

6.4 During the term of this Agreement, if any party has made bankruptcy application in any form, has entered into bankruptcy liquidation proceedings, has been prohibited from continuing operation by competent governmental authority, or has lost legal person status or other legal subject status due to other reasons, the other party is entitled to terminate this Agreement. The terminating notice is effective on the date when it is sent.

6.5 The termination of this Agreement does not prejudice the other party's right to seek for compensations. If the modification or termination of this Agreement causes losses to any party, the responsible parties shall compensate such losses, except for those exempted by relevant laws. If this Agreement is terminated due to reasons attributable to Party A, Party B is entitled to compensations for all losses caused by such termination, as well as service fees for all services that have been rendered.

Article VII Governing Law and Dispute Resolution

7.1 The execution, effectiveness, interpretation, performance, amendment, termination and dispute resolution of this Agreement shall be governed by the laws of the People's Republic of China.

7.2 If there are any disputes or controversies in the performance of this Agreement, the parties shall first resolve them through friendly negotiation and, if negotiation fails, such disputes shall be submit to the China International Economic and Trade Arbitration Commission for arbitration in accordance with the then current arbitration rules of such commission. The arbitration shall be held in Beijing.

Article VIII Miscellaneous

8.1 This Agreement becomes effective upon signature of both parties. After this Agreement becomes effective and has been performed, the parties may execute supplementary agreements with respect to matters not addressed in this Agreement, or new situations occurring during the performance of this Agreement. Such supplementary agreement constitutes an integral part to this Agreement and has the same legal effect with the Agreement.

8.2 Provisions regarding confidentiality, dispute resolution and breach liabilities in this Agreement survive the termination or suspension of this Agreement.

8.3 Without prior written consent of the other party, neither party may assign all or any of its rights and duties under this Agreement to any third party.

8.4 The invalidity of any provisions of this Agreement shall not affect the validity of other provisions of this Agreement.

8.5 This Agreement is executed in two copies, each party holding one copy, and both copies have the same legal effect.

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[Signature page]

Party A: Duowan Entertainment Information Technology (Beijing) Company Limited (Seal)

By: /s/ Xueling Li
Name: Xueling Li
Title: Authorized Representative

Party B: Guangzhou Huaduo Network Technology Company Limited (Seal)

By: /s/ Xueling Li
Name: Xueling Li
Title: Authorized Representative

Appendix

Standards and Payments of Technology Service Fee

1. Both parties agree that Party B shall pay services fees to Party A as consideration for the technology support and technology services provided by Party A in accordance with Section 1.1 of this Agreement according to the following provisions:

(1) **Basic Annual Fees**

Party B shall pay to Party A RMB[ ] annually as the basic annual fees for the technology support and technology services provided by Party A in the year under this Agreement, which shall be made by four equal installments and be paid by quarter. Party B shall, within fifteen (15) business days after the beginning of each quarter, pay RMB[ ] to a bank account designated by Party A.

(2) **Floating Fees**

In addition to the basic annual fees provided in the above paragraph (1), Party B shall pay to Party A floating fees based on the specific situation of the provision of technology support and services in each year. The floating fees shall be paid by quarter, and the amount of such floating fees payable in each quarter shall be determined by both parties considering the following factors:

(i) The number and qualifications of professional personnel of Party A used to provide supporting services to Party B in the quarter;

(ii) Time spent by Party A's professional personnel to provide supporting services in the quarter;

(iii) Party A's various investments in providing supporting services in the quarter;

(iv) Detailed contents and values of the consulting and training services provided by Party A in the quarter; and

(v) Party B's business revenue.

2. Within 15 days after the end of each quarter, Party B shall provide Party A with all necessary financial materials for calculation of such quarter's floating fees, and to pay Party A such floating fees within 30 days after the end of such quarter. If Party A questions the financial materials provided by Party B, it may delegate a reputable independent accountant to conduct an audit of relevant materials. Such audit shall be conducted during normal business hours and shall not affect Party B's normal business. Under such conditions, Party B shall provide cooperation.

3. If Party A deems that the agreed amount of service fees provided in the first paragraph of this Appendix cannot accommodate to changes of objective situations and needs adjustment, Party B shall, within seven business days after Party A gives a written request for adjustment of fees, negotiate with Party A actively and in good faith to determine the new fees schedule or system.

Exhibit 10.9

Supplementary Agreement to Exclusive Technology Support and Technology Services Agreement

This Supplementary Agreement to Exclusive Technology Support and Technology Services Agreement (the "Supplementary Agreement") is entered into by and among the following parties on November 10, 2011:

Party A: Duowan Entertainment Information Technology (Beijing) Company

Address: Room B1507, Huizhi Building, No. 9 Xueqing Road, Haidian District, Beijing

Party B: Guangzhou Huaduo Network Technology Company Limited

Address: 2nd Floor, Jiadu International Building, No. 48-50 Jianzhong Road, Tianhe District, Guangzhou

WHEREAS:

(A) Party A and Party B entered into the Exclusive Technology Support and Technology Services Agreement on August 12, 2008 (the "Original Agreement");

(B) Both parties propose to revise Section 6.3 of the Original Agreement.

Through friendly negotiation, the parties hereto agree to supplement the Original Agreement as follows:

1. Section 6.3 of Original Agreement shall be deleted and be replaced by the following:

"6.3 Within the term of the Agreement, Party B shall not terminate the Agreement under any circumstance. Party A is entitled to terminate the Agreement by written notice to Party B 30 days in advance."

2. The Original Agreement shall be applied to the matters not provided in this Supplementary Agreement.

3. This Supplementary Agreement shall prevail should there be any inconsistency between the Original Agreement and this Supplementary Agreement.

4. This Supplementary Agreement shall be executed in two originals, each party holding one original. All the originals shall have the same legal effect.

Both parties authorize their authorized representatives to sign this Supplementary Agreement on the date indicated above and to make effective upon signing.

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Party A: Duowan Entertainment Information Technology (Beijing) Company (Seal)

Signature: /s/ Xueling Li
Name: Xueling Li
Position: Legal Representative/Authorized Representative

Party B: Guangzhou Huaduo Network Technology Company Limited (Seal)

Signature: /s/ Xueling Li
Name: Xueling Li
Position: Legal Representative/Authorized Representative

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Exhibit 10.10

Confirmation Letter

Duowan Entertainment Information Technology (Beijing) Company ("Beijing Duowan") and Guangzhou Huaduo Network Technology Company Limited ("Guangzhou Huaduo") have entered into an Exclusive Technology Support and Technology Services Agreement (the "Original Agreement") on August 12, 2008. According to Section 2 of the Original Agreement, both parties confirm the fee rate and payment of services as follows:

1. Fee rate of services: Guangzhou Huaduo shall, according to the Original Agreement, pay services fees to Beijing Duowan at the rate of 10% of Guangzhou Huaduo's annual revenue of each year.

2. Payment time: The time of paying services fees above shall be determined by Beijing Duowan according to actual situation. Guangzhou Huaduo shall arrange payment after receiving written notice from Beijing Duowan.

3. This confirmation letter shall prevail should there be any inconsistency between the Original Agreement and this confirmation letter.

Party A: Duowan Entertainment Information Technology (Beijing) Company (Seal)

Signature: /s/ Xueling Li
Name: Xueling Li
Position: Legal Representative/Authorized Representative

Party B: Guangzhou Huaduo Network Technology Company Limited (Seal)

Signature: /s/ Xueling Li
Name: Xueling Li
Position: Legal Representative/Authorized Representative

Date: November 10, 2011

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Exhibit 10.11

Power of Attorney

The undersigned, Beijing Tuda Science and Technology Company Limited, a company registered in China, and a holder of 96.6667% the entire registered capital in Guangzhou Huaduo Network Technology Company Limited ("Guangzhou Huaduo") (the "Shareholding"), hereby irrevocably authorize Duowan Entertainment Information Technology (Beijing) Company Limited ("Duowan Beijing") to exercise the following rights relating to the Shareholding during the term of this Power of Attorney:

Duowan Beijing is hereby authorized to act on behalf of the undersigned as the sole and exclusive agent with respect to all matters concerning the Shareholding, including, but not limited to: 1) attend shareholders' meetings of Guangzhou Huaduo; 2) exercise all the shareholder's rights and shareholder's voting rights of the undersigned under laws and the articles of association of Guangzhou Huaduo, including, but not limited to, the sale or transfer or pledge or disposition of all or any part of the Shareholding; and 3) designate and appoint on behalf of the undersigned the legal representative (chairperson), directors, supervisors, the chief executive officer and other senior management members of Guangzhou Huaduo.

Without limiting the generality of the powers granted hereunder, Duowan Beijing shall have the power and authority under this Power of Attorney to execute the Transfer Contracts stipulated in Exclusive Option Agreement, to which the undersigned is required to be a party, on behalf of the undersigned, and to effect the terms of the Share Pledge Agreement and Exclusive Option Agreement, both dated the date hereof, to which the undersigned is a party.

All the actions associated with the Shareholding conducted by Duowan Beijing shall be deemed as the actions of the undersigned, and all the documents related to the Shareholding executed by Duowan Beijing shall be deemed to be executed by the undersigned. The undersigned hereby acknowledge and ratify those actions and/or documents by Duowan Beijing.

Duowan Beijing is entitled to re-authorize or assign its rights related to the aforesaid matters to any other person or entity at its own discretion and without giving prior notice to or obtaining consent from the undersigned.

This Power of Attorney shall be irrevocable and continuously valid from the date of execution of this Power of Attorney, so long as the undersigned is a shareholder of Guangzhou Huaduo.

During the term of this Power of Attorney, the undersigned hereby waives all the rights associated with the Shareholding, which have been authorized to Beijing Duowan through this Power of Attorney, and shall not exercise such rights by itself.

By: Beijing Tuda Science and Technology Company Limited (Seal)

Dated: September 16, 2011

Power of Attorney

The undersigned, Xueling Li, a Chinese citizen, and a holder of 1.6654% of the entire registered capital in Guangzhou Huaduo Network Technology Company Limited ("Guangzhou Huaduo") (the "Shareholding"), hereby irrevocably authorize Duowan Entertainment Information Technology (Beijing) Company Limited ("Duowan Beijing") to exercise the following rights relating to the Shareholding during the term of this Power of Attorney:

Duowan Beijing is hereby authorized to act on behalf of the undersigned as the sole and exclusive agent with respect to all matters concerning the Shareholding, including, but not limited to: 1) attend shareholders' meetings of Guangzhou Huaduo; 2) exercise all the shareholder's rights and shareholder's voting rights of the undersigned under laws and the articles of association of Guangzhou Huaduo, including, but not limited to, the sale or transfer or pledge or disposition of all or any part of the Shareholding; and 3) designate and appoint on behalf of the undersigned the legal representative (chairperson), directors, supervisors, the chief executive officer and other senior management members of Guangzhou Huaduo.

Without limiting the generality of the powers granted hereunder, Duowan Beijing shall have the power and authority under this Power of Attorney to execute the Transfer Contracts stipulated in Exclusive Option Agreement, to which the undersigned is required to be a party, on behalf of the undersigned, and to effect the terms of the Share Pledge Agreement and Exclusive Option Agreement, both dated the date hereof, to which the undersigned is a party.

All the actions associated with the Shareholding conducted by Duowan Beijing shall be deemed as the actions of the undersigned, and all the documents related to the Shareholding executed by Duowan Beijing shall be deemed to be executed by the undersigned. The undersigned hereby acknowledge and ratify those actions and/or documents by Duowan Beijing.

Duowan Beijing is entitled to re-authorize or assign its rights related to the aforesaid matters to any other person or entity at its own discretion and without giving prior notice to or obtaining consent from the undersigned.

This Power of Attorney shall be irrevocable and continuously valid from the date of execution of this Power of Attorney, so long as the undersigned is a shareholder of Guangzhou Huaduo.

During the term of this Power of Attorney, the undersigned hereby waives all the rights associated with the Shareholding, which have been authorized to Beijing Duowan through this Power of Attorney, and shall not exercise such rights by itself.

By: /s/ Xueling Li

Dated: September 16, 2011

Power of Attorney

The undersigned, Jun Lei, a Chinese citizen, and a holder of 1.4570% of the entire registered capital in Guangzhou Huaduo Network Technology Company Limited (“Guangzhou Huaduo”) (the “Shareholding”), hereby irrevocably authorize Duowan Entertainment Information Technology (Beijing) Company Limited (“Duowan Beijing”) to exercise the following rights relating to the Shareholding during the term of this Power of Attorney:

Duowan Beijing is hereby authorized to act on behalf of the undersigned as the sole and exclusive agent with respect to all matters concerning the Shareholding, including, but not limited to: 1) attend shareholders’ meetings of Guangzhou Huaduo; 2) exercise all the shareholder’s rights and shareholder’s voting rights of the undersigned under laws and the articles of association of Guangzhou Huaduo, including, but not limited to, the sale or transfer or pledge or disposition of all or any part of the Shareholding; and 3) designate and appoint on behalf of the undersigned the legal representative (chairperson), directors, supervisors, the chief executive officer and other senior management members of Guangzhou Huaduo.

Without limiting the generality of the powers granted hereunder, Duowan Beijing shall have the power and authority under this Power of Attorney to execute the Transfer Contracts stipulated in Exclusive Option Agreement, to which the undersigned is required to be a party, on behalf of the undersigned, and to effect the terms of the Share Pledge Agreement and Exclusive Option Agreement, both dated the date hereof, to which the undersigned is a party.

All the actions associated with the Shareholding conducted by Duowan Beijing shall be deemed as the actions of the undersigned, and all the documents related to the Shareholding executed by Duowan Beijing shall be deemed to be executed by the undersigned. The undersigned hereby acknowledge and ratify those actions and/or documents by Duowan Beijing.

Duowan Beijing is entitled to re-authorize or assign its rights related to the aforesaid matters to any other person or entity at its own discretion and without giving prior notice to or obtaining consent from the undersigned.

This Power of Attorney shall be irrevocable and continuously valid from the date of execution of this Power of Attorney, so long as the undersigned is a shareholder of Guangzhou Huaduo.

During the term of this Power of Attorney, the undersigned hereby waives all the rights associated with the Shareholding, which have been authorized to Beijing Duowan through this Power of Attorney, and shall not exercise such rights by itself.

By: /s/ Jun Lei

Dated: September 16, 2011

Power of Attorney

The undersigned, Jin Cao, a Chinese citizen, and a holder of 0.0703% of the entire registered capital in Guangzhou Huaduo Network Technology Company Limited ("Guangzhou Huaduo") (the "Shareholding"), hereby irrevocably authorize Duowan Entertainment Information Technology (Beijing) Company Limited ("Duowan Beijing") to exercise the following rights relating to the Shareholding during the term of this Power of Attorney:

Duowan Beijing is hereby authorized to act on behalf of the undersigned as the sole and exclusive agent with respect to all matters concerning the Shareholding, including, but not limited to: 1) attend shareholders' meetings of Guangzhou Huaduo; 2) exercise all the shareholder's rights and shareholder's voting rights of the undersigned under laws and the articles of association of Guangzhou Huaduo, including, but not limited to, the sale or transfer or pledge or disposition of all or any part of the Shareholding; and 3) designate and appoint on behalf of the undersigned the legal representative (chairperson), directors, supervisors, the chief executive officer and other senior management members of Guangzhou Huaduo.

Without limiting the generality of the powers granted hereunder, Duowan Beijing shall have the power and authority under this Power of Attorney to execute the Transfer Contracts stipulated in Exclusive Option Agreement, to which the undersigned is required to be a party, on behalf of the undersigned, and to effect the terms of the Share Pledge Agreement and Exclusive Option Agreement, both dated the date hereof, to which the undersigned is a party.

All the actions associated with the Shareholding conducted by Duowan Beijing shall be deemed as the actions of the undersigned, and all the documents related to the Shareholding executed by Duowan Beijing shall be deemed to be executed by the undersigned. The undersigned hereby acknowledge and ratify those actions and/or documents by Duowan Beijing.

Duowan Beijing is entitled to re-authorize or assign its rights related to the aforesaid matters to any other person or entity at its own discretion and without giving prior notice to or obtaining consent from the undersigned.

This Power of Attorney shall be irrevocable and continuously valid from the date of execution of this Power of Attorney, so long as the undersigned is a shareholder of Guangzhou Huaduo.

During the term of this Power of Attorney, the undersigned hereby waives all the rights associated with the Shareholding, which have been authorized to Beijing Duowan through this Power of Attorney, and shall not exercise such rights by itself.

By: /s/ Jin Cao

Dated: September 16, 2011

Power of Attorney

The undersigned, Bin Zhao, a Chinese citizen, and a holder of 0.1406% of the entire registered capital in Guangzhou Huaduo Network Technology Company Limited ("Guangzhou Huaduo") (the "Shareholding"), hereby irrevocably authorize Duowan Entertainment Information Technology (Beijing) Company Limited ("Duowan Beijing") to exercise the following rights relating to the Shareholding during the term of this Power of Attorney:

Duowan Beijing is hereby authorized to act on behalf of the undersigned as the sole and exclusive agent with respect to all matters concerning the Shareholding, including, but not limited to: 1) attend shareholders' meetings of Guangzhou Huaduo; 2) exercise all the shareholder's rights and shareholder's voting rights of the undersigned under laws and the articles of association of Guangzhou Huaduo, including, but not limited to, the sale or transfer or pledge or disposition of all or any part of the Shareholding; and 3) designate and appoint on behalf of the undersigned the legal representative (chairperson), directors, supervisors, the chief executive officer and other senior management members of Guangzhou Huaduo.

Without limiting the generality of the powers granted hereunder, Duowan Beijing shall have the power and authority under this Power of Attorney to execute the Transfer Contracts stipulated in Exclusive Option Agreement, to which the undersigned is required to be a party, on behalf of the undersigned, and to effect the terms of the Share Pledge Agreement and Exclusive Option Agreement, both dated the date hereof, to which the undersigned is a party.

All the actions associated with the Shareholding conducted by Duowan Beijing shall be deemed as the actions of the undersigned, and all the documents related to the Shareholding executed by Duowan Beijing shall be deemed to be executed by the undersigned. The undersigned hereby acknowledge and ratify those actions and/or documents by Duowan Beijing.

Duowan Beijing is entitled to re-authorize or assign its rights related to the aforesaid matters to any other person or entity at its own discretion and without giving prior notice to or obtaining consent from the undersigned.

This Power of Attorney shall be irrevocable and continuously valid from the date of execution of this Power of Attorney, so long as the undersigned is a shareholder of Guangzhou Huaduo.

During the term of this Power of Attorney, the undersigned hereby waives all the rights associated with the Shareholding, which have been authorized to Beijing Duowan through this Power of Attorney, and shall not exercise such rights by itself.

By: /s/ Bin Zhao

Dated: September 16, 2011

Exhibit 10.12

Exclusive Option Agreement

This Exclusive Option Agreement (this "Agreement") dated September 16, 2011, is made in Beijing, the People's Republic of China (the "PRC"), by and among:

Party A: Duowan Entertainment Information Technology (Beijing) Company Limited
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing

Party B: Beijing Tuda Science and Technology Company Limited
Address: Suite B1506, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing

Party C: Guangzhou Huaduo Network Technology Co., Ltd.
Address: 2nd Floor, Jiadu International Plaza, 48-50 Jianzhong Road, Tianhe District, Guangzhou

Party A, Party B and Party C respectively referred to as a "Party", collectively referred to as "Parties".

WHEREAS:

1. Party B holds 96.6667% equity interests of Party C;

2. Party A and Party C entered into a series of legal documents, including an Exclusive Business Cooperation Agreement and Exclusive Technology Support and Technology Services Agreement on August 12, 2008, which are made for purpose of formation of Party A's control over Party C (collectively as "Controlling Documents").

THEREFORE, the Parties hereby agree as follows:

1. Sale and Purchase of Equity Interests

1.1 Right of Grant

Considering that Party A has paid RMB 10 to Party B as the consideration, and Party B has confirmed that it had received such consideration and such consideration was sufficient, Party B hereby irrevocably grants Party A an exclusive right to, according to the exercise steps decided by Party A at is own discretion and the price described in Clause 1.3 hereof, at anytime purchase or designate one or several persons ("Designated Person") to purchase any portion of all of equity interests held by Party B in Party C in one or several installments, to the extent allowed by laws of the PRC ("Equity Purchase Right"). Any third party other than Party A and Appointed Person should not enjoy the Equity Purchase Right or any other rights with respect to Party B's equity interests. Party C hereby allows Party B to grant the Equity Purchase Right to Party A. "Person" mentioned in this clause and this Agreement refers to individuals, companies, joint ventures, partnerships, enterprises, trusts and non-corporate organizations.

1.2 Steps of Exercise

The exercise of Equity Purchase Right by Party A is subject to provisions of laws and regulations of PRC. When exercising the Equity Purchase Right, Party A shall serve a written notice ("Purchase Notice") to Party B, to specify the following issues: (a) decisions of Party A regarding the exercise of Equity Purchase Right; (b) the percentage of equity interests to be purchased by Party A from Party B ("Purchased Equity Interests"), and (c) date of purchase/assignment of Purchased Equity Right.

1.3 Purchase Price

Lowest price allowed by laws of the PRC.

1.4 Assignment of Purchased Equity Interests

Every time Party A exercises the Equity Purchase Right,

1.4.1 Party B shall cause Party C to hold the shareholders' meeting, by which the resolutions regarding Party B's assignment of Purchased Equity Interests to Party A and/or Designated Person shall be resolved and approved;

1.4.2 Party B shall obtain Party C's other shareholders' consent regarding the assignment of Purchased Equity Interests to Party A and/or Designated Person, and provide a written statement with respect to waiver of the option right;

1.4.3 Party B shall enter into a respective equity transfer Agreement for each transfer of equity interests with Party A and/or the Designated Person (if applicable) in accordance with the provisions hereof and the Purchase Notice;

1.4.4 related parties shall enter into all the other contracts, agreements and documents, obtain all governmental approvals and consents, and take all actions necessary for the transfer of all valid ownership of the Purchased Equity Interests to Party A and/or the Designated Person, as well as validation of Party A and/or the Designated Person's status as registered owner of the Purchased Equity Interests, without any security interest. For the purpose of this clause and this Agreement, "security interest" includes guaranty, mortgage, third party's rights or interests, any stock option, right of purchase, option right, setting-off right, ownership retention or other guaranty arrangement, etc., provided that, for purchase of clarification, it will not include any security interest arising from this Agreement and Party B's Equity Pledge Agreement. "Party B's Equity Pledge Agreement" as mentioned in this clause and this Agreement refers to the Equity Pledge Agreement entered into by and among Party A, Party B and Party C on the date hereof, in accordance with which, Party B pledges all the equity interests held by it in Party C to Party A, for purpose of security of Party C's performance of all its obligations under the Exclusive Business Cooperation Agreement between Party C and Party A.

1.5 Payment

The Parties agree that, the equity interests transfer price to be paid by Party A to Party B for exercising the exclusive option right hereunder by Party A, in principle, shall be the lowest amount allowed by then effective laws and regulations of the PRC. If Party B is held liable to Party A or its affiliates then, Party A may also use related creditor's right as the consideration for the transfer of equity interests.

2. **Undertakings**

2.1 Undertakings Relating to Party C

Party B (as Party C's shareholder) and Party C hereby undertake that with respect to Party C, they:

2.1.1 without written consent of Party A, will not, in any way, supplement, change or amend the organizational documents of Party C, increase or decrease its registered capital, or change the structure of its registered capital in any other form;

2.1.2 will maintain its existence, diligently and validly operate its business and deal with its daily corporate matters, according to a well-accepted financial and commercial standard and practice;

2.1.3 without written consent of Party A, will not sell, transfer, mortgage, or dispose of in any other way, any legal or beneficial interest in Party C's assets, business or revenue, or allow any security interest to be created over thereon, anytime upon the execution hereof;

2.1.4 without written consent of Party A, will not incur, succeed, guaranty, or allow the existing of, any liability, provided that, (i) such liability arises from its routine or daily operation, instead of borrowing; and (ii) such liability has been disclosed by Party A and consented by Party A in writing;

2.1.5 will operate all business in the course of normal operation, and will not take any action/non-action imposing any adverse effect on Party C's operation status and value of assets, in order to maintain Party C's assets value;

2.1.6 without written consent of Party A, will not cause Party C to enter into any material contract, except for contracts made during the ordinary course of business (for purpose of this clause, if the value of contract exceeds RMB 100,000, the contract will be deemed material);

2.1.7 without written consent of Party A, will not cause Party C to provide any loan or credit facility to any other person;

2.1.8 will provide to Party A all materials in respect of Party C's operation and financial situation, as required by Party A;

2.1.9 if required by Party A, will procure from the insurer accepted by Party A insurance and maintain the insurance with respect to its assts and business, and the insurance premium and policy shall be in compliance with those of other companies operating similar businesses;

2.1.10 without written consent of Party A, will not cause Party C to merge or amalgamate with any other person, or acquire or invest in any other person;

2.1.11 will notify Party A of any occurrence or threat of any lawsuit, arbitration or administrative proceeding with respect to Party C's assets, business and revenue;

2.1.12 for purpose of maintenance of Party C's ownership of all of its assets, will sign all necessary or appropriate documents, take all necessary and appropriate actions, and file any necessary or appropriate claims, or proceed with all necessary and appropriate defenses against all claims;

2.1.13 without written consent of Party A, will not distribute any dividend in any form to shareholders, provided that, if required so by Party A, will immediately distribute all its distributable profits to its shareholders; and

2.1.14 will appoint the persons designated by Party A as Party C's directors, as required by Party A.

2.2 Party B's Undertakings

Party B undertakes that it:

2.2.1 without written consent of Party A, will not sell, transfer, mortgage, or dispose of in any other way, any legal or beneficial interest in the equity interests held by it of Party C, or allow any security interest to be created over thereon, except for the pledge created over such equity interests in accordance with Party B's Equity Pledge Agreement;

2.2.2 will cause Party C's shareholders' meeting and/or directors' meeting not to approve the sale, transfer, mortgage, or disposition in any other way of, any legal or beneficial interest in the equity interests held by it of Party C, or any security interest to be created over thereon, except for the pledge created over such equity interests in accordance with Party B's Equity Pledge Agreement;

2.2.3 without written consent of Party A, will cause Party C's shareholders' meeting and/or directors' meeting not to approve Party C's merger or amalgamation with any other person, or its acquisition of or investment in any other person;

2.2.4 will notify Party A of any occurrence or threat of any lawsuit, arbitration or administrative proceeding with respect to the equity interests held by it;

2.2.5 will cause Party C's shareholders' meeting and/or directors meeting to resolve to agree upon the transfer of Purchased Equity Interests mentioned herein, and take any other actions as required by Party A;

2.2.6 for purpose of maintaining its legitimate ownership of equity interests held by it, will sign all necessary or appropriate documents, take all necessary and appropriate actions, and file any necessary or appropriate claims, or proceed with all necessary and appropriate defenses against all claims;

2.2.7 will appoint the persons designated by Party A as Party C's directors, as required by Party A;

2.2.8 as required by Party A at anytime, will at anytime, unconditionally transfer its equity interests to the representatives designated by Party A in accordance with the Equity Purchase Right mentioned herein, and waive the option right with respect to the transfer of corresponding equity interests to another existing shareholder (if any); and

2.2.9 will strictly abide by all provisions of this Agreement and other contracts among the Parties, and between any two of them, perform all the obligations thereunder, and will not take any action/non-action which may impose any effect on the validity and enforceability of such contracts. If Party B still maintains any right with respect to the equity interests under this Agreement, or Equity Pledge Agreement among the Parties, or the authorization letter of Party A, Party B will not exercise any of such rights unless with the written direction of Party A.

3. **Representations and Warrants**

Party B and Party C hereby respectively and jointly represent and warrant to Party A on the date hereof and each day of transfer, that:

3.1 it has the power and capacity to execute and deliver this Agreement, as well as any other equity interests transfer contract, to which it is a party, and which is made for each transfer of Purchased Equity Interests in accordance with this Agreement (individually referred to as "Transfer Agreement"), and perform its obligations under this Agreement and the Transfer Agreement. Party B and Party C agree to enter into a respective Transfer Agreement containing the provisions same to this Agreement when Party A exercises the Equity Purchase Right. This Agreement and any Transfer Agreement to which it is a party, upon being executed, constitutes or will constitute its valid and binding obligation enforceable against it in accordance with the terms hereof;

3.2 its execution, delivery and performance of this Agreement or any Transfer Agreement will not (i) violate any applicable laws of the PRC; (ii) conflict with the articles of association and other organizational documents of Party C; (iii) breach any contract or document which is binding upon it, or to which it is a party; (iv) violate any permit or approval, or the conditions for maintaining its validity of such permit or approval, granted to any party; or (v) cause the suspension or withdrawal of, or impose any additional conditions on, the permit or approval granted to any party;

3.3 Party B owns good and salable ownership of the equity interests by it in Party C, and Party B has not created any security interest over such equity interests except for Party B's Equity Pledge Agreement;

3.4 Party C owns good and salable ownership of all of its assets, and Party C has not created any security interest over such assets;

3.5 Party C does not have any outstanding liabilities, except for (i) those arising from the ordinary course of business and (ii) those disclosed to Party A and approved by Party A in writing;

3.6 Party C has been complying with all applicable laws and regulations related to the acquisition of assets; and

3.7 there are no lawsuits, arbitrations or administrative proceedings pending or threatened with respect to the equity interests, Party C's assets or Party C itself.

4. **Effective Date**

This Agreement becomes effective upon the execution by each Party. The term of this Agreement is ten (10) years, and may be extended subject to Party A's decision. All the related Exclusive Stock Option Agreement and the Amendment thereto entered among the Parties will no longer be effective from the date hereof.

5. **Applicable Law and Dispute Resolution**

5.1 Applicable Law

The formation of this Agreement, its validity, interpretation, performance, change, and termination of this Agreement, and the settlement of any dispute between the Parties, shall be governed by and construed in accordance with the laws of the PRC, which are officially promulgated and available to the public. The issues not governed by the laws of the PRC, which are officially promulgated and available to the public, shall apply international legal rules and practices.

5.2 Dispute Resolution

The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Agreement through friendly consultations. If a dispute is not resolved through friendly consultations within 30 days from the date a Party gives the other Party written notice of the dispute, then each Party may submit the dispute to China International Economic and Trade Arbitration Commission ("CIETAC") for arbitration in accordance with then effective arbitration rules. The arbitration shall be conducted in Shanghai in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

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6. **Taxes, Fees**

Each Party shall respectively bear any and all the taxes, expenses and fees incurred by, or collected from such Party, for preparation and execution of this Agreement, each Transfer Agreement, and completion of the transactions contemplated by this Agreement and each Transfer Agreement, in accordance with laws of the PRC.

7. **Notices**

7.1 All the notices and other communications required by or sent pursuant to this Agreement shall be delivered to the following address of each Party in person, by registered mail, prepaid post, or commercial courier services, or facsimile. Each notice shall be confirmed with a respective email. Delivery shall be deemed to have occurred:

7.1.1 the same day (local time at the recipient's place of business) on which delivery is made by personal delivery, or by courier services, registered mail, or prepaid post, or delivery is refused.

7.1.2 the day of delivery being successfully made, if by facsimile (certified by the automatically generated transmission confirmation).

7.2 Each Party's address for purpose of notice is as follows:

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited**
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing
Attention: Li Xueling
Telephone:
Facsimile:

Party B: **Beijing Tuda Science and Technology Company Limited**
Address: Suite B1506, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing
Attention: Jin Cao
Telephone:
Facsimile:

Party C: **Guangzhou Huaduo Network Technology Co., Ltd.**
Address: 2nd Floor, Jiadu International Plaza, 48-50 Jianzhong Road, Tianhe District, Guangzhou
Attention: Li Xueling
Telephone:
Facsimile:

7.3 Each Party may at anytime change its address for receiving notices by giving a notice to the other Parties in accordance with this clause.

8. **Confidentiality**

Each Party recognizes and confirms this Agreement, the content of this Agreement, and any and all oral and written information exchanged among them for the preparation and performance of this Agreement shall be deemed as confidential information. Each Party shall hold in confidence all such confidential information, and without the written consent from the other Parties, should not disclose any confidential information to any third party, provided that, confidential information shall not include information that (i) is or becomes available to the public other than as a result of a disclosure by the receiving Party in violation of this Agreement, or (ii) any information which must be disclosed pursuant to laws and regulations, stock trading rules, or as required by order or decree of governmental authorities or courts; or (iii) any information disclosed by either Party to its shareholders, invertors, legal or financial advisors in relation to the transactions contemplated herein, who are bound by confidentiality obligation similar to this provision. Any disclosure of confidential information by the professionals or institutions engaged by either Party shall be deemed as the disclosure by such Party, and such Party shall be held liable for breach. This provision shall survive the termination of this Agreement for any reason.

9. **Further Assurance**

The Parties hereto shall each immediately perform such beneficial acts, execute and deliver such beneficial instruments and documents, and do all such other things as may be reasonably necessary to perform the provisions and purpose of this Agreement.

10. **Miscellaneous**

10.1 Amendment, Change and Supplement

Any amendment, change and supplement to this Agreement can only be made with the written agreement signed by each Party hereto.

10.2 Entirety

Except for any written amendment, supplement and change made to this Agreement upon the execution hereof, this Agreement constitutes the entire agreement reached among the Parties relating to the subject matter hereof, and supersedes in their entirety all prior written and oral agreements and understandings among the Parties relating to the subject matter hereof.

10.3 Headings

The headings of this Agreement are created only for reading convenience and should not be interpreted, or explained to affect the meanings of the provisions hereof.

10.4 Languages

This Agreement is written in Chinese in three (3) originals, each Party holding one (1) copy.

10.5 Severability

If any single or multiple provisions hereof are judged invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be affected in any aspect. The Parties shall in good faith endeavor to use valid provisions to the extent allowed by laws and reflecting the intensions of all the Parties to replace those invalid, illegal or unenforceable provisions, provided that, the economic effects achieved by such valid provisions shall be similar to the economic effects achieved by those invalid, illegal or unenforceable provisions.

10.6 Successors

This Agreement shall be binding upon, and inure to the benefit of, the Parties and their successors and permitted assigns.

10.8 Survival

10.8.1 Any obligations arising from, or expiring upon the expiry or earlier termination of this Agreement survive the expiry or earlier termination of this Agreement.

10.8.2 Section 5, Section 7, Section 8 of this Agreement and this Clause 10.8 shall survive the termination of this Agreement.

10.9 Waiver

Each Party can only waive any term or condition of this Agreement in writing and with the signatures of all the Parties. Any waiver made by one Party regarding the other Party's breach should not be deemed as the waiver of such Party regarding the other Party's similar breaches in other situations.

10.10 Indemnification

10.10.1 Each Party hereby agrees and confirms that, if any existing shareholder materially breaches any provision hereof ("Default Party"), or materially fails to perform any obligation hereunder, then it has constituted the breach of this Agreement ("Breach"), and Party A has the right to require the Default Party to cure such Breach or take any correction measures regarding such Breach within a reasonable period. In the event that the Default Party fails to cure such Breach or take any correction measures regarding such Breach within such reasonable period or ten (10) days after Party A sends the written breach notice to the Default Party to require the correction, then Party A is entitled to choose any of the following relieves for the Breach: (i) to terminate this Agreement and require the Default Party to provide full indemnification for such Breach; (2) to require the enforcement of all the obligations of the Default Party under this Agreement, and the Default Party to provide full indemnification for such Breach; or (3) to sell or dispose of the pledged equity interests in accordance with the Equity Pledge Agreement, to be indemnified at the first priority with the price of sale and disposal of such equity interests, and require the Default Party to be liable for all losses so incurred by it.

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10.10.2 Each Party agrees and confirms that under no circumstance may the existing shareholders require the termination of this Agreement for any reason.

10.10.3 The rights and relieves available hereunder are accumulative and do not exclude any other right or relief available in accordance with laws.

10.10.4 Notwithstanding anything contained herein to the contrary, the validity of this provision survives the suspension or termination of this Agreement.

[Signature page]

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

Party A: Duowan Entertainment Information Technology (Beijing) Company Limited

Signature: (Seal)
Name:
Title: Legal Representative/Authorized Representative

Party B: Beijing Tuda Science and Technology Company Limited

Signature: (Seal)
Name:
Title: Legal Representative/Authorized Representative

Party C: Guangzhou Huaduo Network Technology Co., Ltd.

Signature: (Seal)
Name:
Title: Legal Representative/Authorized Representative

Exclusive Option Agreement

This Exclusive Option Agreement (this "Agreement") dated September 16, 2011, is made in Beijing, the People's Republic of China (the "PRC"), by and among:

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited**
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing

Party B: **Xueling Li**
Address:

Party C: **Guangzhou Huaduo Network Technology Co., Ltd.**
Address: 2nd Floor, Jiadu International Plaza, 48-50 Jianzhong Road, Tianhe District, Guangzhou

Party A, Party B and Party C respectively referred to as a "Party", collectively referred to as "Parties".

WHEREAS:

1. Party B holds 1.6654% equity interests of Party C;
2. Party A and Party C entered into a series of legal documents, including an Exclusive Business Cooperation Agreement and Exclusive Technology Support and Technology Services Agreement on August 12, 2008, which are made for purpose of formation of Party A's control over Party C (collectively as "Controlling Documents").

THEREFORE, the Parties hereby agree as follows:

1. Sale and Purchase of Equity Interests

1.1 Right of Grant

Considering that Party A has paid RMB 10 to Party B as the consideration, and Party B has confirmed that it had received such consideration and such consideration was sufficient, Party B hereby irrevocably grants Party A an exclusive right to, according to the exercise steps decided by Party A at is own discretion and the price described in Clause 1.3 hereof, at anytime purchase or designate one or several persons ("Designated Person") to purchase any portion of all of equity interests held by Party B in Party C in one or several installments, to the extent allowed by laws of the PRC ("Equity Purchase Right"). Any third party other than Party A and Appointed Person should not enjoy the Equity Purchase Right or any other rights with respect to Party B's equity interests. Party C hereby allows Party B to grant the Equity Purchase Right to Party A. "Person" mentioned in this clause and this Agreement refers to individuals, companies, joint ventures, partnerships, enterprises, trusts and non-corporate organizations.

1.2 Steps of Exercise

The exercise of Equity Purchase Right by Party A is subject to provisions of laws and regulations of PRC. When exercising the Equity Purchase Right, Party A shall serve a written notice ("Purchase Notice") to Party B, to specify the following issues: (a) decisions of Party A regarding the exercise of Equity Purchase Right; (b) the percentage of equity interests to be purchased by Party A from Party B ("Purchased Equity Interests"), and (c) date of purchase/assignment of Purchased Equity Right.

1.3 Purchase Price

Lowest price allowed by laws of the PRC.

1.4 Assignment of Purchased Equity Interests

Every time Party A exercises the Equity Purchase Right,

1.4.1 Party B shall cause Party C to hold the shareholders' meeting, by which the resolutions regarding Party B's assignment of Purchased Equity Interests to Party A and/or Designated Person shall be resolved and approved;

1.4.2 Party B shall obtain Party C's other shareholders' consent regarding the assignment of Purchased Equity Interests to Party A and/or Designated Person, and provide a written statement with respect to waiver of the option right;

1.4.3 Party B shall enter into a respective equity transfer contract for each transfer of equity interests with Party A and/or the Designated Person (if applicable) in accordance with the provisions hereof and the Purchase Notice;

1.4.4 related parties shall enter into all the other contracts, agreements and documents, obtain all governmental approvals and consents, and take all actions necessary for the transfer of all valid ownership of the Purchased Equity Interests to Party A and/or the Designated Person, as well as validation of Party A and/or the Designated Person's status as registered owner of the Purchased Equity Interests, without any security interest. For the purpose of this clause and this Agreement, "security interest" includes guaranty, mortgage, third party's rights or interests, any stock option, right of purchase, option right, setting-off right, ownership retention or other guaranty arrangement, etc., provided that, for purchase of clarification, it will not include any security interest arising from this Agreement and Party B's Equity Pledge Agreement. "Party B's Equity Pledge Agreement" as mentioned in this clause and this Agreement refers to the Equity Pledge Agreement entered into by and among Party A, Party B and Party C on the date hereof, in accordance with which, Party B pledges all the equity interests held by it in Party C to Party A, for purpose of security of Party C's performance of all its obligations under the Exclusive Business Cooperation Agreement between Party C and Party A.

1.5 Payment

The Parties agree that, the equity interests transfer price to be paid by Party A to Party B for exercising the exclusive option right hereunder by Party A, in principle, shall be the lowest amount allowed by then effective laws and regulations of the PRC. If Party B is held liable to Party A or its affiliates then, Party A may also use related creditor's right as the consideration for the transfer of equity interests.

2. **Undertakings**

2.1 Undertakings Relating to Party C

Party B (as Party C's shareholder) and Party C hereby undertake that with respect to Party C, they:

2.1.1 without written consent of Party A, will not, in any way, supplement, change or amend the organizational documents of Party C, increase or decrease its registered capital, or change the structure of its registered capital in any other form;

2.1.2 will maintain its existence, diligently and validly operate its business and deal with its daily corporate matters, according to a well-accepted financial and commercial standard and practice;

2.1.3 without written consent of Party A, will not sell, transfer, mortgage, or dispose of in any other way, any legal or beneficial interest in Party C's assets, business or revenue, or allow any security interest to be created over thereon, anytime upon the execution hereof;

2.1.4 without written consent of Party A, will not incur, succeed, guaranty, or allow the existing of, any liability, provided that, (i) such liability arises from its routine or daily operation, instead of borrowing; and (ii) such liability has been disclosed by Party A and consented by Party A in writing;

2.1.5 will operate all business in the course of normal operation, and will not take any action/non-action imposing any adverse effect on Party C's operation status and value of assets, in order to maintain Party C's assets value;

2.1.6 without written consent of Party A, will not cause Party C to enter into any material contract, except for the contracts made during the ordinary course of business (for purpose of this clause, if the value of contract exceeds RMB 100,000, the contract will be deemed material);

2.1.7 without written consent of Party A, will not cause Party C to provide any loan or credit facility to any other person;

2.1.8 will provide to Party A all materials in respect of Party C's operation and financial situation, as required by Party A;

2.1.9 if required by Party A, will procure from the insurer accepted by Party A insurance and maintain the insurance with respect to its assets and business, and the insurance premium and policy shall be in compliance with those of other companies operating similar businesses;

2.1.10 without written consent of Party A, will not cause Party C to merge or amalgamate with any other person, or acquire or invest in any other person;

2.1.11 will notify Party A of any occurrence or threat of any lawsuit, arbitration or administrative proceeding with respect to Party C's assets, business and revenue;

2.1.12 for purpose of maintenance of Party C's ownership of all of its assets, will sign all necessary or appropriate documents, take all necessary and appropriate actions, and file any necessary or appropriate claims, or proceed with all necessary and appropriate defenses against all claims;

2.1.13 without written consent of Party A, will not distribute any dividend in any form to shareholders, provided that, if required so by Party A, will immediately distribute all its distributable profits to its shareholders; and

2.1.14 will appoint the persons designated by Party A as Party C's directors, as required by Party A.

2.2 Party B's Undertakings

Party B undertakes that it:

2.2.1 without written consent of Party A, will not sell, transfer, mortgage, or dispose of in any other way, any legal or beneficial interest in the equity interests held by it of Party C, or allow any security interest to be created over thereon, except for the pledge created over such equity interests in accordance with Party B's Equity Pledge Agreement;

2.2.2 will cause Party C's shareholders' meeting and/or directors' meeting not to approve the sale, transfer, mortgage, or disposition in any other way of, any legal or beneficial interest in the equity interests held by it of Party C, or any security interest to be created over thereon, except for the pledge created over such equity interests in accordance with Party B's Equity Pledge Agreement;

2.2.3 without written consent of Party A, will cause Party C's shareholders' meeting and/or directors' meeting not to approve Party C's merger or amalgamation with any other person, or its acquisition of or investment in any other person;

2.2.4 will notify Party A of any occurrence or threat of any lawsuit, arbitration or administrative proceeding with respect to the equity interests held by it;

2.2.5 will cause Party C's shareholders' meeting and/or directors meeting to resolve to agree upon the transfer of Purchased Equity Interests mentioned herein, and take any other actions as required by Party A;

2.2.6 for purpose of maintaining its legitimate ownership of equity interests held by it, will sign all necessary or appropriate documents, take all necessary and appropriate actions, and file any necessary or appropriate claims, or proceed with all necessary and appropriate defenses against all claims;

2.2.7 will appoint the persons designated by Party A as Party C's directors, as required by Party A;

2.2.8 as required by Party A at anytime, will at anytime, unconditionally transfer its equity interests to the representatives designated by Party A in accordance with the Equity Purchase Right mentioned herein, and waive the option right with respect to the transfer of corresponding equity interests to another existing shareholder (if any); and

2.2.9 will strictly abide by all provisions of this Agreement and other contracts among the Parties, and between any two of them, perform all the obligations thereunder, and will not take any action/non-action which may impose any effect on the validity and enforceability of such contracts. If Party B still maintains any right with respect to the equity interests under this Agreement, or Equity Pledge Agreement among the Parties, or the authorization letter of Party A, Party B will not exercise any of such rights unless with the written direction of Party A.

3. **Representations and Warrants**

Party B and Party C hereby respectively and jointly represent and warrant to Party A on the date hereof and each day of transfer, that:

3.1 it has the power and capacity to execute and deliver this Agreement, as well as any other equity interests transfer contract, to which it is a party, and which is made for each transfer of Purchased Equity Interests in accordance with this Agreement (individually referred to as "Transfer Agreement"), and perform its obligations under this Agreement and the Transfer Agreement. Party B and Party C agree to enter into a respective Transfer Agreement containing the provisions same to this Agreement when Party A exercises the Equity Purchase Right. This Agreement and any Transfer Agreement to which it is a party, upon being executed, constitutes or will constitute its valid and binding obligation enforceable against it in accordance with the terms hereof;

3.2 its execution, delivery and performance of this Agreement or any Transfer Agreement will not (i) violate any applicable laws of the PRC; (ii) conflict with the articles of association and other organizational documents of Party C; (iii) breach any Agreement or document which is binding upon it, or to which it is a party; (iv) violate any permit or approval, or the conditions for maintaining its validity of such permit or approval, granted to any party; or (v) cause the suspension or withdrawal of, or impose any additional conditions on, the permit or approval granted to any party;

3.3 Party B owns good and salable ownership of the equity interests by it in Party C, and Party B has not created any security interest over such equity interests except for Party B's Equity Pledge Agreement;

3.4 Party C owns good and salable ownership of all of its assets, and Party C has not created any security interest over such assets;

3.5 Party C does not have any outstanding liabilities, except for (i) those arising from the ordinary course of business; and (ii) those disclosed to Party A and approved by Party A in writing;

3.6 Party C has been complying with all applicable laws and regulations related to the acquisition of assets; and

3.7 there are no lawsuits, arbitrations or administrative proceedings pending or threatened with respect to the equity interests, Party C's assets or Party C itself.

4. **Effective Date**

This Agreement becomes effective upon the execution by each Party. The term of this Agreement is ten (10) years, and may be extended subject to Party A's decision. All the related Exclusive Stock Option Agreement and the Amendment thereto entered among the Parties will no longer be effective from the date hereof.

5. **Applicable Law and Dispute Resolution**

5.1 Applicable Law

The formation of this Agreement, its validity, interpretation, performance, change, and termination of this Agreement, and the settlement of any dispute between the Parties, shall be governed by and construed in accordance with the laws of the PRC, which are officially promulgated and available to the public. The issues not governed by the laws of the PRC, which are officially promulgated and available to the public, shall apply international legal rules and practices.

5.2 Dispute Resolution

The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Agreement through friendly consultations. If a dispute is not resolved through friendly consultations within 30 days from the date a Party gives the other Party written notice of the dispute, then each Party may submit the dispute to China International Economic and Trade Arbitration Commission ("CIETAC") for arbitration in accordance with then effective arbitration rules. The arbitration shall be conducted in Shanghai in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

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6. **Taxes, Fees**

Each Party shall respectively bear any and all the taxes, expenses and fees incurred by, or collected from such Party, for preparation and execution of this Agreement, each Transfer Agreement, and completion of the transactions contemplated by this Agreement and each Transfer Agreement, in accordance with laws of the PRC.

7. **Notices**

7.1 All the notices and other communications required by or sent pursuant to this Agreement shall be delivered to the following address of each Party in person, by registered mail, prepaid post, or commercial courier services, or facsimile. Each notice shall be confirmed with a respective email. Delivery shall be deemed to have occurred:

7.1.1 the same day (local time at the recipient's place of business) on which delivery is made by personal delivery, or by courier services, registered mail, or prepaid post, or delivery is refused.

7.1.2 the day of delivery being successfully made, if by facsimile (certified by the automatically generated transmission confirmation).

7.2 Each Party's address for purpose of notice is as follows:

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited**
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing
Attention: Li Xueling
Telephone:
Facsimile:

Party B: **Xueling Li**
Address: No.2, Haiyuncang Hutong, Dongcheng District, Beijing
Telephone:
Facsimile:

Party C: **Guangzhou Huaduo Network Technology Co., Ltd.**
Address: 2nd Floor, Jiadu International Plaza, 48-50 Jianzhong Road, Tianhe District, Guangzhou
Attention: Li Xueling
Telephone:
Facsimile:

7.3 Each Party may at anytime change its address for receiving notices by giving a notice to the other Parties in accordance with this clause.

8. **Confidentiality**

Each Party recognizes and confirms this Agreement, the content of this Agreement, and any and all oral and written information exchanged among them for the preparation and performance of this Agreement shall be deemed as confidential information. Each Party shall hold in confidence all such confidential information, and without the written consent from the other Parties, should not disclose any confidential information to any third party, provided that, confidential information shall not include information that (i) is or becomes available to the public other than as a result of a disclosure by the receiving Party in violation of this Agreement, or (ii) any information which must be disclosed pursuant to laws and regulations, stock trading rules, or as required by order or decree of governmental authorities or courts; or (iii) any information disclosed by either Party to its shareholders, invertors, legal or financial advisors in relation to the transactions contemplated herein, who are bound by confidentiality obligation similar to this provision. Any disclosure of confidential information by the professionals or institutions engaged by either Party shall be deemed as the disclosure by such Party, and such Party shall be held liable for breach. This provision shall survive the termination of this Agreement for any reason.

9. **Further Assurance**

The Parties hereto shall each immediately perform such beneficial acts, execute and deliver such beneficial instruments and documents, and do all such other things as may be reasonably necessary to perform the provisions and purpose of this Agreement.

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The headings of this Agreement are created only for reading convenience and should not be interpreted, or explained to affect the meanings of the provisions hereof.

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This Agreement is written in Chinese in three (3) originals, each Party holding one (1) copy.

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This Agreement shall be binding upon, and inure to the benefit of, the Parties and their successors and permitted assigns.

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10.8.1 Any obligations arising from, or expiring upon the expiry or earlier termination of this Agreement survive the expiry or earlier termination of this Agreement.

10.8.2 Section 5, Section 7, Section 8 of this Agreement and this Clause 10.8 shall survive the termination of this Agreement.

10.9 Waiver

Each Party can only waive any term or condition of this Agreement in writing and with the signatures of all the Parties. Any waiver made by one Party regarding the other Party's breach should not be deemed as the waiver of such Party regarding the other Party's similar breaches in other situations.

10.10 Indemnification

10.10.1 Each Party hereby agrees and confirms that, if any existing shareholder materially breaches any provision hereof ("Default Party"), or materially fails to perform any obligation hereunder, then it has constituted the breach of this Agreement ("Breach"), and Party A has the right to require the Default Party to cure such Breach or take any correction measures regarding such Breach within a reasonable period. In the event that the Default Party fails to cure such Breach or take any correction measures regarding such Breach within such reasonable period or ten (10) days after Party A sends the written breach notice to the Default Party to require the correction, then Party A is entitled to choose any of the following relieves for the Breach: (i) to terminate this Agreement and require the Default Party to provide full indemnification for such Breach; (2) to require the enforcement of all the obligations of the Default Party under this Agreement, and the Default Party to provide full indemnification for such Breach; or (3) to sell or dispose of the pledged equity interests in accordance with the Equity Pledge Agreement, to be indemnified at the first priority with the price of sale and disposal of such equity interests, and require the Default Party to be liable for all losses so incurred by it.

10.10.2 Each Party agrees and confirms that under no circumstance may the existing shareholders require the termination of this Agreement for any reason.

10.10.3 The rights and relieves available hereunder are accumulative and do not exclude any other right or relief available in accordance with laws.

10.10.4 Notwithstanding anything contained herein to the contrary, the validity of this provision survives the suspension or termination of this Agreement.

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[Signature page]

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

Party A: Duowan Entertainment Information Technology (Beijing) Company Limited

Signature: (Seal)
Name:
Title: Legal Representative/Authorized Representative

Party B: Xueling Li

Signature: /s/ Xueling Li

Party C: Guangzhou Huaduo Network Technology Co., Ltd.

Signature: (Seal)
Name:
Title: Legal Representative/Authorized Representative

Exclusive Option Agreement

This Exclusive Option Agreement (this "Agreement") dated September 16, 2011, is made in Beijing, the People's Republic of China (the "PRC"), by and among:

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited**
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing

Party B: **Jun Lei**
Address:

Party C: **Guangzhou Huaduo Network Technology Co., Ltd.**
Address: 2nd Floor, Jiadu International Plaza, 48-50 Jianzhong Road, Tianhe District, Guangzhou

Party A, Party B and Party C respectively referred to as a "Party", collectively referred to as "Parties".

WHEREAS:

1. Party B holds 1.4570% equity interests of Party C;
2. Party A and Party C entered into a series of legal documents, including an Exclusive Business Cooperation Agreement and Exclusive Technology Support and Technology Services Agreement on August 12, 2008, which are made for purpose of formation of Party A's control over Party C (collectively as "Controlling Documents").

THEREFORE, the Parties hereby agree as follows:

1. Sale and Purchase of Equity Interests

1.1 Right of Grant

Considering that Party A has paid RMB 10 to Party B as the consideration, and Party B has confirmed that it had received such consideration and such consideration was sufficient, Party B hereby irrevocably grants Party A an exclusive right to, according to the exercise steps decided by Party A at is own discretion and the price described in Clause 1.3 hereof, at anytime purchase or designate one or several persons ("Designated Person") to purchase any portion of all of equity interests held by Party B in Party C in one or several installments, to the extent allowed by laws of the PRC ("Equity Purchase Right"). Any third party other than Party A and Appointed Person should not enjoy the Equity Purchase Right or any other rights with respect to Party B's equity interests. Party C hereby allows Party B to grant the Equity Purchase Right to Party A. "Person" mentioned in this clause and this Agreement refers to individuals, companies, joint ventures, partnerships, enterprises, trusts and non-corporate organizations.

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1.2 Steps of Exercise

The exercise of Equity Purchase Right by Party A is subject to provisions of laws and regulations of PRC. When exercising the Equity Purchase Right, Party A shall serve a written notice ("Purchase Notice") to Party B, to specify the following issues: (a) decisions of Party A regarding the exercise of Equity Purchase Right; (b) the percentage of equity interests to be purchased by Party A from Party B ("Purchased Equity Interests"), and (c) date of purchase/assignment of Purchased Equity Right.

1.3 Purchase Price

Lowest price allowed by laws of the PRC.

1.4 Assignment of Purchased Equity Interests

Every time Party A exercises the Equity Purchase Right,

1.4.1 Party B shall cause Party C to hold the shareholders' meeting, by which the resolutions regarding Party B's assignment of Purchased Equity Interests to Party A and/or Designated Person shall be resolved and approved;

1.4.2 Party B shall obtain Party C's other shareholders' consent regarding the assignment of Purchased Equity Interests to Party A and/or Designated Person, and provide a written statement with respect to waiver of the option right;

1.4.3 Party B shall enter into a respective equity transfer contract for each transfer of equity interests with Party A and/or the Designated Person (if applicable) in accordance with the provisions hereof and the Purchase Notice;

1.4.4 related parties shall enter into all the other contracts, agreements and documents, obtain all governmental approvals and consents, and take all actions necessary for the transfer of all valid ownership of the Purchased Equity Interests to Party A and/or the Designated Person, as well as validation of Party A and/or the Designated Person's status as registered owner of the Purchased Equity Interests, without any security interest. For the purpose of this clause and this Agreement, "security interest" includes guaranty, mortgage, third party's rights or interests, any stock option, right of purchase, option right, setting-off right, ownership retention or other guaranty arrangement, etc., provided that, for purchase of clarification, it will not include any security interest arising from this Agreement and Party B's Equity Pledge Agreement. "Party B's Equity Pledge Agreement" as mentioned in this clause and this Agreement refers to the Equity Pledge Agreement entered into by and among Party A, Party B and Party C on the date hereof, in accordance with which, Party B pledges all the equity interests held by it in Party C to Party A, for purpose of security of Party C's performance of all its obligations under the Exclusive Business Cooperation Agreement between Party C and Party A.

1.5 Payment

The Parties agree that, the equity interests transfer price to be paid by Party A to Party B for exercising the exclusive option right hereunder by Party A, in principle, shall be the lowest amount allowed by then effective laws and regulations of the PRC. If Party B is held liable to Party A or its affiliates then, Party A may also use related creditor's right as the consideration for the transfer of equity interests.

2. **Undertakings**

2.1 Undertakings Relating to Party C

Party B (as Party C's shareholder) and Party C hereby undertake that with respect to Party C, they:

2.1.1 without written consent of Party A, will not, in any way, supplement, change or amend the organizational documents of Party C, increase or decrease its registered capital, or change the structure of its registered capital in any other form;

2.1.2 will maintain its existence, diligently and validly operate its business and deal with its daily corporate matters, according to a well-accepted financial and commercial standard and practice;

2.1.3 without written consent of Party A, will not sell, transfer, mortgage, or dispose of in any other way, any legal or beneficial interest in Party C's assets, business or revenue, or allow any security interest to be created over thereon, anytime upon the execution hereof;

2.1.4 without written consent of Party A, will not incur, succeed, guaranty, or allow the existing of, any liability, provided that, (i) such liability arises from its routine or daily operation, instead of borrowing; and (ii) such liability has been disclosed by Party A and consented by Party A in writing;

2.1.5 will operate all business in the course of normal operation, and will not take any action/non-action imposing any adverse effect on Party C's operation status and value of assets, in order to maintain Party C's assets value;

2.1.6 without written consent of Party A, will not cause Party C to enter into any material contract, except for the contracts made during the ordinary course of business (for purpose of this clause, if the value of contract exceeds RMB 100,000, the contract will be deemed material);

2.1.7 without written consent of Party A, will not cause Party C will not provide any loan or credit facility to any other person;

2.1.8 will provide to Party A all materials in respect of Party C's operation and financial situation, as required by Party A;

2.1.9 if required by Party A, will procure from the insurer accepted by Party A insurance and maintain the insurance with respect to its assets and business, and the insurance premium and policy shall be in compliance with those of other companies operating similar businesses;

2.1.10 without written consent of Party A, will not cause Party C to merge or amalgamate with any other person, or acquire or invest in any other person;

2.1.11 will notify Party A of any occurrence or threat of any lawsuit, arbitration or administrative proceeding with respect to Party C's assets, business and revenue;

2.1.12 for purpose of maintenance of Party C's ownership of all of its assets, will sign all necessary or appropriate documents, take all necessary and appropriate actions, and file any necessary or appropriate claims, or proceed with all necessary and appropriate defenses against all claims;

2.1.13 without written consent of Party A, will not distribute any dividend in any form to shareholders, provided that, if required so by Party A, will immediately distribute all its distributable profits to its shareholders; and

2.1.14 will appoint the persons designated by Party A as Party C's directors, as required by Party A.

2.2 Party B's Undertakings

Party B undertakes that it:

2.2.1 without written consent of Party A, will not sell, transfer, mortgage, or dispose of in any other way, any legal or beneficial interest in the equity interests held by it of Party C, or allow any security interest to be created over thereon, except for the pledge created over such equity interests in accordance with Party B's Equity Pledge Agreement;

2.2.2 will cause Party C's shareholders' meeting and/or directors' meeting not to approve the sale, transfer, mortgage, or disposition in any other way of, any legal or beneficial interest in the equity interests held by it of Party C, or any security interest to be created over thereon, except for the pledge created over such equity interests in accordance with Party B's Equity Pledge Agreement;

2.2.3 without written consent of Party A, will cause Party C's shareholders' meeting and/or directors' meeting not to approve Party C's merger or amalgamation with any other person, or its acquisition of or investment in any other person;

2.2.4 will notify Party A of any occurrence or threat of any lawsuit, arbitration or administrative proceeding with respect to the equity interests held by it;

2.2.5 will cause Party C's shareholders' meeting and/or directors meeting to resolve to agree upon the transfer of Purchased Equity Interests mentioned herein, and take any other actions as required by Party A;

2.2.6 for purpose of maintaining its legitimate ownership of equity interests held by it, will sign all necessary or appropriate documents, take all necessary and appropriate actions, and file any necessary or appropriate claims, or proceed with all necessary and appropriate defenses against all claims;

2.2.7 will appoint the persons designated by Party A as Party C's directors, as required by Party A;

2.2.8 as required by Party A at anytime, will at anytime, unconditionally transfer its equity interests to the representatives designated by Party A in accordance with the Equity Purchase Right mentioned herein, and waive the option right with respect to the transfer of corresponding equity interests to another existing shareholder (if any); and

2.2.9 will strictly abide by all provisions of this Agreement and other contracts among the Parties, and between any two of them, perform all the obligations thereunder, and will not take any action/non-action which may impose any effect on the validity and enforceability of such contracts. If Party B still maintains any right with respect to the equity interests under this Agreement, or Equity Pledge Agreement among the Parties, or the authorization letter of Party A, Party B will not exercise any of such rights unless with the written direction of Party A.

3. **Representations and Warrants**

Party B and Party C hereby respectively and jointly represent and warrant to Party A on the date hereof and each day of transfer, that:

3.1 it has the power and capacity to execute and deliver this Agreement, as well as any other equity interests transfer contract, to which it is a party, and which is made for each transfer of Purchased Equity Interests in accordance with this Agreement (individually referred to as "Transfer Agreement"), and perform its obligations under this Agreement and the Transfer Agreement. Party B and Party C agree to enter into a respective Transfer Agreement containing the provisions same to this Agreement when Party A exercises the Equity Purchase Right. This Agreement and any Transfer Agreement to which it is a party, upon being executed, constitutes or will constitute its valid and binding obligation enforceable against it in accordance with the terms hereof;

3.2 its execution, delivery and performance of this Agreement or any Transfer Agreement will not (i) violate any applicable laws of the PRC; (ii) conflict with the articles of association and other organizational documents of Party C; (iii) breach any contract or document which is binding upon it, or to which it is a party; (iv) violate any permit or approval, or the conditions for maintaining its validity of such permit or approval, granted to any party; or (v) cause the suspension or withdrawal of, or impose any additional conditions on, the permit or approval granted to any party;

3.3 Party B owns good and salable ownership of the equity interests by it in Party C, and Party B has not created any security interest over such equity interests except for Party B's Equity Pledge Agreement;

3.4 Party C owns good and salable ownership of all of its assets, and Party C has not created any security interest over such assets;

3.5 Party C does not have any outstanding liabilities, except for (i) those arising from the ordinary course of business; and (ii) those disclosed to Party A and approved by Party A in writing;

3.6 Party C has been complying with all applicable laws and regulations related to the acquisition of assets; and

3.7 there are no lawsuits, arbitrations or administrative proceedings pending or threatened with respect to the equity interests, Party C's assets or Party C itself.

4. Effective Date

This Agreement becomes effective upon the execution by each Party. The term of this Agreement is ten (10) years, and may be extended subject to Party A's decision. All the related Exclusive Stock Option Agreement and the Amendment thereto entered among the Parties will no longer be effective from the date hereof.

5. Applicable Law and Dispute Resolution

5.1 Applicable Law

The formation of this Agreement, its validity, interpretation, performance, change, and termination of this Agreement, and the settlement of any dispute between the Parties, shall be governed by and construed in accordance with the laws of the PRC, which are officially promulgated and available to the public. The issues not governed by the laws of the PRC, which are officially promulgated and available to the public, shall apply international legal rules and practices.

5.2 Dispute Resolution

The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Agreement through friendly consultations. If a dispute is not resolved through friendly consultations within 30 days from the date a Party gives the other Party written notice of the dispute, then each Party may submit the dispute to China International Economic and Trade Arbitration Commission ("CIETAC") for arbitration in accordance with then effective arbitration rules. The arbitration shall be conducted in Shanghai in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

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6. **Taxes, Fees**

Each Party shall respectively bear any and all the taxes, expenses and fees incurred by, or collected from such Party, for preparation and execution of this Agreement, each Transfer Agreement, and completion of the transactions contemplated by this Agreement and each Transfer Agreement, in accordance with laws of the PRC.

7. **Notices**

7.1 All the notices and other communications required by or sent pursuant to this Agreement shall be delivered to the following address of each Party in person, by registered mail, prepaid post, or commercial courier services, or facsimile. Each notice shall be confirmed with a respective email. Delivery shall be deemed to have occurred:

7.1.1 the same day (local time at the recipient's place of business) on which delivery is made by personal delivery, or by courier services, registered mail, or prepaid post, or delivery is refused.

7.1.2 the day of delivery being successfully made, if by facsimile (certified by the automatically generated transmission confirmation).

7.2 Each Party's address for purpose of notice is as follows:

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited**
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing
Attention: Li Xueling
Telephone:
Facsimile:

Party B: **Jun Lei**
Address: Suite A19E, Huating Jiayuan, 6 North Sihuanzhong Road, Chaoyang District, Beijing
Telephone:
Facsimile:

Party C: **Guangzhou Huaduo Network Technology Co., Ltd.**
Address: 2nd Floor, Jiadu International Plaza, 48-50 Jianzhong Road, Tianhe District, Guangzhou
Attention: Li Xueling
Telephone:
Facsimile:

7.3 Each Party may at anytime change its address for receiving notices by giving a notice to the other Parties in accordance with this clause.

8. **Confidentiality**

Each Party recognizes and confirms this Agreement, the content of this Agreement, and any and all oral and written information exchanged among them for the preparation and performance of this Agreement shall be deemed as confidential information. Each Party shall hold in confidence all such confidential information, and without the written consent from the other Parties, should not disclose any confidential information to any third party, provided that, confidential information shall not include information that (i) is or becomes available to the public other than as a result of a disclosure by the receiving Party in violation of this Agreement, or (ii) any information which must be disclosed pursuant to laws and regulations, stock trading rules, or as required by order or decree of governmental authorities or courts; or (iii) any information disclosed by either Party to its shareholders, invertors, legal or financial advisors in relation to the transactions contemplated herein, who are bound by confidentiality obligation similar to this provision. Any disclosure of confidential information by the professionals or institutions engaged by either Party shall be deemed as the disclosure by such Party, and such Party shall be held liable for breach. This provision shall survive the termination of this Agreement for any reason.

9. **Further Assurance**

The Parties hereto shall each immediately perform such beneficial acts, execute and deliver such beneficial instruments and documents, and do all such other things as may be reasonably necessary to perform the provisions and purpose of this Agreement.

10. **Miscellaneous**

10.1 Amendment, Change and Supplement

Any amendment, change and supplement to this Agreement can only be made with the written agreement signed by each Party hereto.

10.2 Entirety

Except for any written amendment, supplement and change made to this Agreement upon the execution hereof, this Agreement constitutes the entire agreement reached among the Parties relating to the subject matter hereof, and supersedes in their entirety all prior written and oral agreements and understandings among the Parties relating to the subject matter hereof.

10.3 Headings

The headings of this Agreement are created only for reading convenience and should not be interpreted, or explained to affect the meanings of the provisions hereof.

10.4 Languages

This Agreement is written in Chinese in three (3) originals, each Party holding one (1) copy.

10.5 Severability

If any single or multiple provisions hereof are judged invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be affected in any aspect. The Parties shall in good faith endeavor to use valid provisions to the extent allowed by laws and reflecting the intensions of all the Parties to replace those invalid, illegal or unenforceable provisions, provided that, the economic effects achieved by such valid provisions shall be similar to the economic effects achieved by those invalid, illegal or unenforceable provisions.

10.6 Successors

This Agreement shall be binding upon, and inure to the benefit of, the Parties and their successors and permitted assigns.

10.8 Survival

10.8.1 Any obligations arising from, or expiring upon the expiry or earlier termination of this Agreement survive the expiry or earlier termination of this Agreement.

10.8.2 Section 5, Section 7, Section 8 of this Agreement and this Clause 10.8 shall survive the termination of this Agreement.

10.9 Waiver

Each Party can only waive any term or condition of this Agreement in writing and with the signatures of all the Parties. Any waiver made by one Party regarding the other Party's breach should not be deemed as the waiver of such Party regarding the other Party's similar breaches in other situations.

10.10 Indemnification

10.10.1 Each Party hereby agrees and confirms that, if any existing shareholder materially breaches any provision hereof ("Default Party"), or materially fails to perform any obligation hereunder, then it has constituted the breach of this Agreement ("Breach"), and Party A has the right to require the Default Party to cure such Breach or take any correction measures regarding such Breach within a reasonable period. In the event that the Default Party fails to cure such Breach or take any correction measures regarding such Breach within such reasonable period or ten (10) days after Party A sends the written breach notice to the Default Party to require the correction, then Party A is entitled to choose any of the following relieves for the Breach: (i) to terminate this Agreement and require the Default Party to provide full indemnification for such Breach; (2) to require the enforcement of all the obligations of the Default Party under this Agreement, and the Default Party to provide full indemnification for such Breach; or (3) to sell or dispose of the pledged equity interests in accordance with the Equity Pledge Agreement, to be indemnified at the first priority with the price of sale and disposal of such equity interests, and require the Default Party to be liable for all losses so incurred by it.

10.10.2 Each Party agrees and confirms that under no circumstance may the existing shareholders may require the termination of this Agreement for any reason.

10.10.3 The rights and relieves available hereunder are accumulative and do not exclude any other right or relief available in accordance with laws.

10.10.4 Notwithstanding anything contained herein to the contrary, the validity of this provision survives the suspension or termination of this Agreement.

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[Signature page]

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

Party A:	**Duowan Entertainment Information Technology (Beijing) Company Limited**
Signature:	(Seal)
Name:	
Title:	Legal Representative/Authorized Representative
Party B:	**Jun Lei**
Signature:	/s/ Jun Lei
Party C:	**Guangzhou Huaduo Network Technology Co., Ltd.**
Signature:	(Seal)
Name:	
Title:	Legal Representative/Authorized Representative

Exclusive Option Agreement

This Exclusive Option Agreement (this "Agreement") dated September 16, 2011, is made in Beijing, the People's Republic of China (the "PRC"), by and among:

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited**
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing

Party B: **Bin Zhao**
Address:

Party C: **Guangzhou Huaduo Network Technology Co., Ltd.**
Address: 2nd Floor, Jiadu International Plaza, 48-50 Jianzhong Road, Tianhe District, Guangzhou

Party A, Party B and Party C respectively referred to as a "Party", collectively referred to as "Parties".

WHEREAS:

1. Party B holds 0.1406% equity interests of Party C;
2. Party A and Party C entered into a series of legal documents, including an Exclusive Business Cooperation Agreement and Exclusive Technology Support and Technology Services Agreement on August 12, 2008, which are made for purpose of formation of Party A's control over Party C (collectively as "Controlling Documents").

THEREFORE, the Parties hereby agree as follows:

1. Sale and Purchase of Equity Interests

1.1 Right of Grant

Considering that Party A has paid RMB 10 to Party B as the consideration, and Party B has confirmed that it had received such consideration and such consideration was sufficient, Party B hereby irrevocably grants Party A an exclusive right to, according to the exercise steps decided by Party A at is own discretion and the price described in Clause 1.3 hereof, at anytime purchase or designate one or several persons ("Designated Person") to purchase any portion of all of equity interests held by Party B in Party C in one or several installments, to the extent allowed by laws of the PRC ("Equity Purchase Right"). Any third party other than Party A and Appointed Person should not enjoy the Equity Purchase Right or any other rights with respect to Party B's equity interests. Party C hereby allows Party B to grant the Equity Purchase Right to Party A. "Person" mentioned in this clause and this Agreement refers to individuals, companies, joint ventures, partnerships, enterprises, trusts and non-corporate organizations.

1.2 Steps of Exercise

The exercise of Equity Purchase Right by Party A is subject to provisions of laws and regulations of PRC. When exercising the Equity Purchase Right, Party A shall serve a written notice ("Purchase Notice") to Party B, to specify the following issues: (a) decisions of Party A regarding the exercise of Equity Purchase Right; (b) the percentage of equity interests to be purchased by Party A from Party B ("Purchased Equity Interests"), and (c) date of purchase/assignment of Purchased Equity Right.

1.3 Purchase Price

Lowest price allowed by laws of the PRC.

1.4 Assignment of Purchased Equity Interests

Every time Party A exercises the Equity Purchase Right,

1.4.1 Party B shall cause Party C to hold the shareholders' meeting, by which the resolutions regarding Party B's assignment of Purchased Equity Interests to Party A and/or Designated Person shall be resolved and approved;

1.4.2 Party B shall obtain Party C's other shareholders' consent regarding the assignment of Purchased Equity Interests to Party A and/or Designated Person, and provide a written statement with respect to waiver of the option right;

1.4.3 Party B shall enter into a respective equity transfer contract for each transfer of equity interests with Party A and/or the Designated Person (if applicable) in accordance with the provisions hereof and the Purchase Notice;

1.4.4 related parties shall enter into all the other contracts, agreements and documents, obtain all governmental approvals and consents, and take all actions necessary for the transfer of all valid ownership of the Purchased Equity Interests to Party A and/or the Designated Person, as well as validation of Party A and/or the Designated Person's status as registered owner of the Purchased Equity Interests, without any security interest. For the purpose of this clause and this Agreement, "security interest" includes guaranty, mortgage, third party's rights or interests, any stock option, right of purchase, option right, setting-off right, ownership retention or other guaranty arrangement, etc., provided that, for purchase of clarification, it will not include any security interest arising from this Agreement and Party B's Equity Pledge Agreement. "Party B's Equity Pledge Agreement" as mentioned in this clause and this Agreement refers to the Equity Pledge Agreement entered into by and among Party A, Party B and Party C on the date hereof, in accordance with which, Party B pledges all the equity interests held by it in Party C to Party A, for purpose of security of Party C's performance of all its obligations under the Exclusive Business Cooperation Agreement between Party C and Party A.

1.5 Payment

The Parties agree that, the equity interests transfer price to be paid by Party A to Party B for exercising the exclusive option right hereunder by Party A, in principle, shall be the lowest amount allowed by then effective laws and regulations of the PRC. If Party B is held liable to Party A or its affiliates then, Party A may also use related creditor's right as the consideration for the transfer of equity interests.

2. **Undertakings**

2.1 Undertakings Relating to Party C

Party B (as Party C's shareholder) and Party C hereby undertake that with respect to Party C, they:

2.1.1 without written consent of Party A, will not, in any way, supplement, change or amend the organizational documents of Party C, increase or decrease its registered capital, or change the structure of its registered capital in any other form;

2.1.2 will maintain its existence, diligently and validly operate its business and deal with its daily corporate matters, according to a well-accepted financial and commercial standard and practice;

2.1.3 without written consent of Party A, will not sell, transfer, mortgage, or dispose of in any other way, any legal or beneficial interest in Party C's assets, business or revenue, or allow any security interest to be created over thereon, anytime upon the execution hereof;

2.1.4 without written consent of Party A, will not incur, succeed, guaranty, or allow the existing of, any liability, provided that, (i) such liability arises from its routine or daily operation, instead of borrowing; and (ii) such liability has been disclosed by Party A and consented by Party A in writing;

2.1.5 will operate all business in the course of normal operation, and will not take any action/non-action imposing any adverse effect on Party C's operation status and value of assets, in order to maintain Party C's assets value;

2.1.6 without written consent of Party A, will not cause Party C to enter into any material contract, except for the contracts made during the ordinary course of business (for purpose of this clause, if the value of contract exceeds RMB 100,000, the contract will be deemed material);

2.1.7 without written consent of will not cause Party A, Party C will not provide any loan or credit facility to any other person;

2.1.8 will provide to Party A all materials in respect of Party C's operation and financial situation, as required by Party A;

2.1.9 if required by Party A, will procure from the insurer accepted by Party A insurance and maintain the insurance with respect to its assets and business, and the insurance premium and policy shall be in compliance with those of other companies operating similar businesses;

2.1.10 without written consent of Party A, will not cause Party C to merge or amalgamate with any other person, or acquire or invest in any other person;

2.1.11 will notify Party A of any occurrence or threat of any lawsuit, arbitration or administrative proceeding with respect to Party C's assets, business and revenue;

2.1.12 for purpose of maintenance of Party C's ownership of all of its assets, will sign all necessary or appropriate documents, take all necessary and appropriate actions, and file any necessary or appropriate claims, or proceed with all necessary and appropriate defenses against all claims;

2.1.13 without written consent of Party A, will not distribute any dividend in any form to shareholders, provided that, if required so by Party A, will immediately distribute all its distributable profits to its shareholders; and

2.1.14 will appoint the persons designated by Party A as Party C's directors, as required by Party A.

2.2 Party B's Undertakings

Party B undertakes that it:

2.2.1 without written consent of Party A, will not sell, transfer, mortgage, or dispose of in any other way, any legal or beneficial interest in the equity interests held by it of Party C, or allow any security interest to be created over thereon, except for the pledge created over such equity interests in accordance with Party B's Equity Pledge Agreement;

2.2.2 will cause Party C's shareholders' meeting and/or directors' meeting not to approve the sale, transfer, mortgage, or disposition in any other way of, any legal or beneficial interest in the equity interests held by it of Party C, or any security interest to be created over thereon, except for the pledge created over such equity interests in accordance with Party B's Equity Pledge Agreement;

2.2.3 without written consent of Party A, will cause Party C's shareholders' meeting and/or directors' meeting not to approve Party C's merger or amalgamation with any other person, or its acquisition of or investment in any other person;

2.2.4 will notify Party A of any occurrence or threat of any lawsuit, arbitration or administrative proceeding with respect to the equity interests held by it;

2.2.5 will cause Party C's shareholders' meeting and/or directors meeting to resolve to agree upon the transfer of Purchased Equity Interests mentioned herein, and take any other actions as required by Party A;

2.2.6 for purpose of maintaining its legitimate ownership of equity interests held by it, will sign all necessary or appropriate documents, take all necessary and appropriate actions, and file any necessary or appropriate claims, or proceed with all necessary and appropriate defenses against all claims;

2.2.7 will appoint the persons designated by Party A as Party C's directors, as required by Party A;

2.2.8 as required by Party A at anytime, will at anytime, unconditionally transfer its equity interests to the representatives designated by Party A in accordance with the Equity Purchase Right mentioned herein, and waive the option right with respect to the transfer of corresponding equity interests to another existing shareholder (if any); and

2.2.9 will strictly abide by all provisions of this Agreement and other Agreements among the Parties, and between any two of them, perform all the obligations thereunder, and will not take any action/non-action which may impose any effect on the validity and enforceability of such contracts. If Party B still maintains any right with respect to the equity interests under this Agreement, or Equity Pledge Agreement among the Parties, or the authorization letter of Party A, Party B will not exercise any of such rights unless with the written direction of Party A.

3. **Representations and Warrants**

Party B and Party C hereby respectively and jointly represent and warrant to Party A on the date hereof and each day of transfer, that:

3.1 it has the power and capacity to execute and deliver this Agreement, as well as any other equity interests transfer contracts, to which it is a party, and which is made for each transfer of Purchased Equity Interests in accordance with this Agreement (individually referred to as "Transfer Agreement"), and perform its obligations under this Agreement and the Transfer Agreement. Party B and Party C agree to enter into a respective Transfer Agreement containing the provisions same to this Agreement when Party A exercises the Equity Purchase Right. This Agreement and any Transfer Agreement to which it is a party, upon being executed, constitutes or will constitute its valid and binding obligation enforceable against it in accordance with the terms hereof;

3.2 its execution, delivery and performance of this Agreement or any Transfer Agreement will not (i) violate any applicable laws of the PRC; (ii) conflict with the articles of association and other organizational documents of Party C; (iii) breach any contract or document which is binding upon it, or to which it is a party; (iv) violate any permit or approval, or the conditions for maintaining its validity of such permit or approval, granted to any party; or (v) cause the suspension or withdrawal of, or impose any additional conditions on, the permit or approval granted to any party;

3.3 Party B owns good and salable ownership of the equity interests by it in Party C, and Party B has not created any security interest over such equity interests except for Party B's Equity Pledge Agreement;

3.4 Party C owns good and salable ownership of all of its assets, and Party C has not created any security interest over such assets;

3.5 Party C does not have any outstanding liabilities, except for (i) those arising from the ordinary course of business; and (ii) those disclosed to Party A and approved by Party A in writing;

3.6 Party C has been complying with all applicable laws and regulations related to the acquisition of assets; and

3.7 there are no lawsuits, arbitrations or administrative proceedings pending or threatened with respect to the equity interests, Party C's assets or Party C itself.

4. **Effective Date**

This Agreement becomes effective upon the execution by each Party. The term of this Agreement is ten (10) years, and may be extended subject to Party A's decision. All the related Exclusive Stock Option Agreement and the Amendment thereto entered among the Parties will no longer be effective from the date hereof.

5. **Applicable Law and Dispute Resolution**

5.1 Applicable Law

The formation of this Agreement, its validity, interpretation, performance, change, and termination of this Agreement, and the settlement of any dispute between the Parties, shall be governed by and construed in accordance with the laws of the PRC, which are officially promulgated and available to the public. The issues not governed by the laws of the PRC, which are officially promulgated and available to the public, shall apply international legal rules and practices.

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The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Agreement through friendly consultations. If a dispute is not resolved through friendly consultations within 30 days from the date a Party gives the other Party written notice of the dispute, then each Party may submit the dispute to China International Economic and Trade Arbitration Commission ("CIETAC") for arbitration in accordance with then effective arbitration rules. The arbitration shall be conducted in Shanghai in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

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Each Party shall respectively bear any and all the taxes, expenses and fees incurred by, or collected from such Party, for preparation and execution of this Agreement, each Transfer Agreement, and completion of the transactions contemplated by this Agreement and each Transfer Agreement, in accordance with laws of the PRC.

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Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing
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Telephone:
Facsimile:

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Telephone:
Facsimile:

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Address: 2nd Floor, Jiadu International Plaza, 48-50 Jianzhong Road, Tianhe District, Guangzhou
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9. **Further Assurance**

The Parties hereto shall each immediately perform such beneficial acts, execute and deliver such beneficial instruments and documents, and do all such other things as may be reasonably necessary to perform the provisions and purpose of this Agreement.

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This Agreement shall be binding upon, and inure to the benefit of, the Parties and their successors and permitted assigns.

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10.8.1 Any obligations arising from, or expiring upon the expiry or earlier termination of this Agreement survive the expiry or earlier termination of this Agreement.

10.8.2 Section 5, Section 7, Section 8 of this Agreement and this Clause 10.8 shall survive the termination of this Agreement.

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10.10.1 Each Party hereby agrees and confirms that, if any existing shareholder materially breaches any provision hereof ("Default Party"), or materially fails to perform any obligation hereunder, then it has constituted the breach of this Agreement ("Breach"), and Party A has the right to require the Default Party to cure such Breach or take any correction measures regarding such Breach within a reasonable period. In the event that the Default Party fails to cure such Breach or take any correction measures regarding such Breach within such reasonable period or ten (10) days after Party A sends the written breach notice to the Default Party to require the correction, then Party A is entitled to choose any of the following relieves for the Breach: (i) to terminate this Agreement and require the Default Party to provide full indemnification for such Breach; (2) to require the enforcement of all the obligations of the Default Party under this Agreement, and the Default Party to provide full indemnification for such Breach; or (3) to sell or dispose of the pledged equity interests in accordance with the Equity Pledge Agreement, to be indemnified at the first priority with the price of sale and disposal of such equity interests, and require the Default Party to be liable for all losses so incurred by it.

10.10.2 Each Party agrees and confirms that under no circumstance may the existing shareholders may require the termination of this Agreement for any reason.

10.10.3 The rights and relieves available hereunder are accumulative and do not exclude any other right or relief available in accordance with laws.

10.10.4 Notwithstanding anything contained herein to the contrary, the validity of this provision survives the suspension or termination of this Agreement.

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[Signature page]

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited**

Signature: (Seal)
Name:
Title: Legal Representative/Authorized Representative

Party B: **Bin Zhao**

Signature: /s/ Bin Zhao

Party C: **Guangzhou Huaduo Network Technology Co., Ltd.**

Signature: (Seal)
Name:
Title: Legal Representative/Authorized Representative

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Exclusive Option Agreement

This Exclusive Option Agreement (this "Agreement") dated September 16, 2011, is made in Beijing, the People's Republic of China (the "PRC"), by and among:

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited**
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing

Party B: **Jin Cao**
Address:

Party C: **Guangzhou Huaduo Network Technology Co., Ltd.**
Address: 2nd Floor, Jiadu International Plaza, 48-50 Jianzhong Road, Tianhe District, Guangzhou

Party A, Party B and Party C respectively referred to as a "Party", collectively referred to as "Parties".

WHEREAS:

1. Party B holds 0.0703% equity interests of Party C;
2. Party A and Party C entered into a series of legal documents, including an Exclusive Business Cooperation Agreement and Exclusive Technology Support and Technology Services Agreement on August 12, 2008, which are made for purpose of formation of Party A's control over Party C (collectively as "Controlling Documents").

THEREFORE, the Parties hereby agree as follows:

1. Sale and Purchase of Equity Interests

1.1 Right of Grant

Considering that Party A has paid RMB 10 to Party B as the consideration, and Party B has confirmed that it had received such consideration and such consideration was sufficient, Party B hereby irrevocably grants Party A an exclusive right to, according to the exercise steps decided by Party A at is own discretion and the price described in Clause 1.3 hereof, at anytime purchase or designate one or several persons ("Designated Person") to purchase any portion of all of equity interests held by Party B in Party C in one or several installments, to the extent allowed by laws of the PRC ("Equity Purchase Right"). Any third party other than Party A and Appointed Person should not enjoy the Equity Purchase Right or any other rights with respect to Party B's equity interests. Party C hereby allows Party B to grant the Equity Purchase Right to Party A. "Person" mentioned in this clause and this Agreement refers to individuals, companies, joint ventures, partnerships, enterprises, trusts and non-corporate organizations.

1.2 Steps of Exercise

The exercise of Equity Purchase Right by Party A is subject to provisions of laws and regulations of PRC. When exercising the Equity Purchase Right, Party A shall serve a written notice ("Purchase Notice") to Party B, to specify the following issues: (a) decisions of Party A regarding the exercise of Equity Purchase Right; (b) the percentage of equity interests to be purchased by Party A from Party B ("Purchased Equity Interests"), and (c) date of purchase/assignment of Purchased Equity Right.

1.3 Purchase Price

Lowest price allowed by laws of the PRC.

1.4 Assignment of Purchased Equity Interests

Every time Party A exercises the Equity Purchase Right,

1.4.1 Party B shall cause Party C to hold the shareholders' meeting, by which the resolutions regarding Party B's assignment of Purchased Equity Interests to Party A and/or Designated Person shall be resolved and approved;

1.4.2 Party B shall obtain Party C's other shareholders' consent regarding the assignment of Purchased Equity Interests to Party A and/or Designated Person, and provide a written statement with respect to waiver of the option right;

1.4.3 Party B shall enter into a respective equity transfer contract for each transfer of equity interests with Party A and/or the Designated Person (if applicable) in accordance with the provisions hereof and the Purchase Notice;

1.4.4 related parties shall enter into all the other contracts, agreements and documents, obtain all governmental approvals and consents, and take all actions necessary for the transfer of all valid ownership of the Purchased Equity Interests to Party A and/or the Designated Person, as well as validation of Party A and/or the Designated Person's status as registered owner of the Purchased Equity Interests, without any security interest. For the purpose of this clause and this Agreement, "security interest" includes guaranty, mortgage, third party's rights or interests, any stock option, right of purchase, option right, setting-off right, ownership retention or other guaranty arrangement, etc., provided that, for purchase of clarification, it will not include any security interest arising from this Agreement and Party B's Equity Pledge Agreement. "Party B's Equity Pledge Agreement" as mentioned in this clause and this Agreement refers to the Equity Pledge Agreement entered into by and among Party A, Party B and Party C on the date hereof, in accordance with which, Party B pledges all the equity interests held by it in Party C to Party A, for purpose of security of Party C's performance of all its obligations under the Exclusive Business Cooperation Agreement between Party C and Party A.

1.5 Payment

The Parties agree that, the equity interests transfer price to be paid by Party A to Party B for exercising the exclusive option right hereunder by Party A, in principle, shall be the lowest amount allowed by then effective laws and regulations of the PRC. If Party B is held liable to Party A or its affiliates then, Party A may also use related creditor's right as the consideration for the transfer of equity interests.

2. **Undertakings**

2.1 Undertakings Relating to Party C

Party B (as Party C's shareholder) and Party C hereby undertake that with respect to Party C, they:

2.1.1 without written consent of Party A, will not, in any way, supplement, change or amend the organizational documents of Party C, increase or decrease its registered capital, or change the structure of its registered capital in any other form;

2.1.2 will maintain its existence, diligently and validly operate its business and deal with its daily corporate matters, according to a well-accepted financial and commercial standard and practice;

2.1.3 without written consent of Party A, will not sell, transfer, mortgage, or dispose of in any other way, any legal or beneficial interest in Party C's assets, business or revenue, or allow any security interest to be created over thereon, anytime upon the execution hereof;

2.1.4 without written consent of Party A, will not incur, succeed, guaranty, or allow the existing of, any liability, provided that, (i) such liability arises from its routine or daily operation, instead of borrowing; and (ii) such liability has been disclosed by Party A and consented by Party A in writing;

2.1.5 will operate all business in the course of normal operation, and will not take any action/non-action imposing any adverse effect on Party C's operation status and value of assets, in order to maintain Party C's assets value;

2.1.6 without written consent of Party A, will not cause Party C to enter into any material contract, except for the contracts made during the ordinary course of business (for purpose of this clause, if the value of contract exceeds RMB 100,000, the contract will be deemed material);

2.1.7 without written consent of Party A, will not cause Party C will not provide any loan or credit facility to any other person;

2.1.8 will provide to Party A all materials in respect of Party C's operation and financial situation, as required by Party A;

2.1.9 if required by Party A, will procure from the insurer accepted by Party A insurance and maintain the insurance with respect to its assets and business, and the insurance premium and policy shall be in compliance with those of other companies operating similar businesses;

2.1.10 without written consent of Party A, will not cause Party C to merge or amalgamate with any other person, or acquire or invest in any other person;

2.1.11 will notify Party A of any occurrence or threat of any lawsuit, arbitration or administrative proceeding with respect to Party C's assets, business and revenue;

2.1.12 for purpose of maintenance of Party C's ownership of all of its assets, will sign all necessary or appropriate documents, take all necessary and appropriate actions, and file any necessary or appropriate claims, or proceed with all necessary and appropriate defenses against all claims;

2.1.13 without written consent of Party A, will not distribute any dividend in any form to shareholders, provided that, if required so by Party A, will immediately distribute all its distributable profits to its shareholders; and

2.1.14 will appoint the persons designated by Party A as Party C's directors, as required by Party A.

2.2 Party B's Undertakings

Party B undertakes that it:

2.2.1 without written consent of Party A, will not sell, transfer, mortgage, or dispose of in any other way, any legal or beneficial interest in the equity interests held by it of Party C, or allow any security interest to be created over thereon, except for the pledge created over such equity interests in accordance with Party B's Equity Pledge Agreement;

2.2.2 will cause Party C's shareholders' meeting and/or directors' meeting not to approve the sale, transfer, mortgage, or disposition in any other way of, any legal or beneficial interest in the equity interests held by it of Party C, or any security interest to be created over thereon, except for the pledge created over such equity interests in accordance with Party B's Equity Pledge Agreement;

2.2.3 without written consent of Party A, will cause Party C's shareholders' meeting and/or directors' meeting not to approve Party C's merger or amalgamation with any other person, or its acquisition of or investment in any other person;

2.2.4 will notify Party A of any occurrence or threat of any lawsuit, arbitration or administrative proceeding with respect to the equity interests held by it;

2.2.5 will cause Party C's shareholders' meeting and/or directors meeting to resolve to agree upon the transfer of Purchased Equity Interests mentioned herein, and take any other actions as required by Party A;

2.2.6 for purpose of maintaining its legitimate ownership of equity interests held by it, will sign all necessary or appropriate documents, take all necessary and appropriate actions, and file any necessary or appropriate claims, or proceed with all necessary and appropriate defenses against all claims;

2.2.7 will appoint the persons designated by Party A as Party C's directors, as required by Party A;

2.2.8 as required by Party A at anytime, will at anytime, unconditionally transfer its equity interests to the representatives designated by Party A in accordance with the Equity Purchase Right mentioned herein, and waive the option right with respect to the transfer of corresponding equity interests to another existing shareholder (if any); and

2.2.9 will strictly abide by all provisions of this Agreement and other contracts among the Parties, and between any two of them, perform all the obligations thereunder, and will not take any action/non-action which may impose any effect on the validity and enforceability of such contracts. If Party B still maintains any right with respect to the equity interests under this Agreement, or Equity Pledge Agreement among the Parties, or the authorization letter of Party A, Party B will not exercise any of such rights unless with the written direction of Party A.

3. Representations and Warrants

Party B and Party C hereby respectively and jointly represent and warrant to Party A on the date hereof and each day of transfer, that:

3.1 it has the power and capacity to execute and deliver this Agreement, as well as any other equity interests transfer contract, to which it is a party, and which is made for each transfer of Purchased Equity Interests in accordance with this Agreement (individually referred to as "Transfer Agreement"), and perform its obligations under this Agreement and the Transfer Agreement. Party B and Party C agree to enter into a respective Transfer Agreement containing the provisions same to this Agreement when Party A exercises the Equity Purchase Right. This Agreement and any Transfer Agreement to which it is a party, upon being executed, constitutes or will constitute its valid and binding obligation enforceable against it in accordance with the terms hereof;

3.2 its execution, delivery and performance of this Agreement or any Transfer Agreement will not (i) violate any applicable laws of the PRC; (ii) conflict with the articles of association and other organizational documents of Party C; (iii) breach any contract or document which is binding upon it, or to which it is a party; (iv) violate any permit or approval, or the conditions for maintaining its validity of such permit or approval, granted to any party; or (v) cause the suspension or withdrawal of, or impose any additional conditions on, the permit or approval granted to any party;

3.3 Party B owns good and salable ownership of the equity interests by it in Party C, and Party B has not created any security interest over such equity interests except for Party B's Equity Pledge Agreement;

3.4 Party C owns good and salable ownership of all of its assets, and Party C has not created any security interest over such assets;

3.5 Party C does not have any outstanding liabilities, except for (i) those arising from the ordinary course of business; and (ii) those disclosed to Party A and approved by Party A in writing;

3.6 Party C has been complying with all applicable laws and regulations related to the acquisition of assets; and

3.7 there are no lawsuits, arbitrations or administrative proceedings pending or threatened with respect to the equity interests, Party C's assets or Party C itself.

4. Effective Date

This Agreement becomes effective upon the execution by each Party. The term of this Agreement is ten (10) years, and may be extended subject to Party A's decision. All the related Exclusive Stock Option Agreement and the Amendment thereto entered among the Parties will no longer be effective from the date hereof.

5. Applicable Law and Dispute Resolution

5.1 Applicable Law

The formation of this Agreement, its validity, interpretation, performance, change, and termination of this Agreement, and the settlement of any dispute between the Parties, shall be governed by and construed in accordance with the laws of the PRC, which are officially promulgated and available to the public. The issues not governed by the laws of the PRC, which are officially promulgated and available to the public, shall apply international legal rules and practices.

5.2 Dispute Resolution

The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Agreement through friendly consultations. If a dispute is not resolved through friendly consultations within 30 days from the date a Party gives the other Party written notice of the dispute, then each Party may submit the dispute to China International Economic and Trade Arbitration Commission ("CIETAC") for arbitration in accordance with then effective arbitration rules. The arbitration shall be conducted in Shanghai in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

6. **Taxes, Fees**

Each Party shall respectively bear any and all the taxes, expenses and fees incurred by, or collected from such Party, for preparation and execution of this Agreement, each Transfer Agreement, and completion of the transactions contemplated by this Agreement and each Transfer Agreement, in accordance with laws of the PRC.

7. **Notices**

7.1 All the notices and other communications required by or sent pursuant to this Agreement shall be delivered to the following address of each Party in person, by registered mail, prepaid post, or commercial courier services, or facsimile. Each notice shall be confirmed with a respective email. Delivery shall be deemed to have occurred:

7.1.1 the same day (local time at the recipient's place of business) on which delivery is made by personal delivery, or by courier services, registered mail, or prepaid post, or delivery is refused.

7.1.2 the day of delivery being successfully made, if by facsimile (certified by the automatically generated transmission confirmation).

7.2 Each Party's address for purpose of notice is as follows:

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited**
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing
Attention: Li Xueling
Telephone:
Facsimile:

Party B: **Jin Cao**
Address: 6-1-301, Guanjingli, Hongqi South Road, Nankai District, Tianjin
Telephone:
Facsimile:

Party C: **Guangzhou Huaduo Network Technology Co., Ltd.**
Address: 2nd Floor, Jiadu International Plaza, 48-50 Jianzhong Road, Tianhe District, Guangzhou
Attention: Li Xueling
Telephone:
Facsimile:

7.3 Each Party may at anytime change its address for receiving notices by giving a notice to the other Parties in accordance with this clause.

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8. Confidentiality

Each Party recognizes and confirms this Agreement, the content of this Agreement, and any and all oral and written information exchanged among them for the preparation and performance of this Agreement shall be deemed as confidential information. Each Party shall hold in confidence all such confidential information, and without the written consent from the other Parties, should not disclose any confidential information to any third party, provided that, confidential information shall not include information that (i) is or becomes available to the public other than as a result of a disclosure by the receiving Party in violation of this Agreement, or (ii) any information which must be disclosed pursuant to laws and regulations, stock trading rules, or as required by order or decree of governmental authorities or courts; or (iii) any information disclosed by either Party to its shareholders, invertors, legal or financial advisors in relation to the transactions contemplated herein, who are bound by confidentiality obligation similar to this provision. Any disclosure of confidential information by the professionals or institutions engaged by either Party shall be deemed as the disclosure by such Party, and such Party shall be held liable for breach. This provision shall survive the termination of this Agreement for any reason.

9. Further Assurance

The Parties hereto shall each immediately perform such beneficial acts, execute and deliver such beneficial instruments and documents, and do all such other things as may be reasonably necessary to perform the provisions and purpose of this Agreement.

10. Miscellaneous

10.1 Amendment, Change and Supplement

Any amendment, change and supplement to this Agreement can only be made with the written agreement signed by each Party hereto.

10.2 Entirety

Except for any written amendment, supplement and change made to this Agreement upon the execution hereof, this Agreement constitutes the entire agreement reached among the Parties relating to the subject matter hereof, and supersedes in their entirety all prior written and oral agreements and understandings among the Parties relating to the subject matter hereof.

10.3 Headings

The headings of this Agreement are created only for reading convenience and should not be interpreted, or explained to affect the meanings of the provisions hereof.

10.4 Languages

This Agreement is written in Chinese in three (3) originals, each Party holding one (1) copy.

10.5 Severability

If any single or multiple provisions hereof are judged invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be affected in any aspect. The Parties shall in good faith endeavor to use valid provisions to the extent allowed by laws and reflecting the intensions of all the Parties to replace those invalid, illegal or unenforceable provisions, provided that, the economic effects achieved by such valid provisions shall be similar to the economic effects achieved by those invalid, illegal or unenforceable provisions.

10.6 Successors

This Agreement shall be binding upon, and inure to the benefit of, the Parties and their successors and permitted assigns.

10.8 Survival

10.8.1 Any obligations arising from, or expiring upon the expiry or earlier termination of this Agreement survive the expiry or earlier termination of this Agreement.

10.8.2 Section 5, Section 7, Section 8 of this Agreement and this Clause 10.8 shall survive the termination of this Agreement.

10.9 Waiver

Each Party can only waive any term or condition of this Agreement in writing and with the signatures of all the Parties. Any waiver made by one Party regarding the other Party's breach should not be deemed as the waiver of such Party regarding the other Party's similar breaches in other situations.

10.10 Indemnification

10.10.1 Each Party hereby agrees and confirms that, if any existing shareholder materially breaches any provision hereof ("Default Party"), or materially fails to perform any obligation hereunder, then it has constituted the breach of this Agreement ("Breach"), and Party A has the right to require the Default Party to cure such Breach or take any correction measures regarding such Breach within a reasonable period. In the event that the Default Party fails to cure such Breach or take any correction measures regarding such Breach within such reasonable period or ten (10) days after Party A sends the written breach notice to the Default Party to require the correction, then Party A is entitled to choose any of the following relieves for the Breach: (i) to terminate this Agreement, and requires the Default Party to provide full indemnification for such Breach; (2) to require the enforcement of all the obligations of the Default Party under this Agreement, and the Default Party to provide full indemnification for such Breach; or (3) to sell or dispose of the pledged equity interests in accordance with the Equity Pledge Agreement, to be indemnified at the first priority with the price of sale and disposal of such equity interests, and require the Default Party to be liable for all losses so incurred by it.

10.10.2 Each Party agrees and confirms that under no circumstance may the existing shareholders may require the termination of this Agreement for any reason.

10.10.3 The rights and relieves available hereunder are accumulative and do not exclude any other right or relief available in accordance with laws.

10.10.4 Notwithstanding anything contained herein to the contrary, the validity of this provision survives the suspension or termination of this Agreement.

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[Signature page]

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited**

Signature: (Seal)
Name:
Title: Legal Representative/Authorized Representative

Party B: **Jin Cao**

Signature: /s/ Jin Cao

Party C: **Guangzhou Huaduo Network Technology Co., Ltd.**

Signature: (Seal)
Name:
Title: Legal Representative/Authorized Representative

Exhibit 10.13

Equity Interest Pledge Agreement

This Equity Interest Pledge Agreement (this "Contract"), dated September 16, 2011, is made in the People's Republic of China (the "PRC"), by and between:

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited ("Pledgee")**
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing

Party B: **Beijing Tuda Science and Technology Company Limited ("Pledgor")**
Address: Suite B1506, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing

(Pledgor and Pledgee individually, a "Party"; collectively, the "Parties").

WHEREAS

1. The Pledgor is a company registered in the PRC, holding 96.6667% equity interests of Guangzhou Huaduo Network Technology Co., Ltd. (the "Company") as of the date hereof. The Company is a limited liability company registered in Guangzhou, the PRC, engaged in the Internet-based value-added telecommunications services. Party B will cause the Company to confirm the rights and obligations of the Pledgor and the Pledgee under this Contract and to provide necessary assistance for the registration of such pledge.

2. The Pledgee is a limited liability company registered in Beijing. The Pledgee, the Pledgor and/or the Company entered into a series of legal documents, including an Exclusive Business Cooperation Agreement, which are made for the purpose of formation of the Pledgee's control over the Company ("Controlling Agreements").

3. The Pledgor agrees to pledge all of its equity interests in the Company to the Pledgee as security for the performance of the obligations hereunder by Party B and/or the Company.

NOW, THEREFORE, the Parties agree as follows through friendly negotiations:

1. Definitions

Unless otherwise required in the context, in this Contract:

1.1 **Pledge** means the secured property rights granted to the Pledgee by the Pledgor in accordance with Section 2 of this Contract, i.e., the right of the Pledgee to be compensated at first priority with respect to the price of sale or disposal of such equity interests pledged to the Pledgee by the Pledgor.

1.2 **Equity Interests** mean any and all equity interests duly owned by the Pledgor in the Company now and in the future.

1.3 **Pledged Equity Interests** mean any and all equity interests duly owned by the Pledgor in the Company, to be pledged by the Pledgor.

1.4 **Pledge Term** means the period as specified in Section 3 of this Contract.

1.5 **Major Contracts** mean the agreements listed in Appendix 1 hereto, including a series of Controlling Agreements by and among the Pledgor and/or the Company and the Pledgee, such as the Exclusive Business Cooperation Agreement.

1.6 An **Breaching Event** means any event listed in Section 7 hereof.

1.7 **Default Notice** means the notice given by the Pledgee regarding the Breaching Event in accordance with this Contract.

2. Pledge

The Pledgor hereby pledges any and all equity interests of the Company owned by it now and in the future as security for its timely and complete performance of the Pledgor's obligations to discharge of liabilities, other monetary payments, as well as all other obligations under the Major Contracts, no matter the monetary payment obligation becomes due and payable as a result of its maturity, demand of earlier collection or any other reasons.

3. Pledge Term

3.1 This Pledge becomes effective immediately after the equity interests pledged hereunder is recorded on the share register of the Company, and remains valid until Party B is no longer authorized as shareholder of the Company. Each Party agrees that the Pledgor shall record the equity interests pledge under this Contract on the share register of the Company within three (3) business days upon the execution hereof.

3.2 During the Pledge Term, if Party B fails to perform the obligations in accordance with the provisions of the Major Contracts, the Pledgee is entitled, however not obligated, to dispose the Pledged Equity Interests pursuant to law and this Contract.

4. Custody of Pledge Certificate

4.1 During the Pledge Term, the Pledgor shall deliver its capital contribution certificate and the share register of the Company in which the pledge is recorded to the custody of the Pledgee. The Pledgor shall deliver the abovementioned capital contribution certificate and the share register of the Company in which the pledge is recorded to the Pledgee within one (1) week upon the execution of this Contract. And the Pledgee shall remain the custodian of such documents throughout the whole Pledge Term as mentioned herein.

4.2 During the Pledge Term, the Pledgee has the right to collect the dividends arising from the Equity Interests.

5. Pledgor's Representations and Warranties

5.1 The Pledgor is the only legal owner of the Equity Interests.

5.2 The Pledgee has the right to dispose or transfer the Equity Interests according to the ways as described in this Contract.

5.3 The Pledgor has not created any other pledge or other security interest over the Equity Interests, except for this Pledge.

6. Pledgor's Undertakings and Confirmation

6.1 During the term of this Contract, the Pledgor undertakes to the Pledgee that:

6.1.1 Without prior written consent of the Pledgee, the Pledgor may not transfer the Equity Interests, or create or allow the creation of any new pledge or any other encumbrances upon the Equity Interests, except for the purpose of performance of the Major Contracts;

6.1.2 The Pledgor will abide by the provisions of all laws and regulations related to the Pledge, and upon receiving any notice, order or direction given or formulated by any competent authority with respect to the Pledge, the Pledgor will notify the Pledgee of such notice, order or direction within five (5) days upon the receipt thereof, and comply with such notice, order or direction, or submit any dissenting opinions and statements at the request of the Pledgee or with the consent of the Pledgee;

6.1.3 The Pledgor will immediately notify the Pledgee of any event or notice received which may possibly affect the Equity Interests of the Pledgee or any part of the Plegee's rights, and any other event or received notice which may possibly change the warrants and obligations of the Pledgor under this Contract, or the performance of obligations hereunder by the Pledgor.

6.2 The Pledgor agrees that, the rights granted to the Pledgee regarding the Pledge in accordance with this Contract shall not be interrupted or impaired by any legal proceedings initiated by the Pledgor, its successors, its authorized persons, or any other person.

6.3 The Pledgor warrants to the Pledgee that, for safeguarding or consummating the guaranty regarding the transfer of earnings under the Major Contracts in accordance with this Contract, the Pledgor will faithfully sign, or cause the other party materially related to the Pledge to sign, all the right certificates or instruments as required by the Pledgee, and/or take, or cause the other party materially related to the Pledge to take, any acts as required by the Pledgee, facilitate the exercise of rights and authorizations granted to the Pledgee hereunder, enter into any documents related to the ownership of the Equity Interests with the Pledges or its designated persons (natural person/legal person), and provide to the Pledgee any and all notices, orders and decisions relating to the Pledge as deemed necessary by the Pledgee within the reasonable period.

6.4 The Pledgor warrants to the Pledgee that, the Pledgor will abide by and perform all the warrants, undertakings, agreements, representations and conditions under this Contract, and the Pledgor will indemnify the Pledgee of all losses incurred that is caused by the failure in or partial failure in the performance of such warrants, undertakings, agreements, representations or conditions by the Pledgor.

7. Breaching Event

7.1 Any of the following is deemed as an Breaching Event:

7.1.1 Party B fails to transfer the earnings under the Major Contracts in full and according to the timeline, or commits any act in violation of the Major Contracts and this Contract;

7.1.2 Any of representations or warrants made by the Pledgor in Section 5 hereof is materially misleading or wrong, and/or, the Pledgor breaches any of the representations or warrants made by the Pledgor in Section 5 hereof;

7.1.3 The Pledgor fails to record the Pledge on the share register of the Company in accordance with Clause 3.1;

7.1.4 The Pledgor breaches any provision of this Contract;

7.1.5 Except for the circumstance agreed to in Clause 6.1.1, the Pledgor waives the Pledged Equity Interests, or transfers or intends to transfer the Pledged Equity Interests without the prior written consent of the Pledgee;

7.1.6 Any external borrowings, guaranties, indemnification, undertakings or any other liabilities of the Pledgor (1) shall be repaid or performed earlier due to its default; or (2) cannot be repaid or performed when due;

7.1.7 Any or all consents, permits, approvals or authorizations from the governmental authorities necessary for the enforceability, legality or validity of this Contract, are revoked, suspended, invalidated, or materially changed;

7.1.8 Promulgation of application laws makes this Contract becomes illegal, or the Pledgor cannot continue the performance of its obligations hereunder;

7.1.9 Any adverse change to assets owned by the Pledgor makes the Pledgee to believe that the ability of the Pledgor to perform its obligations hereunder has been affected;

7.1.10 Any other circumstance which makes the Pledgee unable or possibly unable to dispose the Pledge in accordance with applicable laws.

7.2 The Pledgor shall immediately notify the Pledgee in writing of the occurrence of any event mentioned in Clause 7.1 or any event which may cause the occurrence of any abovementioned event.

7.3 Unless any of the abovementioned Breaching Event has been resolved to the satisfaction of the Pledgee, the Pledgee is entitled to give a written Default Notice to the Pledgor anytime upon or following the occurrence of any Breaching Event of the Pledgor, requiring the Pledgee to dispose the Pledge in accordance with Section 8 of this Contract.

8. Exercise of Pledge

8.1 The Pledgor should not transfer any of the Equity Interests of the Company owned by it before the liabilities are discharged and all other material obligations are performed under the Major Contracts.

8.2 The Pledgee may give a Default Notice to the Pledgor when exercising the Pledge.

8.3 Subject to Clause 7.3, the Pledgee may exercise the right to dispose the Pledge at the same time or at anytime after the Pledgee gives the Default Notice in accordance with Clause 7.2. The Pledgor no longer owns any right or benefit in relation to the Equity Interests once the Pledgee decides to exercise the right to dispose the Pledge.

8.4 As of the occurrence of any Breaching Event, the Pledgee is entitled to dispose the Pledged Equity Interests according to legal procedure, to the extent allowed by laws and in accordance with applicable laws, and does not need to distribute any of the proceedings of such disposal to the Pledgor; the Pledgor hereby waives the contingent right to require for distribution from the Pledgee of any proceedings of such disposal. Similarly, the Pledgor should not be held liable for any losses which the Pledgee may incur by following the disposal of the Pledged Equity Interests.

8.5 As the Pledgee disposes the Pledge in accordance with this Contract, the Pledgor and the Company shall provide assistance necessary for the realization of the Pledge by the Pledgee.

9. Transfer

9.1 Unless with the prior consent of the Pledgee, the Pledgor has no right to grant or transfer any of its rights and obligations hereunder.

9.2 This Contract shall be binding upon the Pledgor and its successors and permitted assigns, and inure to the benefit of the Pledgee and its successors and permitted assigns.

9.3 The Pledgee has the right to, at anytime, transfer any of its rights and obligations under the business cooperation agreement to its designated person (natural person/legal person), and under such circumstance, the assigns shall enjoy and assume the same rights and obligations same to which the Pledgee enjoys and assumes under this Contract, as if the assigns is the original party to the Contract. When the Pledgee transfers any of its rights and obligations under the business cooperation agreement, the Pledgor shall sign any necessary agreement and/or instruments at the request of the Pledgee.

9.4 After the Pledgee changes upon the transfer, the Pledgor shall enter into a new pledge contract containing the content substantially same to this Contract with the new pledgee.

9.5 The Pledgor shall strictly comply with the provisions of this Contract and any other contract entered into with any other party or parties, perform the obligations under this Contract and other contracts, and should not take any action/non-action which may substantially affect the validity and enforceability of the abovementioned contracts. Unless with the written direction of the Pledgee, the Pledgor should not exercise its remaining rights regarding the Pledged Equity Interests.

10. Termination

This Contract terminates once the transfer of the proceedings arising from the Major Contracts is completed, and the Pledgor no longer assumes any obligations under the Major Contracts and is no longer authorized as shareholder of the Company. And the Pledgee shall cancel or revoke this Contract as soon as practical upon the termination of this Contract.

11. Costs and Expenses

Any and all costs and expenses actually incurred in connection with this Contract, including but not limited to legal expenses, costs, stamp duty, as well as any other taxes and fees, will be fully borne by Party A.

12. Confidentiality

Each Party recognizes and confirms this Contract, the content of this Contract, and any and all oral and written information exchanged among them for the preparation and performance of this Contract shall be deemed as confidential information. Each Party shall hold in confidence all such confidential information, and without the written consent from the other Parties, should not disclose any confidential information to any third party, provided that, confidential information shall not include information that (a) is or becomes available to the public other than as a result of disclosure by the receiving Party in violation of this Contract, or (b) any information which must be disclosed pursuant to laws and regulations, stock trading rules, or as required by order or decree of governmental authorities or courts; or (c) any information disclosed by either Party to its shareholders, investors, legal or financial advisors in relation to the transactions contemplated herein, who are bound by confidentiality obligation similar to this provision. Any disclosure of confidential information by the professionals or institutions engaged by either Party shall be deemed as the disclosure by such Party, and such Party shall be held liable for breach. This provision shall survive the termination of this Contract for any reason.

13. Applicable Law and Dispute Resolution

The formation of this Contract, its validity, interpretation, performance, change, and termination of this Contract, and the settlement of any dispute between the Parties, shall be governed by and construed in accordance with the laws of the PRC.

The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Contract through friendly consultations. If a dispute is not resolved through friendly consultations within 30 days from the date a Party gives the other Party written notice of the dispute, then each Party may submit the dispute to China International Economic and Trade Arbitration Commission (“CIETAC”) for arbitration in accordance with then effective arbitration rules. The arbitration shall be conducted in Beijing in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

In the event of any dispute arising from the interpretation or performance of this Contract, and in the course of the arbitration of any dispute, each Party shall continue the performance of its rights and obligations hereunder excepted for those disputed ones.

14. Notices

All the notices and other communications required by or sent pursuant to this Contract shall be delivered to the following address of each Party in person, by registered mail, prepaid post, or commercial courier services, or facsimile. Each notice shall be confirmed with a respective email. Delivery shall be deemed to have occurred:

the same day (local time at the recipient’s place of business) on which delivery is made by personal delivery, or by courier services, registered mail, or prepaid post, or delivery is refused; or

the day of delivery being successfully made, if by facsimile (certified by the automatically generated transmission confirmation).

Each Party’s address for purpose of notice is as follows:

Pledgee: **Duowan Entertainment Information Technology (Beijing) Company Limited**
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing
Attention: Xueling Li
Facsimile:

Pledgor: **Beijing Tuda Science and Technology Company Limited**
Address: Suite B1506, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing
Attention: Jin Cao
Facsimile:

Each Party may at anytime change its address for receiving notices by giving a notice to the other Parties in accordance with this clause.

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15. Severability

If any single or multiple provisions hereof are judged invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality and enforceability of the remaining provisions of this Contract shall not be affected in any aspect. The Parties shall in good faith, endeavor to use valid provisions to the extent allowed by laws and reflecting the intensions of all the Parties, to replace those invalid, illegal or unenforceable provisions, provided that, the economic effects achieved by such valid provisions shall be similar to the economic effects achieved by those invalid, illegal or unenforceable provisions.

16. Appendices

The appendix hereto is an integral part of this Contract.

17. Effectiveness

Any amendment, supplement or change to this Contract shall be made in writing, and can only become effective with the signatures or seals of the Parties and registration with governmental authorities in accordance with applicable rules (if applicable).

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[Signature page]

IN WITNESS WHEREOF, the Parties hereto have caused this Equity Pledge Contract to be executed by their duly authorized representatives as of the date first above written.

Party A: Duowan Entertainment Information Technology (Beijing) Company Limited

By Authorized Representative: (Seal)
Date:

Party B: Beijing Tuda Science and Technology Company Limited

By Authorized Representative: (Seal)
Date:

Appendix 1

List of Major Contracts

1. Exclusive Business Cooperation Agreement, dated August 12, 2008, by and between Duowan Entertainment Information Technology (Beijing) Company Limited and Guangzhou Huaduo Network Technology Co., Ltd.
2. Exclusive Option Agreement, dated September 16, 2011, by and among Duowan Entertainment Information Technology (Beijing) Company Limited, Beijing Tuda Science and Technology Company Limited and Guangzhou Huaduo Network Technology Co., Ltd.
3. Exclusive Technology Support and Technology Services Agreement, dated August 12, 2008, by and between Duowan Entertainment Information Technology (Beijing) Company Limited and Guangzhou Huaduo Network Technology Co., Ltd.
4. Power of Attorney, dated September 16, 2011, signed by Beijing Tuda Science and Technology Company Limited

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Equity Interest Pledge Agreement

This Equity Interest Pledge Agreement (this "Contract"), dated September 16, 2011, is made in the People's Republic of China (the "PRC"), by and between:

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited ("Pledgee")**
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing

Party B: **Xueling Li ("Pledgor")**
Address:

(Pledgor and Pledgee individually, a "Party"; collectively, the "Parties").

WHEREAS

1. The Pledgor is a company registered in the PRC, holding 1.6654% equity interests of Guangzhou Huaduo Network Technology Co., Ltd. (the "Company") as of the date hereof. The Company is a limited liability company registered in Guangzhou, the PRC, engaged in the Internet-based value-added telecommunications services. Party B will cause the Company to confirm the rights and obligations of the Pledgor and the Pledgee under this Contract and to provide necessary assistance for the registration of such pledge.

2. The Pledgee is a limited liability company registered in Beijing. The Pledgee, the Pledgor and/or the Company entered into a series of legal documents, including an Exclusive Business Cooperation Agreement, which are made for the purpose of formation of the Pledgee's control over the Company ("Controlling Agreements").

3. The Pledgor agrees to pledge all of its equity interests in the Company to the Pledgee as security for the performance of the obligations hereunder by Party B and/or the Company.

NOW, THEREFORE, the Parties agree as follows through friendly negotiations:

1. Definitions

Unless otherwise required in the context, in this Contract:

1.1 **Pledge** means the secured property rights granted to the Pledgee by the Pledgor in accordance with Section 2 of this Contract, i.e., the right of the Pledgee to be compensated at first priority with respect to the price of sale or disposal of such equity interests pledged to the Pledgee by the Pledgor.

1.2 **Equity Interests** mean any and all equity interests duly owned by the Pledgor in the Company now and in the future.

1.3 **Pledged Equity Interests** mean any and all equity interests duly owned by the Pledgor in the Company, to be pledged by the Pledgor.

1.4 **Pledge Term** means the period as specified in Section 3 of this Contract.

1.5 **Major Contracts** mean the agreements listed in Appendix 1 hereto, including a series of Controlling Agreements by and among the Pledgor and/or the Company and the Pledgee, such as the Exclusive Business Cooperation Agreement.

1.6 An **Breaching Event** means any event listed in Section 7 hereof.

1.7 **Default Notice** means the notice given by the Pledgee regarding the Breaching Event in accordance with this Contract.

2. Pledge

The Pledgor hereby pledges any and all equity interests of the Company owned by it now and in the future as security for its timely and complete performance of the Pledgor's obligations to discharge of liabilities, other monetary payments, as well as all other obligations under the Major Contracts, no matter the monetary payment obligation becomes due and payable as a result of its maturity, demand requirement of earlier collection or any other reasons.

3. Pledge Term

3.1 This Pledge becomes effective immediately after the equity interests pledged hereunder is recorded on the share register of the Company, and remains valid until Party B is no longer authorized as shareholder of the Company. Each Party agrees that the Pledgor shall record the equity interests pledge under this Contract on the share register of the Company within three (3) business days upon the execution hereof.

3.2 During the Pledge Term, if Party B fails to perform the obligations in accordance with the provisions of the Major Contracts, the Pledgee is entitled, however not obligated, to dispose the Pledged Equity Interests pursuant to law and this Contract.

4. Custody of Pledge Certificate

4.1 During the Pledge Term, the Pledgor shall deliver its capital contribution certificate and the share register of the Company in which the pledge is recorded to the custody of the Pledgee. The Pledgor shall deliver the abovementioned capital contribution certificate and the share register of the Company in which the pledge is recorded to the Pledgee within one (1) week upon the execution of this Contract. And the Pledgee shall remain the custodian of such documents throughout the whole Pledge Term as mentioned herein.

4.2 During the Pledge Term, the Pledgee has the right to collect the dividends arising from the Equity Interests.

5. Pledgor's Representations and Warranties

5.1 The Pledgor is the only legal owner of the Equity Interests.

5.2 The Pledgee has the right to dispose or transfer the Equity Interests according to the ways as described in this Contract.

5.3 The Pledgor has not created any other pledge or other security interest over the Equity Interests, except for this Pledge.

6. Pledgor's Undertakings and Confirmation

6.1 During the term of this Contract, the Pledgor undertakes to the Pledgee that:

6.1.1 Without prior written consent of the Pledgee, the Pledgor may not transfer the Equity Interests, or create or allow the creation of any new pledge or any other encumbrances upon the Equity Interests, except for the purpose of performance of the Major Contracts;

6.1.2 The Pledgor will abide by the provisions of all laws and regulations related to the Pledge, and upon receiving any notice, order or direction given or formulated by any competent authority with respect to the Pledge, the Pledgor will notify the Pledgee of such notice, order or direction within five (5) days upon the receipt thereof, and comply with such notice, order or direction, or submit any dissenting opinions and statements at the request of the Pledgee or with the consent of the Pledgee;

6.1.3 The Pledgor will immediately notify the Pledgee of any event or notice received which may possibly affect the Equity Interests of the Pledgee or any part of the Plegee's rights, and any other event or received notice which may possibly change the warrants and obligations of the Pledgor under this Contract, or the performance of obligations hereunder by the Pledgor.

6.2 The Pledgor agrees that, the rights granted to the Pledgee regarding the Pledge in accordance with this Contract shall not be interrupted or impaired by any legal proceedings initiated by the Pledgor, its successors, its authorized persons, or any other person.

6.3 The Pledgor warrants to the Pledgee that, for safeguarding or consummating the guaranty regarding the transfer of earnings under the Major Contracts in accordance with this Contract, the Pledgor will faithfully sign, or cause the other party materially related to the Pledge to sign, all the right certificates or instruments as required by the Pledgee, and/or take, or cause the other party materially related to the Pledge to take, any acts as required by the Pledgee, facilitate the exercise of rights and authorizations granted to the Pledgee hereunder, enter into any documents related to the ownership of the Equity Interests with the Pledges or its designated persons (natural person/legal person), and provide to the Pledgee any and all notices, orders and decisions relating to the Pledge as deemed necessary by the Pledgee within the reasonable period.

6.4 The Pledgor warrants to the Pledgee that, the Pledgor will abide by and perform all the warrants, undertakings, agreements, representations and conditions under this Contract, and the Pledgor will indemnify the Pledgee of all losses incurred that is caused by the failure in or partial failure in the performance of such warrants, undertakings, agreements, representations or conditions by the Pledgor.

7. Breaching Event

7.1 Any of the following is deemed as an Breaching Event:

7.1.1 Party B fails to transfer the earnings under the Major Contracts in full and according to the timeline, or commits any act in violation of the Major Contracts and this Contract;

7.1.2 Any of representations or warrants made by the Pledgor in Section 5 hereof is materially misleading or wrong, and/or, the Pledgor breaches any of the representations or warrants made by the Pledgor in Section 5 hereof;

7.1.3 The Pledgor fails to record the Pledge on the share register of the Company in accordance with the Clause 3.1;

7.1.4 The Pledgor breaches any provision of this Contract;

7.1.5 Except for the circumstance agreed to in Clause 6.1.1, the Pledgor waives the Pledged Equity Interests, or transfers or intends to transfer the Pledged Equity Interests without the prior written consent of the Pledgee;

7.1.6 Any external borrowings, guaranties, indemnification, undertakings or any other liabilities of the Pledgor (1) shall be repaid or performed earlier due to its default; or (2) cannot be repaid or performed when due;

7.1.7 Any or all consents, permits, approvals or authorizations from the governmental authorities necessary for the enforceability, legality or validity of this Contract, are revoked, suspended, invalidated, or materially changed;

7.1.8 Promulgation of application laws makes this Contract becomes illegal, or the Pledgor cannot continue the performance of its obligations hereunder;

7.1.9 Any adverse change to assets owned by the Pledgor makes the Pledgee to believe that the ability of the Pledgor to perform its obligations hereunder has been affected;

7.1.10 Any other circumstance which makes the Pledgee unable or possibly unable to dispose the Pledge in accordance with applicable laws.

7.2 The Pledgor shall immediately notify the Pledgee in writing of the occurrence of any event mentioned in Clause 7.1 or any event which may cause the occurrence of any abovementioned event.

7.3 Unless any of the abovementioned Breaching Event has been resolved to the satisfaction of the Pledgee, the Pledgee is entitled to give a written Default Notice to the Pledgor anytime upon or following the occurrence of any Breaching Event of the Pledgor, requiring the Pledgee to dispose the Pledge in accordance with Section 8 of this Contract.

8. Exercise of Pledge

8.1 The Pledgor should not transfer any of the Equity Interests of the Company owned by it before the liabilities are discharged and all other material obligations are performed under the Major Contracts.

8.2 The Pledgee may give a Default Notice to the Pledgor when exercising the Pledge.

8.3 Subject to Clause 7.3, the Pledgee may exercise the right to dispose the Pledge at the same time or at anytime after the Pledgee gives the Default Notice in accordance with Clause 7.2. The Pledgor no longer owns any right or benefit in relation to the Equity Interests once the Pledgee decides to exercise the right to dispose the Pledge.

8.4 As of the occurrence of any Breaching Event, the Pledgee is entitled to dispose the Pledged Equity Interests according to legal procedure, to the extent allowed by laws and in accordance with applicable laws, and does not need to distribute any of the proceedings of such disposal to the Pledgor; the Pledgor hereby waives the contingent right to require for distribution from the Pledgee of any proceedings of such disposal. Similarly, the Pledgor should not be held liable for any losses which the Pledgee may incur by following the disposal of the Pledged Equity Interests.

8.5 As the Pledgee disposes the Pledge in accordance with this Contract, the Pledgor and the Company shall provide assistance necessary for the realization of the Pledge by the Pledgee.

9. Transfer

9.1 Unless with the prior consent of the Pledgee, the Pledgor has no right to grant or transfer any of its rights and obligations hereunder.

9.2 This Contract shall be binding upon the Pledgor and its successors and permitted assigns, and inure to the benefit of the Pledgee and its successors and permitted assigns.

9.3 The Pledgee has the right to, at anytime, transfer any of its rights and obligations under the business cooperation agreement to its designated person (natural person/legal person), and under such circumstance, the assigns shall enjoy and assume the same rights and obligations same to which the Pledgee enjoys and assumes under this Contract, as if the assigns is the original party to the Contract. When the Pledgee transfers any of its rights and obligations under the business cooperation agreement, the Pledgor shall sign any necessary agreement and/or instruments at the request of the Pledgee.

9.4 After the Pledgee changes upon the transfer, the Pledgor shall enter into a new pledge contract containing the content substantially same to this Contract with the new pledgee.

9.5 The Pledgor shall strictly comply with the provisions of this Contract and any other contract entered into with any other party or parties, perform the obligations under this Contract and other contracts, and should not take any action/non-action which may substantially affect the validity and enforceability of the abovementioned contracts. Unless with the written direction of the Pledgee, the Pledgor should not exercise its remaining rights regarding the Pledged Equity Interests.

10. Termination

This Contract terminates once the transfer of the proceedings arising from the Major Contracts is completed, and the Pledgor no longer assumes any obligations under the Major Contracts and is no longer authorized as shareholder of the Company. And the Pledgee shall cancel or revoke this Contract as soon as practical upon the termination of this Contract.

11. Costs and Expenses

Any and all costs and expenses actually incurred in connection with this Contract, including but not limited to legal expenses, costs, stamp duty, as well as any other taxes and fees, will be fully borne by Party A.

12. Confidentiality

Each Party recognizes and confirms this Contract, the content of this Contract, and any and all oral and written information exchanged among them for the preparation and performance of this Contract shall be deemed as confidential information. Each Party shall hold in confidence all such confidential information, and without the written consent from the other Parties, should not disclose any confidential information to any third party, provided that, confidential information shall not include information that (a) is or becomes available to the public other than as a result of disclosure by the receiving Party in violation of this Contract, or (b) any information which must be disclosed pursuant to laws and regulations, stock trading rules, or as required by order or decree of governmental authorities or courts; or (c) any information disclosed by either Party to its shareholders, investors, legal or financial advisors in relation to the transactions contemplated herein, who are bound by confidentiality obligation similar to this provision. Any disclosure of confidential information by the professionals or institutions engaged by either Party shall be deemed as the disclosure by such Party, and such Party shall be held liable for breach. This provision shall survive the termination of this Contract for any reason.

13. Applicable Law and Dispute Resolution

The formation of this Contract, its validity, interpretation, performance, change, and termination of this Contract, and the settlement of any dispute between the Parties, shall be governed by and construed in accordance with the laws of the PRC.

The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Contract through friendly consultations. If a dispute is not resolved through friendly consultations within 30 days from the date a Party gives the other Party written notice of the dispute, then each Party may submit the dispute to China International Economic and Trade Arbitration Commission ("CIETAC") for arbitration in accordance with then effective arbitration rules. The arbitration shall be conducted in Beijing in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

In the event of any dispute arising from the interpretation or performance of this Contract, and in the course of the arbitration of any dispute, each Party shall continue the performance of its rights and obligations hereunder excepted for those disputed ones.

14. Notices

All the notices and other communications required by or sent pursuant to this Contract shall be delivered to the following address of each Party in person, by registered mail, prepaid post, or commercial courier services, or facsimile. Each notice shall be confirmed with a respective email. Delivery shall be deemed to have occurred:

the same day (local time at the recipient's place of business) on which delivery is made by personal delivery, or by courier services, registered mail, or prepaid post, or delivery is refused; or

the day of delivery being successfully made, if by facsimile (certified by the automatically generated transmission confirmation).

Each Party's address for purpose of notice is as follows:

Pledgee: **Duowan Entertainment Information Technology (Beijing) Company Limited**
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing
Attention: Xueling Li
Facsimile:

Pledgor: **Xueling Li**
Address: No.2, Haiyuncang Hutong, Dongcheng District, Beijing
Facsimile:

Each Party may at anytime change its address for receiving notices by giving a notice to the other Parties in accordance with this clause.

15. Severability

If any single or multiple provisions hereof are judged invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality and enforceability of the remaining provisions of this Contract shall not be affected in any aspect. The Parties shall in good faith, endeavor to use valid provisions to the extent allowed by laws and reflecting the intensions of all the Parties, to replace those invalid, illegal or unenforceable provisions, provided that, the economic effects achieved by such valid provisions shall be similar to the economic effects achieved by those invalid, illegal or unenforceable provisions.

16. Appendices

The appendix hereto is an integral part of this Contract.

17. Effectiveness

Any amendment, supplement or change to this Contract shall be made in writing, and can only become effective with the signatures or seals of the Parties and registration with governmental authorities in accordance with applicable rules (if applicable).

[Signature page]

IN WITNESS WHEREOF, the Parties hereto have caused this Equity Pledge Contract to be executed by their duly authorized representatives as of the date first above written.

Party A: Duowan Entertainment Information Technology (Beijing) Company Limited

By Authorized Representative: (Seal)
Date:

Party B: Xueling Li

By: /s/ Xueling Li
Date:

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Appendix 1

List of Major Contracts

1. Exclusive Business Cooperation Agreement, dated August 12, 2008, by and between Duowan Entertainment Information Technology (Beijing) Company Limited and Guangzhou Huaduo Network Technology Co., Ltd.
2. Exclusive Option Agreement, dated September 16, 2011, by and among Duowan Entertainment Information Technology (Beijing) Company Limited, Xueling Li and Guangzhou Huaduo Network Technology Co., Ltd.
3. Exclusive Technology Support and Technology Services Agreement, dated August 12, 2008, by and between Duowan Entertainment Information Technology (Beijing) Company Limited and Guangzhou Huaduo Network Technology Co., Ltd.
4. Power of Attorney, dated September 16, 2011, signed by Xueling Li

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Equity Interest Pledge Agreement

This Equity Interest Pledge Agreement (this "Contract"), dated September 16, 2011, is made in the People's Republic of China (the "PRC"), by and between:

Party A: Duowan Entertainment Information Technology (Beijing) Company Limited ("Pledgee")
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing

Party B: Jun Lei ("Pledgor")
Address:

(Pledgor and Pledgee individually, a "Party"; collectively, the "Parties").

WHEREAS

1. The Pledgor is a company registered in the PRC, holding 1.4570% equity interests of Guangzhou Huaduo Network Technology Co., Ltd. (the "Company") as of the date hereof. The Company is a limited liability company registered in Guangzhou, the PRC, engaged in the Internet-based value-added telecommunications services. Party B will cause the Company to confirm the rights and obligations of the Pledgor and the Pledgee under this Contract and to provide necessary assistance for the registration of such pledge.

2. The Pledgee is a limited liability company registered in Beijing. The Pledgee, the Pledgor and/or the Company entered into a series of legal documents, including an Exclusive Business Cooperation Agreement, which are made for the purpose of formation of the Pledgee's control over the Company ("Controlling Agreements").

3. The Pledgor agrees to pledge all of its equity interests in the Company to the Pledgee as security for the performance of the obligations hereunder by Party B and/or the Company.

NOW, THEREFORE, the Parties agree as follows through friendly negotiations:

1. Definitions

Unless otherwise required in the context, in this Contract:

1.1 **Pledge** means the secured property rights granted to the Pledgee by the Pledgor in accordance with Section 2 of this Contract, i.e., the right of the Pledgee to be compensated at first priority with respect to the price of sale or disposal of such equity interests pledged to the Pledgee by the Pledgor.

1.2 **Equity Interests** mean any and all equity interests duly owned by the Pledgor in the Company now and in the future.

1.3 **Pledged Equity Interests** mean any and all equity interests duly owned by the Pledgor in the Company, to be pledged by the Pledgor.

1.4 **Pledge Term** means the period as specified in Section 3 of this Contract.

1.5 **Major Contracts** mean the agreements listed in Appendix 1 hereto, including a series of Controlling Agreements by and among the Pledgor and/or the Company and the Pledgee, such as the Exclusive Business Cooperation Agreement.

1.6 An **Breaching Event** means any event listed in Section 7 hereof.

1.7 **Default Notice** means the notice given by the Pledgee regarding the Breaching Event in accordance with this Contract.

2. Pledge

The Pledgor hereby pledges any and all equity interests of the Company owned by it now and in the future as security for its timely and complete performance of the Pledgor's obligations to discharge of liabilities, other monetary payments, as well as all other obligations under the Major Contracts, no matter the monetary payment obligation becomes due and payable as a result of its maturity, demand of earlier collection or any other reasons.

3. Pledge Term

3.1 This Pledge becomes effective immediately after the equity interests pledged hereunder is recorded on the share register of the Company, and remains valid until Party B is no longer authorized as shareholder of the Company. Each Party agrees that the Pledgor shall record the equity interests pledge under this Contract on the share register of the Company within three (3) business days upon the execution hereof.

3.2 During the Pledge Term, if Party B fails to perform the obligations in accordance with the provisions of the Major Contracts, the Pledgee is entitled, however not obligated, to dispose the Pledged Equity Interests pursuant to law and this Contract.

4. Custody of Pledge Certificate

4.1 During the Pledge Term, the Pledgor shall deliver its capital contribution certificate and the share register of the Company in which the pledge is recorded to the custody of the Pledgee. The Pledgor shall deliver the abovementioned capital contribution certificate and the share register of the Company in which the pledge is recorded to the Pledgee within one (1) week upon the execution of this Contract. And the Pledgee shall remain the custodian of such documents throughout the whole Pledge Term as mentioned herein.

4.2 During the Pledge Term, the Pledgee has the right to collect the dividends arising from the Equity Interests.

5. Pledgor's Representations and Warranties

5.1 The Pledgor is the only legal owner of the Equity Interests.

5.2 The Pledgee has the right to dispose or transfer the Equity Interests according to the ways as described in this Contract.

5.3 The Pledgor has not created any other pledge or other security interest over the Equity Interests, except for this Pledge.

6. Pledgor's Undertakings and Confirmation

6.1 During the term of this Contract, the Pledgor undertakes to the Pledgee that:

6.1.1 Without prior written consent of the Pledgee, the Pledgor may not transfer the Equity Interests, or create or allow the creation of any new pledge or any other encumbrances upon the Equity Interests, except for the purpose of performance of the Major Contracts;

6.1.2 The Pledgor will abide by the provisions of all laws and regulations related to the Pledge, and upon receiving any notice, order or direction given or formulated by any competent authority with respect to the Pledge, the Pledgor will notify the Pledgee of such notice, order or direction within five (5) days upon the receipt thereof, and comply with such notice, order or direction, or submit any dissenting opinions and statements at the request of the Pledgee or with the consent of the Pledgee;

6.1.3 The Pledgor will immediately notify the Pledgee of any event or notice received which may possibly affect the Equity Interests of the Pledgee or any part of the Plegee's rights, and any other event or received notice which may possibly change the warrants and obligations of the Pledgor under this Contract, or the performance of obligations hereunder by the Pledgor.

6.2 The Pledgor agrees that, the rights granted to the Pledgee regarding the Pledge in accordance with this Contract shall not be interrupted or impaired by any legal proceedings initiated by the Pledgor, its successors, its authorized persons, or any other person.

6.3 The Pledgor warrants to the Pledgee that, for safeguarding or consummating the guaranty regarding the transfer of earnings under the Major Contracts in accordance with this Contract, the Pledgor will faithfully sign, or cause the other party materially related to the Pledge to sign, all the right certificates or instruments as required by the Pledgee, and/or take, or cause the other party materially related to the Pledge to take, any acts as required by the Pledgee, facilitate the exercise of rights and authorizations granted to the Pledgee hereunder, enter into any documents related to the ownership of the Equity Interests with the Pledges or its designated persons (natural person/legal person), and provide to the Pledgee any and all notices, orders and decisions relating to the Pledge as deemed necessary by the Pledgee within the reasonable period.

6.4 The Pledgor warrants to the Pledgee that, the Pledgor will abide by and perform all the warrants, undertakings, agreements, representations and conditions under this Contract, and the Pledgor will indemnify the Pledgee of all losses incurred that is caused by the failure in or partial failure in the performance of such warrants, undertakings, agreements, representations or conditions by the Pledgor.

7. Breaching Event

7.1 Any of the following is deemed as an Breaching Event:

7.1.1 Party B fails to transfer the earnings under the Major Contracts in full and according to the timeline, or commits any act in violation of the Major Contracts and this Contract;

7.1.2 Any of representations or warrants made by the Pledgor in Section 5 hereof is materially misleading or wrong, and/or, the Pledgor breaches any of the representations or warrants made by the Pledgor in Section 5 hereof;

7.1.3 The Pledgor fails to record the Pledge on the share register of the Company in accordance with Clause 3.1;

7.1.4 The Pledgor breaches any provision of this Contract;

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7.1.5 Except for the circumstance agreed to in Clause 6.1.1, the Pledgor waives the Pledged Equity Interests, or transfers or intends to transfer the Pledged Equity Interests without the prior written consent of the Pledgee;

7.1.6 Any external borrowings, guaranties, indemnification, undertakings or any other liabilities of the Pledgor (1) shall be repaid or performed earlier due to its default; or (2) cannot be repaid or performed when due;

7.1.7 Any or all consents, permits, approvals or authorizations from the governmental authorities necessary for the enforceability, legality or validity of this Contract, are revoked, suspended, invalidated, or materially changed;

7.1.8 Promulgation of application laws makes this Contract becomes illegal, or the Pledgor cannot continue the performance of its obligations hereunder;

7.1.9 Any adverse change to assets owned by the Pledgor makes the Pledgee to believe that the ability of the Pledgor to perform its obligations hereunder has been affected;

7.1.10 Any other circumstance which makes the Pledgee unable or possibly unable to dispose the Pledge in accordance with applicable laws.

7.2 The Pledgor shall immediately notify the Pledgee in writing of the occurrence of any event mentioned in Clause 7.1 or any event which may cause the occurrence of any abovementioned event.

7.3 Unless any of the abovementioned Breaching Event has been resolved to the satisfaction of the Pledgee, the Pledgee is entitled to give a written Default Notice to the Pledgor anytime upon or following the occurrence of any Breaching Event of the Pledgor, requiring the Pledgee to dispose the Pledge in accordance with Section 8 of this Contract.

8. Exercise of Pledge

8.1 The Pledgor should not transfer any of the Equity Interests of the Company owned by it before the liabilities are discharged and all other material obligations are performed under the Major Contracts.

8.2 The Pledgee may give a Default Notice to the Pledgor when exercising the Pledge.

8.3 Subject to Clause 7.3, the Pledgee may exercise the right to dispose the Pledge at the same time or at anytime after the Pledgee gives the Default Notice in accordance with Clause 7.2. The Pledgor no longer owns any right or benefit in relation to the Equity Interests once the Pledgee decides to exercise the right to dispose the Pledge.

8.4 As of the occurrence of any Breaching Event, the Pledgee is entitled to dispose the Pledged Equity Interests according to legal procedure, to the extent allowed by laws and in accordance with applicable laws, and does not need to distribute any of the proceedings of such disposal to the Pledgor; the Pledgor hereby waives the contingent right to require for distribution from the Pledgee of any proceedings of such disposal. Similarly, the Pledgor should not be held liable for any losses which the Pledgee may incur by following the disposal of the Pledged Equity Interests.

8.5 As the Pledgee disposes the Pledge in accordance with this Contract, the Pledgor and the Company shall provide assistance necessary for the realization of the Pledge by the Pledgee.

9. Transfer

9.1 Unless with the prior consent of the Pledgee, the Pledgor has no right to grant or transfer any of its rights and obligations hereunder.

9.2 This Contract shall be binding upon the Pledgor and its successors and permitted assigns, and inure to the benefit of the Pledgee and its successors and permitted assigns.

9.3 The Pledgee has the right to, at anytime, transfer any of its rights and obligations under the business cooperation agreement to its designated person (natural person/legal person), and under such circumstance, the assigns shall enjoy and assume the same rights and obligations same to which the Pledgee enjoys and assumes under this Contract, as if the assigns is the original party to the Contract. When the Pledgee transfers any of its rights and obligations under the business cooperation agreement, the Pledgor shall sign any necessary agreement and/or instruments at the request of the Pledgee.

9.4 After the Pledgee changes upon the transfer, the Pledgor shall enter into a new pledge contract containing the content substantially same to this Contract with the new pledgee.

9.5 The Pledgor shall strictly comply with the provisions of this Contract and any other contract entered into with any other party or parties, perform the obligations under this Contract and other contracts, and should not take any action/non-action which may substantially affect the validity and enforceability of the abovementioned contracts. Unless with the written direction of the Pledgee, the Pledgor should not exercise its remaining rights regarding the Pledged Equity Interests.

10. Termination

This Contract terminates once the transfer of the proceedings arising from the Major Contracts is completed, and the Pledgor no longer assumes any obligations under the Major Contracts and is no longer authorized as shareholder of the Company. And the Pledgee shall cancel or revoke this Contract as soon as practical upon the termination of this Contract.

11. Costs and Expenses

Any and all costs and expenses actually incurred in connection with this Contract, including but not limited to legal expenses, costs, stamp duty, as well as any other taxes and fees, will be fully borne by Party A.

12. Confidentiality

Each Party recognizes and confirms this Contract, the content of this Contract, and any and all oral and written information exchanged among them for the preparation and performance of this Contract shall be deemed as confidential information. Each Party shall hold in confidence all such confidential information, and without the written consent from the other Parties, should not disclose any confidential information to any third party, provided that, confidential information shall not include information that (a) is or becomes available to the public other than as a result of disclosure by the receiving Party in violation of this Contract, or (b) any information which must be disclosed pursuant to laws and regulations, stock trading rules, or as required by order or decree of governmental authorities or courts; or (c) any information disclosed by either Party to its shareholders, investors, legal or financial advisors in relation to the transactions contemplated herein, who are bound by confidentiality obligation similar to this provision. Any disclosure of confidential information by the professionals or institutions engaged by either Party shall be deemed as the disclosure by such Party, and such Party shall be held liable for breach. This provision shall survive the termination of this Contract for any reason.

13. Applicable Law and Dispute Resolution

The formation of this Contract, its validity, interpretation, performance, change, and termination of this Contract, and the settlement of any dispute between the Parties, shall be governed by and construed in accordance with the laws of the PRC.

The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Contract through friendly consultations. If a dispute is not resolved through friendly consultations within 30 days from the date a Party gives the other Party written notice of the dispute, then each Party may submit the dispute to China International Economic and Trade Arbitration Commission ("CIETAC") for arbitration in accordance with then effective arbitration rules. The arbitration shall be conducted in Beijing in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

In the event of any dispute arising from the interpretation or performance of this Contract, and in the course of the arbitration of any dispute, each Party shall continue the performance of its rights and obligations hereunder excepted for those disputed ones.

14. Notices

All the notices and other communications required by or sent pursuant to this Contract shall be delivered to the following address of each Party in person, by registered mail, prepaid post, or commercial courier services, or facsimile. Each notice shall be confirmed with a respective email. Delivery shall be deemed to have occurred:

the same day (local time at the recipient's place of business) on which delivery is made by personal delivery, or by courier services, registered mail, or prepaid post, or delivery is refused; or

the day of delivery being successfully made, if by facsimile (certified by the automatically generated transmission confirmation).

Each Party's address for purpose of notice is as follows:

Pledgee: **Duowan Entertainment Information Technology (Beijing) Company Limited**
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing
Attention: Xueling Li
Facsimile:

Pledgor: **Jun Lei**
Address: Suite A19E, Huating Jiayuan, 6 North Sihuanzhong Road, Chaoyang District, Beijing
Facsimile:

Each Party may at anytime change its address for receiving notices by giving a notice to the other Parties in accordance with this clause.

15. Severability

If any single or multiple provisions hereof are judged invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality and enforceability of the remaining provisions of this Contract shall not be affected in any aspect. The Parties shall in good faith, endeavor to use valid provisions to the extent allowed by laws and reflecting the intensions of all the Parties, to replace those invalid, illegal or unenforceable provisions, provided that, the economic effects achieved by such valid provisions shall be similar to the economic effects achieved by those invalid, illegal or unenforceable provisions.

16. Appendices

The appendix hereto is an integral part of this Contract.

17. Effectiveness

Any amendment, supplement or change to this Contract shall be made in writing, and can only become effective with the signatures or seals of the Parties and registration with governmental authorities in accordance with applicable rules (if applicable).

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[Signature page]

IN WITNESS WHEREOF, the Parties hereto have caused this Equity Pledge Contract to be executed by their duly authorized representatives as of the date first above written.

Party A: Duowan Entertainment Information Technology (Beijing) Company Limited

By Authorized Representative: (Seal)
Date:

Party B: Jun Lei

By: /s/ Jun Lei
Date:

Appendix 1

List of Major Contracts

1. Exclusive Business Cooperation Agreement, dated August 12, 2008, by and between Duowan Entertainment Information Technology (Beijing) Company Limited and Guangzhou Huaduo Network Technology Co., Ltd.
2. Exclusive Option Agreement, dated September 16, 2011, by and among Duowan Entertainment Information Technology (Beijing) Company Limited, Jun Lei and Guangzhou Huaduo Network Technology Co., Ltd.
3. Exclusive Technology Support and Technology Services Agreement, dated August 12, 2008, by and between Duowan Entertainment Information Technology (Beijing) Company Limited and Guangzhou Huaduo Network Technology Co., Ltd.
4. Power of Attorney, dated September 16, 2011, signed by Jun Lei

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Equity Interest Pledge Agreement

This Equity Interest Pledge Agreement (this "Contract"), dated September 16, 2011, is made in the People's Republic of China (the "PRC"), by and between:

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited ("Pledgee")**
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing

Party B: **Bin Zhao ("Pledgor")**
Address:

(Pledgor and Pledgee individually, a "Party"; collectively, the "Parties").

WHEREAS

1. The Pledgor is a company registered in the PRC, holding 0.1406% equity interests of Guangzhou Huaduo Network Technology Co., Ltd. (the "Company") as of the date hereof. The Company is a limited liability company registered in Guangzhou, the PRC, engaged in the Internet-based value-added telecommunications services. Party B will cause the Company to confirm the rights and obligations of the Pledgor and the Pledgee under this Contract and to provide necessary assistance for the registration of such pledge.

2. The Pledgee is a limited liability company registered in Beijing. The Pledgee, the Pledgor and/or the Company entered into a series of legal documents, including an Exclusive Business Cooperation Agreement, which are made for the purpose of formation of the Pledgee's control over the Company ("Controlling Agreements").

3. The Pledgor agrees to pledge all of its equity interests in the Company to the Pledgee as security for the performance of the obligations hereunder by Party B and/or the Company.

NOW, THEREFORE, the Parties agree as follows through friendly negotiations:

1. Definitions

Unless otherwise required in the context, in this Contract:

1.1 **Pledge** means the secured property rights granted to the Pledgee by the Pledgor in accordance with Section 2 of this Contract, i.e., the right of the Pledgee to be compensated at first priority with respect to the price of sale or disposal of such equity interests pledged to the Pledgee by the Pledgor.

1.2 **Equity Interests** mean any and all equity interests duly owned by the Pledgor in the Company now and in the future.

1.3 **Pledged Equity Interests** mean any and all equity interests duly owned by the Pledgor in the Company, to be pledged by the Pledgor.

1.4 **Pledge Term** means the period as specified in the Section 3 of this Contract.

1.5 **Major Contracts** mean the agreements listed in Appendix 1 hereto, including a series of Controlling Agreements by and among the Pledgor and/or the Company and the Pledgee, such as the Exclusive Business Cooperation Agreement.

1.6 An **Breaching Event** means any event listed in Section 7 hereof.

1.7 **Default Notice** means the notice given by the Pledgee regarding the Breaching Event in accordance with this Contract.

2. Pledge

The Pledgor hereby pledges any and all equity interests of the Company owned by it now and in the future as security for its timely and complete performance of the Pledgor's obligations to discharge of liabilities, other monetary payments, as well as all other obligations under the Major Contracts, no matter the monetary payment obligation becomes due and payable as a result of its maturity, demand of earlier collection or any other reasons.

3. Pledge Term

3.1 This Pledge becomes effective immediately after the equity interests pledged hereunder is recorded on the share register of the Company, and remains valid until Party B is no longer authorized as shareholder of the Company. Each Party agrees that the Pledgor shall record the equity interests pledge under this Contract on the share register of the Company within three (3) business days upon the execution hereof.

3.2 During the Pledge Term, if Party B fails to perform the obligations in accordance with the provisions of the Major Contracts, the Pledgee is entitled, however not obligated, to dispose the Pledged Equity Interests pursuant to law and this Contract.

4. Custody of Pledge Certificate

4.1 During the Pledge Term, the Pledgor shall deliver its capital contribution certificate and the share register of the Company in which the pledge is recorded to the custody of the Pledgee. The Pledgor shall deliver the abovementioned capital contribution certificate and the share register of the Company in which the pledge is recorded to the Pledgee within one (1) week upon the execution of this Contract. And the Pledgee shall remain the custodian of such documents throughout the whole Pledge Term as mentioned herein.

4.2 During the Pledge Term, the Pledgee has the right to collect the dividends arising from the Equity Interests.

5. Pledgor's Representations and Warranties

5.1 The Pledgor is the only legal owner of the Equity Interests.

5.2 The Pledgee has the right to dispose or transfer the Equity Interests according to the ways as described in this Contract.

5.3 The Pledgor has not created any other pledge or other security interest over the Equity Interests, except for this Pledge.

6. Pledgor's Undertakings and Confirmation

6.1 During the term of this Contract, the Pledgor undertakes to the Pledgee that:

6.1.1 Without prior written consent of the Pledgee, the Pledgor may not transfer the Equity Interests, or create or allow the creation of any new pledge or any other encumbrances upon the Equity Interests, except for the purpose of performance of the Major Contracts;

6.1.2 The Pledgor will abide by the provisions of all laws and regulations related to the Pledge, and upon receiving any notice, order or direction given or formulated by any competent authority with respect to the Pledge, the Pledgor will notify the Pledgee of such notice, order or direction within five (5) days upon the receipt thereof, and comply with such notice, order or direction, or submit any dissenting opinions and statements at the request of the Pledgee or with the consent of the Pledgee;

6.1.3 The Pledgor will immediately notify the Pledgee of any event or notice received which may possibly affect the Equity Interests of the Pledgee or any part of the Plegee's rights, and any other event or received notice which may possibly change the warrants and obligations of the Pledgor under this Contract, or the performance of obligations hereunder by the Pledgor.

6.2 The Pledgor agrees that, the rights granted to the Pledgee regarding the Pledge in accordance with this Contract shall not be interrupted or impaired by any legal proceedings initiated by the Pledgor, its successors, its authorized persons, or any other person.

6.3 The Pledgor warrants to the Pledgee that, for safeguarding or consummating the guaranty regarding the transfer of earnings under the Major Contracts in accordance with this Contract, the Pledgor will faithfully sign, or cause the other party materially related to the Pledge to sign, all the right certificates or instruments as required by the Pledgee, and/or take, or cause the other party materially related to the Pledge to take, any acts as required by the Pledgee, facilitate the exercise of rights and authorizations granted to the Pledgee hereunder, enter into any documents related to the ownership of the Equity Interests with the Pledges or its designated persons (natural person/legal person), and provide to the Pledgee any and all notices, orders and decisions relating to the Pledge as deemed necessary by the Pledgee within the reasonable period.

6.4 The Pledgor warrants to the Pledgee that, the Pledgor will abide by and perform all the warrants, undertakings, agreements, representations and conditions under this Contract, and the Pledgor will indemnify the Pledgee of all losses incurred that is caused by the failure in or partial failure in the performance of such warrants, undertakings, agreements, representations or conditions by the Pledgor.

7. Breaching Event

7.1 Any of the following is deemed as an Breaching Event:

7.1.1 Party B fails to transfer the earnings under the Major Contracts in full and according to the timeline, or commits any act in violation of the Major Contracts and this Contract;

7.1.2 Any of representations or warrants made by the Pledgor in Section 5 hereof is materially misleading or wrong, and/or, the Pledgor breaches any of the representations or warrants made by the Pledgor in Section 5 hereof;

7.1.3 The Pledgor fails to record the Pledge on the share register of the Company in accordance with Clause 3.1;

7.1.4 The Pledgor breaches any provision of this Contract;

7.1.5 Except for the circumstance agreed to in Clause 6.1.1, the Pledgor waives the Pledged Equity Interests, or transfers or intends to transfer the Pledged Equity Interests without the prior written consent of the Pledgee;

7.1.6 Any external borrowings, guaranties, indemnification, undertakings or any other liabilities of the Pledgor (1) shall be repaid or performed earlier due to its default; or (2) cannot be repaid or performed when due;

7.1.7 Any or all consents, permits, approvals or authorizations from the governmental authorities necessary for the enforceability, legality or validity of this Contract, are revoked, suspended, invalidated, or materially changed;

7.1.8 Promulgation of application laws makes this Contract becomes illegal, or the Pledgor cannot continue the performance of its obligations hereunder;

7.1.9 Any adverse change to assets owned by the Pledgor makes the Pledgee to believe that the ability of the Pledgor to perform its obligations hereunder has been affected;

7.1.10 Any other circumstance which makes the Pledgee unable or possibly unable to dispose the Pledge in accordance with applicable laws.

7.2 The Pledgor shall immediately notify the Pledgee in writing of the occurrence of any event mentioned in Clause 7.1 or any event which may cause the occurrence of any abovementioned event.

7.3 Unless any of the abovementioned Breaching Event has been resolved to the satisfaction of the Pledgee, the Pledgee is entitled to give a written Default Notice to the Pledgor anytime upon or following the occurrence of any Breaching Event of the Pledgor, requiring the Pledgee to dispose the Pledge in accordance with Section 8 of this Contract.

8. Exercise of Pledge

8.1 The Pledgor should not transfer any of the Equity Interests of the Company owned by it before the liabilities are discharged and all other material obligations are performed under the Major Contracts.

8.2 The Pledgee may give a Default Notice to the Pledgor when exercising the Pledge.

8.3 Subject to Clause 7.3, the Pledgee may exercise the right to dispose the Pledge at the same time or at anytime after the Pledgee gives the Default Notice in accordance with Clause 7.2. The Pledgor no longer owns any right or benefit in relation to the Equity Interests once the Pledgee decides to exercise the right to dispose the Pledge.

8.4 As of the occurrence of any Breaching Event, the Pledgee is entitled to dispose the Pledged Equity Interests according to legal procedure, to the extent allowed by laws and in accordance with applicable laws, and does not need to distribute any of the proceedings of such disposal to the Pledgor; the Pledgor hereby waives the contingent right to require for distribution from the Pledgee of any proceedings of such disposal. Similarly, the Pledgor should not be held liable for any losses which the Pledgee may incur by following the disposal of the Pledged Equity Interests.

8.5 As the Pledgee disposes the Pledge in accordance with this Contract, the Pledgor and the Company shall provide assistance necessary for the realization of the Pledge by the Pledgee.

9. Transfer

9.1 Unless with the prior consent of the Pledgee, the Pledgor has no right to grant or transfer any of its rights and obligations hereunder.

9.2 This Contract shall be binding upon the Pledgor and its successors and permitted assigns, and inure to the benefit of the Pledgee and its successors and permitted assigns.

9.3 The Pledgee has the right to, at anytime, transfer any of its rights and obligations under the business cooperation agreement to its designated person (natural person/legal person), and under such circumstance, the assigns shall enjoy and assume the same rights and obligations same to which the Pledgee enjoys and assumes under this Contract, as if the assigns is the original party to the Contract. When the Pledgee transfers any of its rights and obligations under the business cooperation agreement, the Pledgor shall sign any necessary agreement and/or instruments at the request of the Pledgee.

9.4 After the Pledgee changes upon the transfer, the Pledgor shall enter into a new pledge contract containing the content substantially same to this Contract with the new pledgee.

9.5 The Pledgor shall strictly comply with the provisions of this Contract and any other contract entered into with any other party or parties, perform the obligations under this Contract and other contracts, and should not take any action/non-action which may substantially affect the validity and enforceability of the abovementioned contracts. Unless with the written direction of the Pledgee, the Pledgor should not exercise its remaining rights regarding the Pledged Equity Interests.

10. Termination

This Contract terminates once the transfer of the proceedings arising from the Major Contracts is completed, and the Pledgor no longer assumes any obligations under the Major Contracts and is no longer authorized as shareholder of the Company. And the Pledgee shall cancel or revoke this Contract as soon as practical upon the termination of this Contract.

11. Costs and Expenses

Any and all costs and expenses actually incurred in connection with this Contract, including but not limited to legal expenses, costs, stamp duty, as well as any other taxes and fees, will be fully borne by Party A.

12. Confidentiality

Each Party recognizes and confirms this Contract, the content of this Contract, and any and all oral and written information exchanged among them for the preparation and performance of this Contract shall be deemed as confidential information. Each Party shall hold in confidence all such confidential information, and without the written consent from the other Parties, should not disclose any confidential information to any third party, provided that, confidential information shall not include information that (a) is or becomes available to the public other than as a result of disclosure by the receiving Party in violation of this Contract, or (b) any information which must be disclosed pursuant to laws and regulations, stock trading rules, or as required by order or decree of governmental authorities or courts; or (c) any information disclosed by either Party to its shareholders, investors, legal or financial advisors in relation to the transactions contemplated herein, who are bound by confidentiality obligation similar to this provision. Any disclosure of confidential information by the professionals or institutions engaged by either Party shall be deemed as the disclosure by such Party, and such Party shall be held liable for breach. This provision shall survive the termination of this Contract for any reason.

13. Applicable Law and Dispute Resolution

The formation of this Contract, its validity, interpretation, performance, change, and termination of this Contract, and the settlement of any dispute between the Parties, shall be governed by and construed in accordance with the laws of the PRC.

The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Contract through friendly consultations. If a dispute is not resolved through friendly consultations within 30 days from the date a Party gives the other Party written notice of the dispute, then each Party may submit the dispute to China International Economic and Trade Arbitration Commission ("CIETAC") for arbitration in accordance with then effective arbitration rules. The arbitration shall be conducted in Beijing in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

In the event of any dispute arising from the interpretation or performance of this Contract, and in the course of the arbitration of any dispute, each Party shall continue the performance of its rights and obligations hereunder excepted for those disputed ones.

14. Notices

All the notices and other communications required by or sent pursuant to this Contract shall be delivered to the following address of each Party in person, by registered mail, prepaid post, or commercial courier services, or facsimile. Each notice shall be confirmed with a respective email. Delivery shall be deemed to have occurred:

the same day (local time at the recipient's place of business) on which delivery is made by personal delivery, or by courier services, registered mail, or prepaid post, or delivery is refused; or

the day of delivery being successfully made, if by facsimile (certified by the automatically generated transmission confirmation).

Each Party's address for purpose of notice is as follows:

Pledgee: **Duowan Entertainment Information Technology (Beijing) Company Limited**
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing
Attention: Xueling Li
Facsimile:

Pledgor: **Bin Zhao**
Address: No.501, Door 2, Suite 6, Jiefang East yard, 55 Dongxi, Luoyang, He'nan Province
Facsimile:

Each Party may at anytime change its address for receiving notices by giving a notice to the other Parties in accordance with this clause.

15. Severability

If any single or multiple provisions hereof are judged invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality and enforceability of the remaining provisions of this Contract shall not be affected in any aspect. The Parties shall in good faith, endeavor to use valid provisions to the extent allowed by laws and reflecting the intensions of all the Parties, to replace those invalid, illegal or unenforceable provisions, provided that, the economic effects achieved by such valid provisions shall be similar to the economic effects achieved by those invalid, illegal or unenforceable provisions.

16. Appendices

The appendix hereto is an integral part of this Contract.

17. Effectiveness

Any amendment, supplement or change to this Contract shall be made in writing, and can only become effective with the signatures or seals of the Parties and registration with governmental authorities in accordance with applicable rules (if applicable).

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[Signature page]

IN WITNESS WHEREOF, the Parties hereto have caused this Equity Pledge Contract to be executed by their duly authorized representatives as of the date first above written.

Party A: Duowan Entertainment Information Technology (Beijing) Company Limited

By Authorized Representative: (Seal)
Date:

Party B: Bin Zhao

By: /s/ Bin Zhao
Date:

Appendix 1

List of Major Contracts

1. Exclusive Business Cooperation Agreement, dated August 12, 2008, by and between Duowan Entertainment Information Technology (Beijing) Company Limited and Guangzhou Huaduo Network Technology Co., Ltd.
2. Exclusive Option Agreement, dated September 16, 2011, by and among Duowan Entertainment Information Technology (Beijing) Company Limited, Bin Zhao and Guangzhou Huaduo Network Technology Co., Ltd.
3. Exclusive Technology Support and Technology Services Agreement, dated August 12, 2008, by and between Duowan Entertainment Information Technology (Beijing) Company Limited and Guangzhou Huaduo Network Technology Co., Ltd.
4. Power of Attorney, dated September 16, 2011, signed by Bin Zhao

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Equity Interest Pledge Agreement

This Equity Interest Pledge Agreement (this "Contract"), dated September 16, 2011, is made in the People's Republic of China (the "PRC"), by and between:

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited ("Pledgee")**
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing

Party B: **Jin Cao ("Pledgor")**
Address:

(Pledgor and Pledgee individually, a "Party"; collectively, the "Parties").

WHEREAS

1. The Pledgor is a company registered in the PRC, holding 0.0703% equity interests of Guangzhou Huaduo Network Technology Co., Ltd. (the "Company") as of the date hereof. The Company is a limited liability company registered in Guangzhou, the PRC, engaged in the Internet-based value-added telecommunications services. Party B will cause the Company to confirm the rights and obligations of the Pledgor and the Pledgee under this Contract and to provide necessary assistance for the registration of such pledge.

2. The Pledgee is a limited liability company registered in Beijing. The Pledgee, the Pledgor and/or the Company entered into a series of legal documents, including an Exclusive Business Cooperation Agreement, which are made for the purpose of formation of the Pledgee's control over the Company ("Controlling Agreements").

3. The Pledgor agrees to pledge all of its equity interests in the Company to the Pledgee as security for the performance of the obligations hereunder by Party B and/or the Company.

NOW, THEREFORE, the Parties agree as follows through friendly negotiations:

1. Definitions

Unless otherwise required in the context, in this Contract:

1.1 **Pledge** means the secured property rights granted to the Pledgee by the Pledgor in accordance with Section 2 of this Contract, i.e., the right of the Pledgee to be compensated at first priority with respect to the price of sale or disposal of such equity interests pledged to the Pledgee by the Pledgor.

1.2 **Equity Interests** mean any and all equity interests duly owned by the Pledgor in the Company now and in the future.

1.3 **Pledged Equity Interests** mean any and all equity interests duly owned by the Pledgor in the Company, to be pledged by the Pledgor.

1.4 **Pledge Term** means the period as specified in Section 3 of this Contract.

1.5 **Major Contracts** mean the agreements listed in Appendix 1 hereto, including a series of Controlling Agreements by and among the Pledgor and/or the Company and the Pledgee, such as the Exclusive Business Cooperation Agreement.

1.6 An **Breaching Event** means any event listed in Section 7 hereof.

1.7 **Default Notice** means the notice given by the Pledgee regarding the Breaching Event in accordance with this Contract.

2. Pledge

The Pledgor hereby pledges any and all equity interests of the Company owned by it now and in the future as security for its timely and complete performance of the Pledgor's obligations to discharge of liabilities, other monetary payments, as well as all other obligations under the Major Contracts, no matter the monetary payment obligation becomes due and payable as a result of its maturity, demand of earlier collection or any other reasons.

3. Pledge Term

3.1 This Pledge becomes effective immediately after the equity interests pledged hereunder is recorded on the share register of the Company, and remains valid until Party B is no longer authorized as shareholder of the Company. Each Party agrees that the Pledgor shall record the equity interests pledge under this Contract on the share register of the Company within three (3) business days upon the execution hereof.

3.2 During the Pledge Term, if Party B fails to perform the obligations in accordance with the provisions of the Major Contracts, the Pledgee is entitled, however not obligated, to dispose the Pledged Equity Interests pursuant to law and this Contract.

4. Custody of Pledge Certificate

4.1 During the Pledge Term, the Pledgor shall deliver its capital contribution certificate and the share register of the Company in which the pledge is recorded to the custody of the Pledgee. The Pledgor shall deliver the abovementioned capital contribution certificate and the share register of the Company in which the pledge is recorded to the Pledgee within one (1) week upon the execution of this Contract. And the Pledgee shall remain the custodian of such documents throughout the whole Pledge Term as mentioned herein.

4.2 During the Pledge Term, the Pledgee has the right to collect the dividends arising from the Equity Interests.

5. Pledgor's Representations and Warranties

5.1 The Pledgor is the only legal owner of the Equity Interests.

5.2 The Pledgee has the right to dispose or transfer the Equity Interests according to the ways as described in this Contract.

5.3 The Pledgor has not created any other pledge or other security interest over the Equity Interests, except for this Pledge.

6. Pledgor's Undertakings and Confirmation

6.1 During the term of this Contract, the Pledgor undertakes to the Pledgee that:

6.1.1 Without prior written consent of the Pledgee, the Pledgor may not transfer the Equity Interests, or create or allow the creation of any new pledge or any other encumbrances upon the Equity Interests, except for the purpose of performance of the Major Contracts;

6.1.2 The Pledgor will abide by the provisions of all laws and regulations related to the Pledge, and upon receiving any notice, order or direction given or formulated by any competent authority with respect to the Pledge, the Pledgor will notify the Pledgee of such notice, order or direction within five (5) days upon the receipt thereof, and at same comply with such notice, order or direction, or submit any dissenting opinions and statements at the request of the Pledgee or with the consent of the Pledgee;

6.1.3 The Pledgor will immediately notify the Pledgee of any event or notice received which may possibly affect the Equity Interests of the Pledgee or any part of the Plegee's rights, and any other event or received notice which may possibly change the warrants and obligations of the Pledgor under this Contract, or the performance of obligations hereunder by the Pledgor.

6.2 The Pledgor agrees that, the rights granted to the Pledgee regarding the Pledge in accordance with this Contract shall not be interrupted or impaired by any legal proceedings initiated by the Pledgor, its successors, its authorized persons, or any other person.

6.3 The Pledgor warrants to the Pledgee that, for safeguarding or consummating the guaranty regarding the transfer of earnings under the Major Contracts in accordance with this Contract, the Pledgor will faithfully sign, or cause the other party materially related to the Pledge to sign, all the right certificates or instruments as required by the Pledgee, and/or take, or cause the other party materially related to the Pledge to take, any acts as required by the Pledgee, facilitate the exercise of rights and authorizations granted to the Pledgee hereunder, enter into any documents related to the ownership of the Equity Interests with the Pledges or its designated persons (natural person/legal person), and provide to the Pledgee any and all notices, orders and decisions relating to the Pledge as deemed necessary by the Pledgee within the reasonable period.

6.4 The Pledgor warrants to the Pledgee that, the Pledgor will abide by and perform all the warrants, undertakings, agreements, representations and conditions under this Contract, and the Pledgor will indemnify the Pledgee of all losses incurred that is caused by the failure in or partial failure in the performance of such warrants, undertakings, agreements, representations or conditions by the Pledgor.

7. Breaching Event

7.1 Any of the following is deemed as an Breaching Event:

7.1.1 Party B fails to transfer the earnings under the Major Contracts in full and according to the timeline, or commits any act in violation of the Major Contracts and this Contract;

7.1.2 Any of representations or warrants made by the Pledgor in Section 5 hereof is materially misleading or wrong, and/or, the Pledgor breaches any of the representations or warrants made by the Pledgor in Section 5 hereof;

7.1.3 The Pledgor fails to record the Pledge on the share register of the Company in accordance with Clause 3.1;

7.1.4 The Pledgor breaches any provision of this Contract;

7.1.5 Except for the circumstance agreed to in Clause 6.1.1, the Pledgor waives the Pledged Equity Interests, or transfers or intends to transfer the Pledged Equity Interests without the prior written consent of the Pledgee;

7.1.6 Any external borrowings, guaranties, indemnification, undertakings or any other liabilities of the Pledgor (1) shall be repaid or performed earlier due to its default; or (2) cannot be repaid or performed when due;

7.1.7 Any all consents, permits, approvals or authorizations from the governmental authorities necessary for the enforceability, legality or validity of this Contract, are revoked, suspended, invalidated, or materially changed;

7.1.8 Promulgation of application laws makes this Contract becomes illegal, or the Pledgor cannot continue the performance of its obligations hereunder;

7.1.9 Any adverse change to assets owned by the Pledgor makes the Pledgee to believe that the ability of the Pledgor to perform its obligations hereunder has been affected;

7.1.10 Any other circumstance which makes the Pledgee unable or possibly unable to dispose the Pledge in accordance with applicable laws.

7.2 The Pledgor shall immediately notify the Pledgee in writing of the occurrence of any event mentioned in Clause 7.1 or any event which may cause the occurrence of any abovementioned event.

7.3 Unless any of the abovementioned Breaching Event has been resolved to the satisfaction of the Pledgee, the Pledgee is entitled to give a written Default Notice to the Pledgor anytime upon or following the occurrence of any Breaching Event of the Pledgor, requiring the Pledgee to dispose the Pledge in accordance with Section 8 of this Contract.

8. Exercise of Pledge

8.1 The Pledgor should not transfer any of the Equity Interests of the Company owned by it before the liabilities are discharged and all other material obligations are performed under the Major Contracts.

8.2 The Pledgee may give a Default Notice to the Pledgor when exercising the Pledge.

8.3 Subject to Clause 7.3, the Pledgee may exercise the right to dispose the Pledge at the same time or at anytime after the Pledgee gives the Default Notice in accordance with Clause 7.2. The Pledgor no longer owns any right or benefit in relation to the Equity Interests once the Pledgee decides to exercise the right to dispose the Pledge.

8.4 As of the occurrence of any Breaching Event, the Pledgee is entitled to dispose the Pledged Equity Interests according to legal procedure, to the extent allowed by laws and in accordance with applicable laws, and does not need to distribute any of the proceedings of such disposal to the Pledgor; the Pledgor hereby waives the contingent right to require for distribution from the Pledgee of any proceedings of such disposal. Similarly, the Pledgor should not be held liable for any losses which the Pledgee may incur by following the disposal of the Pledged Equity Interests.

8.5 As the Pledgee disposes the Pledge in accordance with this Contract, the Pledgor and the Company shall provide assistance necessary for the realization of the Pledge by the Pledgee.

9. Transfer

9.1 Unless with the prior consent of the Pledgee, the Pledgor has no right to grant or transfer any of its rights and obligations hereunder.

9.2 This Contract shall be binding upon the Pledgor and its successors and permitted assigns, and inure to the benefit of the Pledgee and its successors and permitted assigns.

9.3 The Pledgee has the right to, at anytime, transfer any of its rights and obligations under the business cooperation agreement to its designated person (natural person/legal person), and under such circumstance, the assigns shall enjoy and assume the same rights and obligations same to which the Pledgee enjoys and assumes under this Contract, as if the assigns is the original party to the contract. When the Pledgee transfers any of its rights and obligations under the business cooperation agreement, The Pledgor shall sign any necessary agreement and/or instruments at the request of the Pledgee.

9.4 After the Pledgee changes upon the transfer, the Pledgor shall enter into a new pledge contract containing the content substantially same to this Contract with the new pledgee.

9.5 The Pledgor shall strictly comply with the provisions of this Contract and any other contract entered into with any other party or parties, perform the obligations under this Contract and other contracts, and should not take any action/non-action which may substantially affect the validity and enforceability of the abovementioned contracts. Unless with the written direction of the Pledgee, the Pledgor should not exercise its remaining rights regarding the Pledged Equity Interests.

10. Termination

This Contract terminates once the transfer of the proceedings arising from the Major Contracts is completed, and the Pledgor no longer assumes any obligations under the Major Contracts and is no longer authorized as shareholder of the Company. And the Pledgee shall cancel or revoke this Contract as soon as practical upon the termination of this Contract.

11. Costs and Expenses

Any and all costs and expenses actually incurred in connection with this Contract, including but not limited to legal expenses, costs, stamp duty, as well as any other taxes and fees, will be fully borne by Party A.

12. Confidentiality

Each Party recognizes and confirms this Contract, the content of this Contract, and any and all oral and written information exchanged among them for the preparation and performance of this Contract shall be deemed as confidential information. Each Party shall hold in confidence all such confidential information, and without the written consent from the other Parties, should not disclose any confidential information to any third party, provided that, confidential information shall not include information that (a) is or becomes available to the public other than as a result of disclosure by the receiving Party in violation of this Contract, or (b) any information which must be disclosed pursuant to laws and regulations, stock trading rules, or as required by order or decree of governmental authorities or courts; or (c) any information disclosed by either Party to its shareholders, investors, legal or financial advisors in relation to the transactions contemplated herein, who are bound by confidentiality obligation similar to this provision. Any disclosure of confidential information by the professionals or institutions engaged by either Party shall be deemed as the disclosure by such Party, and such Party shall be held liable for breach. This provision shall survive the termination of this Contract for any reason.

13. Applicable Law and Dispute Resolution

The formation of this Contract, its validity, interpretation, performance, change, and termination of this Contract, and the settlement of any dispute between the Parties, shall be governed by and construed in accordance with the laws of the PRC.

The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Contract through friendly consultations. If a dispute is not resolved through friendly consultations within 30 days from the date a Party gives the other Party written notice of the dispute, then each Party may submit the dispute to China International Economic and Trade Arbitration Commission ("CIETAC") for arbitration in accordance with then effective arbitration rules. The arbitration shall be conducted in Beijing in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

In the event of any dispute arising from the interpretation or performance of this Contract, and in the course of the arbitration of any dispute, each Party shall continue the performance of its rights and obligations hereunder excepted for those disputed ones.

14. Notices

All the notices and other communications required by or sent pursuant to this Contract shall be delivered to the following address of each Party in person, by registered mail, prepaid post, or commercial courier services, or facsimile. Each notice shall be confirmed with a respective email. Delivery shall be deemed to have occurred:

the same day (local time at the recipient's place of business) on which delivery is made by personal delivery, or by courier services, registered mail, or prepaid post, or delivery is refused; or

the day of delivery being successfully made, if by facsimile (certified by the automatically generated transmission confirmation).

Each Party's address for purpose of notice is as follows:

Pledgee: **Duowan Entertainment Information Technology (Beijing) Company Limited**
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing
Attention: Xueling Li
Facsimile:

Pledgor: **Jin Cao**
Address: 6-1-301, Guanjingli, Hongqi South Road, Nankai District, Tianjin
Facsimile:

Each Party may at anytime change its address for receiving notices by giving a notice to the other Parties in accordance with this clause.

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15. Severability

If any single or multiple provisions hereof are judged invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality and enforceability of the remaining provisions of this Contract shall not be affected in any aspect. The Parties shall in good faith, endeavor to use valid provisions to the extent allowed by laws and reflecting the intensions of all the Parties, to replace those invalid, illegal or unenforceable provisions, provided that, the economic effects achieved by such valid provisions shall be similar to the economic effects achieved by those invalid, illegal or unenforceable provisions.

16. Appendices

The appendix hereto is an integral part of this Contract.

17. Effectiveness

Any amendment, supplement or change to this Contract shall be made in writing, and can only become effective with the signatures or seals of the Parties and registration with governmental authorities in accordance with applicable rules (if applicable).

[Signature page]

IN WITNESS WHEREOF, the Parties hereto have caused this Equity Pledge Contract to be executed by their duly authorized representatives as of the date first above written.

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited**

By Authorized Representative: (Seal)
Date:

Party B: **Jin Cao**

By: /s/ Jin Cao
Date:

Appendix 1

List of Major Contracts

1. Exclusive Business Cooperation Agreement, dated August 12, 2008, by and between Duowan Entertainment Information Technology (Beijing) Company Limited and Guangzhou Huaduo Network Technology Co., Ltd.
2. Exclusive Option Agreement, dated September 16, 2011, by and among Duowan Entertainment Information Technology (Beijing) Company Limited, Jin Cao and Guangzhou Huaduo Network Technology Co., Ltd.
3. Exclusive Technology Support and Technology Services Agreement, dated August 12, 2008, by and between Duowan Entertainment Information Technology (Beijing) Company Limited and Guangzhou Huaduo Network Technology Co., Ltd.
4. Power of Attorney, dated September 16, 2011, signed by Jin Cao

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Exhibit 10.14

Consent Letter

Beijing Tuda Science and Technology Company Limited, Xueling Li, Jun Lei, Bin Zhao, Jin Cao (the “Pledgor”) have entered into an Equity Interest Pledge Agreement (the “Agreement”), respectively, with Duowan Entertainment Information Technology (Beijing) Company Limited (the “Beijing Duowan”) on September 16, 2011, to pledge their respective equity interests in Guangzhou Huaduo Network Technology Co., Ltd. (the “Guangzhou Huaduo”) to Beijing Duowan. Pledgors have reached irrevocable agreement:

1. Beijing Duowan and Guangzhou Huaduo entered into a confirmation letter to the Exclusive Business Cooperation Agreement on November 10, 2011.

2. Beijing Duowan and Guangzhou Huaduo entered into a Supplementary Agreement to the Exclusive Business Cooperation Agreement on November 10, 2011.

3. Beijing Duowan and Guangzhou Huaduo entered into a confirmation letter to the Exclusive Technology Support and Technology Services Agreement on November 10, 2011.

4. Beijing Duowan and Guangzhou Huaduo entered into a Supplementary Agreement to the Exclusive Technology Support and Technology Services Agreement on November 10, 2011.

5. The confirmation letters and supplementary agreements above shall not affect the effect of the Agreement. Pledgors shall continue to comply with and perform the obligations in their respective Agreements.

Xueling Li

Signature: /s/ Xueling Li

Jun Lei

Signature: /s/ Jun Lei

Bin Zhao

Signature: /s/ Bin Zhao

Jin Cao

Signature: /s/ Jin Cao

Beijing Tuda Technology Co., Ltd. (Seal)

Signature and Seal of Legal Representative: /s/Jin Cao

Date: November 10, 2011

Exhibit 10.15

Exclusive Business Cooperation Agreement

This Exclusive Business Cooperation Agreement (this "Agreement") is made and entered into by and between the following parties on December 3, 2009 in Beijing, the People's Republic of China ("China" or the "PRC").

Party A: Duowan Entertainment Information Technology (Beijing) Company Limited
Address: Suite 1707C3, Qingyun Dangdai Plaza, No. 9 Mantingfangyuan Community, Qingyunli, Haidian District, Beijing

Party B: Beijing Tuda Science and Technology Company Limited
Address: Suite D1815, Shangdi Huihuang International Center, No. 5 Shangdi Information Industry Base North Region, Haidian District, Beijing

Each of Party A and Party B shall be hereinafter referred to as a "Party" respectively, and as the "Parties" collectively.

Whereas,

(1) Party A is a wholly-foreign-owned enterprise established in China, and has the necessary resources to provide technology and consulting services;

(2) Party B is a company with exclusively domestic capital registered in China; and

(3) Party A is willing to provide Party B with comprehensive business support services ranging from commercial consulting, employee training, market consulting to technology support services on exclusive basis during the term of this Agreement, utilizing its advantages in technology, human resources, and information, and Party B is willing to accept such services provided by Party A or Party A's designee(s), each on the terms set forth herein.

Now, therefore, through mutual discussion, the Parties have reached the following agreements:

1. SERVICES PROVIDED BY PARTY A

1.1 Party B hereby appoints Party A as Party B's exclusive services provider to provide Party B with complete technology support, business support and related consulting services during the term of this Agreement, in accordance with the terms and conditions of this Agreement, which may include all services within the scope of business of Party B as may be determined from time to time by Party A, such as, but not limited to, technology services, business consultations, equipment or property leasing, marketing consultancy, employee training, business management consulting and services, system maintenance and financial support.

1.2 Party B agrees to accept all the consultations and services provided by Party A. Party B further agrees that unless with Party A's prior written consent, during the term of this Agreement, Party B shall not accept the same or any similar consultations and/or services provided by any third party and shall not establish similar cooperation relationships with any third party regarding the matters contemplated by this Agreement. Party A may appoint other parties, who may enter into certain agreements described in Section 1.3 with Party B, to provide Party B with the consultations and/or services under this Agreement.

1.3 Service Providing Methodology

1.3.1 Party A and Party B agree that during the term of this Agreement Party B may enter into further technology service agreements or consulting service agreements with Party A or any other party designated by Party A, which agreement shall provide the specific contents, manner, personnel, and fees for the specific technology services and consulting services.

1.3.2 To fulfill this Agreement, Party A and Party B agree that during the term of this Agreement, where necessary, Party B may enter into equipment or property leases with Party A or any other party designated by Party A, which lease shall permit Party B to use Party A's relevant equipment or property based on the needs of the business of Party B.

1.3.3 To fulfill this Agreement, Party A and Party B agree to directly or through their respective affiliates enter into any other relevant agreements during the term of this Agreement as necessary to provide supporting services to Party B from Party A based on the needs of the business of Party B.

2. THE CALCULATION AND PAYMENT OF THE SERVICE FEES

Both Parties agree that, in consideration of the services provided by Party A, Party B shall pay Party A service fees equal to certain portion of its audited annual operating income ("Service Fee Rate"). The Service Fee Rate will be separately agreed in writing by the Parties following execution of this Agreement. Party B will pay annual service fees to Party A within 15 days upon completion of its annual financial audit. With prior written consent by Party A, the Service Fee Rate may be adjusted pursuant to the operational needs of Party B subject to agreement of the Parties in writing.

3. INTELLECTUAL PROPERTY RIGHTS AND CONFIDENTIALITY CLAUSES

3.1 Party A shall have exclusive and proprietary rights and interests in all rights, ownership, interests and intellectual properties arising out of or created during the performance of this Agreement, including but not limited to copyrights, patents, patent applications, software, technology secrets, trade secrets and others.

3.2 The Parties acknowledge that the existence and the terms of this Agreement and any oral or written information exchanged between the Parties in connection with the preparation and performance of this Agreement are regarded as confidential information. Each Party shall maintain confidentiality of all such confidential information, and without obtaining the written consent of the other Party, it shall not disclose any relevant confidential information to any third parties, except for the information that: (a) is or will be in the public domain (other than through the receiving Party's unauthorized disclosure); (b) is under the obligation to be disclosed pursuant to the applicable laws or regulations, rules of any stock exchanges, or orders of the court or other government authorities; or (c) is required to be disclosed by any Party to its shareholders, investors, legal counsels or financial advisors regarding the transaction contemplated hereunder, provided that such shareholders, investors, legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this Section. Disclosure of any confidential information by the staff members or agencies hired by any Party shall be deemed disclosure of such confidential information by such Party, which Party shall be held liable for breach of this Agreement. This Section shall survive the termination of this Agreement for any reason.

3.3 The Parties agree that this Section shall survive changes to, and rescission or termination of, this Agreement.

4. REPRESENTATIONS AND WARRANTIES

4.1 Party A hereby represents and warrants as follows:

4.1.1 Party A is a wholly owned foreign enterprise legally registered and validly existing in accordance with the laws of China.

4.1.2 Party A has taken all necessary corporate actions, obtained all necessary authorization and the consent and approval from third parties and government agencies (if any) for the execution, delivery and performance of this Agreement. Party A's execution, delivery and performance of this Agreement do not violate any explicit requirements under any law or regulation binding on Party A.

4.1.3 This Agreement constitutes Party A's legal, valid and binding obligations, enforceable in accordance with its terms.

4.2 Party B hereby represents and warrants as follows:

4.2.1 Party B is a company legally registered and validly existing in accordance with the laws of China and has obtained the relevant permit and license for engaging in the network research and development, sports and cultural promotion services from the government;

4.2.2 Party B has taken all necessary corporate actions, obtained all necessary authorization and the consent and approval from third parties and government agencies (if any) for the execution, delivery and performance of this Agreement. Party B's execution, delivery and performance of this Agreement do not violate any explicit requirements under any law or regulation binding on Party B.

4.2.3 This Agreement constitutes Party B's legal, valid and binding obligations, and shall be enforceable against it.

5. EFFECTIVENESS AND TERM

5.1 This Agreement is executed on the date first above written and shall take effect as of such date. Unless earlier terminated in accordance with the provisions of this Agreement or relevant agreements separately executed between the Parties, the term of this Agreement shall be 30 years. After the execution of this Agreement, both Parties shall review this Agreement every 3 months to determine whether to amend or supplement the provisions in this Agreement based on the actual circumstances at that time.

5.2 The term of this Agreement may be extended if confirmed in writing by Party A prior to the expiration thereof. The extended term shall be determined by Party A, and Party B shall accept such extended term unconditionally.

6. TERMINATION

6.1 Unless renewed in accordance with the relevant terms of this Agreement, this Agreement shall be terminated upon the date of expiration hereof.

6.2 During the term of this Agreement, unless Party A commits gross negligence, or a fraudulent act, against Party B, Party B shall not terminate this Agreement prior to its expiration date. Nevertheless, Party A shall have the right to terminate this Agreement upon giving 30 days' prior written notice to Party B at any time.

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6.3 The rights and obligations of the Parties under Articles 3, 7 and 8 shall survive the termination of this Agreement.

7. GOVERNING LAW AND RESOLUTION OF DISPUTES

7.1 The execution, effectiveness, construction, performance, amendment and termination of this Agreement and the resolution of disputes hereunder shall be governed by the laws of China.

7.2 In the event of any dispute with respect to the construction and performance of this Agreement, the Parties shall first resolve the dispute through friendly negotiations. In the event the Parties fail to reach an agreement on the dispute within 30 days after either Party has sent a written request to the other Party for resolution of the dispute through negotiations, either Party may submit the relevant dispute to the China International Economic and Trade Arbitration Commission for arbitration, in accordance with its Arbitration Rules. The arbitration shall be conducted in Beijing, and the language used in arbitration shall be Chinese. The arbitration award shall be final and binding on both Parties.

7.3 Upon the occurrence of any disputes arising from the construction and performance of this Agreement or during the pending arbitration of any dispute, except for the matters under dispute, the Parties to this Agreement shall continue to exercise their respective rights under this Agreement and perform their respective obligations under this Agreement.

8. INDEMNIFICATION

Party B shall indemnify and hold harmless Party A from any losses, injuries, obligations or expenses caused by any lawsuit, claims or other demands against Party A arising from or caused by the consultations and services provided by Party A to Party B pursuant to this Agreement, except where such losses, injuries, obligations or expenses arise from the gross negligence or willful misconduct of Party A.

9. NOTICES

9.1 All notices and other communications required or permitted to be given pursuant to this Agreement shall be delivered personally or sent by registered mail, postage prepaid, by a commercial courier service or by facsimile transmission to the address of such Party set forth below. A confirmation copy of each notice shall also be sent by electronic mail. The date on which notices shall be deemed to have been effectively given shall be determined as follows:

9.1.1 Notices given in person, by courier service or by registered mail, postage prepaid, shall be deemed effectively given on the date of receipt or refusal at the address specified for notices.

9.1.2 Notices given by facsimile transmission shall be deemed effectively given on the date of successful transmission (as evidenced by an automatically generated confirmation of transmission).

9.2 For the purpose of notices, the addresses of the Parties are as follows:

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited**
Address: Suite 1707C3, Qingyun Dangdai Plaza, No. 9 Mantingfangyuan Community, Qingyunli, Haidian District, Beijing
Attn: Xueling Li
Phone:
Facsimile:

Party B: **Beijing Tuda Technology Co., Ltd.**
Address: Suite D1815, Shangdi Huihuang International Center, No. 5 Shangdi Information Industry Base North Region, Haidian District, Beijing
Attn: Jin Cao
Phone:
Facsimile:

9.3 Any Party may at any time change its address for notices by a notice delivered to the other Party in accordance with the terms hereof.

10. ASSIGNMENT

10.1 Without Party A's prior written consent, Party B shall not assign its rights or obligations under this Agreement to any third party.

10.2 Party B agrees that Party A may assign its obligations and rights under this Agreement to any third party upon a prior written notice to Party B but without the consent of Party B.

11. SEVERABILITY

In the event that one or several of the provisions of this Agreement are held invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any aspect. The Parties shall seek in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by law and the intentions of the Parties, and the economic effect of such effective provisions shall be as close as possible to the economic effect of those invalid, illegal or unenforceable provisions.

12. AMENDMENTS AND SUPPLEMENTS

Any amendment and supplement to this Agreement shall be in writing. Any amendment and supplement to this Agreement that have been signed by both Parties shall be an integral part of this Agreement and shall have the same legal validity as this Agreement.

13. COUNTERPARTS

This Agreement is in two counterparts with each Party having one copy. Both copies have the same legal effect.

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[Signature page]

IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Business Cooperation Agreement as of the date first above written.

Party A: Duowan Entertainment Information Technology (Beijing) Company Limited (Seal)

By: /s/ Xueling Li
Name: Xueling Li
Title: Authorized Representative

Party B: Beijing Tuda Science and Technology Company Limited (Seal)

By: /s/ Jin Cao
Name: Jin Cao
Title: Authorized Representative

Exhibit 10.16

Supplementary Agreement to Exclusive Business Cooperation Agreement

This Supplementary Agreement to Exclusive Business Cooperation Agreement (the “Supplementary Agreement”) is entered into by and among the following parties on November 10, 2011:

Party A: Duowan Entertainment Information Technology (Beijing) Company

Address: Room B1507, Huizhi Building, No. 9 Xueqing Road, Haidian District, Beijing

Party B: Beijing Tuda Science and Technology Company Limited

Address: Suite B1506, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing

WHEREAS:

(A) Party A and Party B entered into the Exclusive Business Cooperation Agreement on December 3, 2009 (the “Original Agreement”);

(B) Both parties propose to revise Section 6.2 of the Original Agreement.

Through friendly negotiation, the parties hereto agree to supplement the Original Agreement as follows:

1. Section 6.2 of Original Agreement shall be deleted and be replaced by the following:

“6.2 Within the term of the Agreement, Party B shall not terminate the Agreement under any circumstance. Party A is entitled to terminate the Agreement by written notice to Party B 30 days in advance.”

2. The Original Agreement shall be applied to the matters not provided in this Supplementary Agreement.

3. This Supplementary Agreement shall prevail should there be any inconsistency between the Original Agreement and this Supplementary Agreement.

4. This Supplementary Agreement shall be executed in two originals, each party holding one original. All the originals shall have the same legal effect.

Both parties authorize their authorized representatives to sign this Supplementary Agreement on the date indicated above and to make effective upon signing.

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Party A: Duowan Entertainment Information Technology (Beijing) Company (Seal)

Signature: /s/ Xueling Li
Name: Xueling Li
Position: Legal Representative/Authorized Representative

Party B: Beijing Tuda Science and Technology Company Limited (Seal)

Signature: /s/ Jin Cao
Name: Jin Cao
Position: Legal Representative/Authorized Representative

Exhibit 10.17

Confirmation Letter

Duowan Entertainment Information Technology (Beijing) Company ("Beijing Duowan") and Beijing Tuda Science and Technology Company Limited ("Beijing Tuda") have entered into an Exclusive Business Cooperation Agreement (the "Original Agreement") on December 3, 2009. According to Section 2 of the Original Agreement, both parties confirm the fee rate and payment of services as follows:

1. Fee rate of services: Beijing Tuda shall, according to the Original Agreement, pay services fees to Beijing Duowan at the rate of not more than 100% of Beijing Tuda's annual audited net income of each year.

2. Payment time: The time of paying services fees above shall be determined by Beijing Duowan according to actual situation. Beijing Tuda shall arrange payment after receiving written notice from Beijing Duowan.

3. This confirmation letter shall prevail should there be any inconsistency between the Original Agreement and this confirmation letter.

Party A: Duowan Entertainment Information Technology (Beijing) Company (Seal)

Signature: /s/ Xueling Li
Name: Xueling Li
Position: Legal Representative/Authorized Representative

Party B: Beijing Tuda Science and Technology Company Limited (Seal)

Signature: /s/ Jin Cao
Name: Jin Cao
Position: Legal Representative/Authorized Representative

Date: November 10, 2011

Exhibit 10.18

Exclusive Technology Support and Technology Service Agreement

This Exclusive Technology Support and Technology Services Agreement (the "Agreement") is executed by the following parties on December 3, 2009 in Beijing:

Party A: Duowan Entertainment Information Technology (Beijing) Company Limited
Address: Suite 1707C3, Qingyun Dangdai Plaza, No.9 Mantingfangyuan Community, Qingyunli, Haidian District, Beijing

Party B: Beijing Tuda Science and Technology Company Limited
Address: Suite D1815, Shangdi Huihuang International Center, No. 5 Shangdi Information Industry Base North Region, Haidian District, Beijing

Whereas:

1. Party A is a duly registered and established wholly foreign owned enterprise, has strong Internet technology development and supporting strength, and rich experience in providing technology support and services; and
2. Party B needs professional technology company to provide technology support and services during its operation.

Based on the above, through friendly negotiation and based on the principles of equality and reciprocity, both parties agree to the following provisions and intend to be bound by such provisions:

Article I Technology Support and Technology Services

1.1 Party A agrees to provide to Party B, and Party B agrees to accept from Party A, the technology support and services in accordance with the terms and conditions of this Agreement, the detailed contents of which are as follows:

(1) To make research and development of relevant software and technologies according to Party B's business needs;

(2) To be responsible for daily maintenance, supervision, testing and debugging for Party B's computer network equipment;

(3) To provide technology consultation and answers to Party B's technology question regarding network equipment, technology products and software; and

(4) To provide other relevant technology support and services to Party B in accordance with this Agreement.

1.2 Party B shall actively cooperate with Party A to complete the above support and services, including, but not limited to, providing relevant data, technology specifications and instructions.

1.3 The service term under this Agreement is 20 years commencing on the effective date of the Agreement. The parties agree to grant Party A an option to extend the term of this Agreement. Before expiration of this Agreement, Party A is entitled to extend the term of this Agreement for 10 years by written notification. Party A may use its option to extend the term of this Agreement for unlimited times.

1.4 Party A shall be the exclusive provider of the technology support and services under this Agreement to Party B; without Party A's prior written consent, Party B shall not accept any technology support or services from any third parties.

1.5 Party A has sole and exclusive rights to and interests in any rights, ownership, interests and all intellectual property including but not limited to copyrights, patents, technology secrets, commercial secrets and others, arising from the performance of this Agreement, whether developed by Party B or Party A. The parties agree that this article survives the modification, termination or expiration of this Agreement.

Article II Service Fees

2.1 The parties agree that Party B shall pay services fees to Party A in accordance with the Appendix to this Agreement as consideration for the technology support and services provided by Party A under Section 1.1 of this Agreement, the amount and payment method of which are set forth in such Appendix. The Appendix may be amended by both parties according to their negotiation and the implementation of the Agreement.

Article III Confidentiality

3.1 For the purpose of this Agreement, Confidential Information include, but is not limited to, all or any part of the following contents or information: technology information, materials, plans, drawing, data, indicators, standards, software, computer applications, network design materials provided by one party to the other party with respect to technology development, design, research, production, manufacture and repair; any contracts, agreements, memorandum, appendix, draft or minutes executed for the purpose of this Agreement (including this Agreement); and any notice given by one party to the other party for the purpose of this Agreement without indicating such information as public information when provided. Upon the termination of this Agreement, Party A shall return or destroy, in accordance with Party B's requirements, any documents, materials or software that contain Confidential Information, and delete any Confidential Information from any memory device, and refrain from using such Confidential Information any longer.

3.2 Without prior written consent of the other party, neither party shall disclose Confidential Information by any means to any third parties.

3.3 Both parties shall adopt necessary measures to restrict the Confidential Information known or understood by it within the scope of relevant employees, agents or consultants, and require such person to comply with this provision strictly and not disclose the Confidential Information to any third parties. Both parties undertake not to disclose or reveal Confidential Information obtained from the other party to its irrelevant employees.

3.4 Under the following circumstances, neither party will be deemed to have disclosed or revealed Confidential Information:

3.4.1 The disclosed information has been known to public before disclosure (not by any means in violation of this provision);

3.4.2 The disclosure is made with the other party's prior written consent;

3.4.3 The disclosure is made under mandatory requirements by governmental departments, laws or orders, provided that requirements by governmental departments must be issued by formal documents, otherwise the party shall refuse to comply and shall not disclose or reveal any Confidential Information.

3.5 If any party violates this provision, such breaching party shall compensate all losses incurred by the non-breaching party.

Article IV Breach Liabilities

4.1 If any party violates the provisions of this Agreement, such breaching party shall compensate all losses incurred by the non-breaching party.

4.2 Any waiver of the breaching party's breach may only be made in writing to be effective. The non-exercise or delay in exercise by any party of any rights or remedies under this Agreement does not constitute waiver of such party; any partial exercise of rights or remedies by any party shall not prejudice such party's exercise of other rights or remedies.

4.3 The effectiveness of this Article IV shall not be affected by the expiration or termination of this Agreement.

Article V Force Majeure

5.1 Under this Agreement, force majeure means wars, fires, earthquakes, floods, rainstorms, snowstorms and other natural disasters; or other events that cannot be foreseen, overcome or avoided by the parties when entering into this Agreement.

5.2 If a party cannot perform or delay to perform all or part of its obligations under this Agreement due to effect of force majeure, such party shall be released from relevant liabilities, but shall continue to perform after the effect of such force majeure is eliminated. If the force majeure has caused the performance of this Agreement to be impossible or unnecessary, the parties shall friendly negotiate about other resolutions.

Article VI Modification, Termination and Expiration of the Agreement

6.1 This Agreement may be modified through both parties' negotiation, or due to force majeure or other events provided by laws and regulations and this Agreement.

6.2 Any modification to this Agreement shall be executed by both parties in writing, otherwise it shall not bind the parties.

6.3 If any party fails to perform this Agreement within specified term, and the non-performance continues for a grace period of up to thirty days granted by the non-breaching party, the non-breaching party may terminate this Agreement by notice to the other party. The terminating notice is effective on the date when it is sent. Within the term of this Agreement, Party B may terminate this Agreement by 30-day's written notice to Party B.

6.4 During the term of this Agreement, if any party has made bankruptcy application in any form, has entered into bankruptcy liquidation proceedings, has been prohibited from continuing operation by competent governmental authority, or has lost legal person status or other legal subject status due to other reasons, the other party is entitled to terminate this Agreement. The terminating notice is effective on the date when it is sent.

6.5 The termination of this Agreement does not prejudice the other party's right to seek for compensations. If the modification or termination of this Agreement causes losses to any party, the responsible parties shall compensate such losses, except for those exempted by relevant laws. If this Agreement is terminated due to reasons attributable to Party A, Party B is entitled to compensations for all losses caused by such termination, as well as service fees for all services that have been rendered.

Article VII Governing Law and Dispute Resolution

7.1 The execution, effectiveness, interpretation, performance, amendment, termination and dispute resolution of this Agreement shall be governed by the laws of the People's Republic of China.

7.2 If there are any disputes or controversies in the performance of this Agreement, the parties shall first resolve them through friendly negotiation and, if negotiation fails, such disputes shall be submit to the China International Economic and Trade Arbitration Commission for arbitration in accordance with the then current arbitration rules of such commission. The arbitration shall be held in Beijing.

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Article VIII Miscellaneous

8.1 This Agreement becomes effective upon signature of both parties. After this Agreement becomes effective and has been performed, the parties may execute supplementary agreements with respect to matters not addressed in this Agreement, or new situations occurring during the performance of this Agreement. Such supplementary agreement constitutes an integral part to this Agreement and has the same legal effect with the Agreement.

8.2 Provisions regarding confidentiality, dispute resolution and breach liabilities in this Agreement survive the termination or suspension of this Agreement.

8.3 Without prior written consent of the other party, neither party may assign all or any of its rights and duties under this Agreement to any third party.

8.4 The invalidity of any provisions of this Agreement shall not affect the validity of other provisions of this Agreement.

8.5 This Agreement is executed in two copies, each party holding one copy, and both copies have the same legal effect.

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[Signature page]

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited** (Seal)

By: /s/ Xueling Li
Name: Xueling Li
Title: Authorized Representative

Party B: **Beijing Tuda Science and Technology Company Limited** (Seal)

By: /s/ Jin Cao
Name: Jin Cao
Title: Authorized Representative

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Appendix

Standards and Payments of Technology Service Fee

1. Both parties agree that Party B shall pay services fees to Party A as consideration for the technology support and technology services provided by Party A in accordance with Section 1.1 of this Agreement according to the following provisions:

   (1) **Basic Annual Fees**

   Party B shall pay to Party A RMB[ ] annually as the basic annual fees for the technology support and technology services provided by Party A in the year under this Agreement, which shall be made by four equal installments and be paid by quarter. Party B shall, within fifteen (15) business days after the beginning of each quarter, pay RMB[ ] to a bank account designated by Party A.

   (2) **Floating Fees**

   In addition to the basic annual fees provided in the above paragraph (1), Party B shall pay to Party A floating fees based on the specific situation of the provision of technology support and services in each year. The floating fees shall be paid by quarter, and the amount of such floating fees payable in each quarter shall be determined by both parties considering the following factors:

   (i) The number and qualifications of professional personnel of Party A used to provide supporting services to Party B in the quarter;

   (ii) Time spent by Party A's professional personnel to provide supporting services in the quarter;

   (iii) Party A's various investments in providing supporting services in the quarter;

   (iv) Detailed contents and values of the consulting and training services provided by Party A in the quarter; and

   (v) Party B's business revenue.

2. Within 15 days after the end of each quarter, Party B shall provide Party A with all necessary financial materials for calculation of such quarter's floating fees, and to pay Party A such floating fees within 30 days after the end of such quarter. If Party A questions the financial materials provided by Party B, it may delegate a reputable independent accountant to conduct an audit of relevant materials. Such audit shall be conducted during normal business hours and shall not affect Party B's normal business. Under such conditions, Party B shall provide cooperation.

3. If Party A deems that the agreed amount of service fees provided in the first paragraph of this Appendix cannot accommodate to changes of objective situations and needs adjustment, Party B shall, within seven business days after Party A gives a written request for adjustment of fees, negotiate with Party A actively and in good faith to determine the new fees schedule or system.

Exhibit 10.19

Supplementary Agreement to Exclusive Technology Support and Technology Services Agreement

This Supplementary Agreement to Exclusive Technology Support and Technology Services Agreement (the "Supplementary Agreement") is entered into by and among the following parties on November 10, 2011:

Party A: Duowan Entertainment Information Technology (Beijing) Company

Address: Room B1507, Huizhi Building, No. 9 Xueqing Road, Haidian District, Beijing

Party B: Beijing Tuda Science and Technology Company Limited

Address: Suite B1506, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing

WHEREAS:

(A) Party A and Party B entered into the Exclusive Technology Support and Technology Services Agreement on December 3, 2009 (the "Original Agreement");

(B) Both parties propose to revise Section 6.3 of the Original Agreement.

Through friendly negotiation, the parties hereto agree to supplement the Original Agreement as follows:

1. Section 6.3 of Original Agreement shall be deleted and be replaced by the following:

"6.3 Within the term of the Agreement, Party B shall not terminate the Agreement under any circumstance. Party A is entitled to terminate the Agreement by written notice to Party B 30 days in advance."

2. The Original Agreement shall be applied to the matters not provided in this Supplementary Agreement.

3. This Supplementary Agreement shall prevail should there be any inconsistency between the Original Agreement and this Supplementary Agreement.

4. This Supplementary Agreement shall be executed in two originals, each party holding one original. All the originals shall have the same legal effect.

Both parties authorize their authorized representatives to sign this Supplementary Agreement on the date indicated above and to make effective upon signing.

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Party A: Duowan Entertainment Information Technology (Beijing) Company (Seal)

Signature: /s/ Xueling Li
Name: Xueling Li
Position: Legal Representative/Authorized Representative

Party B: Beijing Tuda Science and Technology Company Limited (Seal)

Signature: /s/ Jin Cao
Name: Jin Cao
Position: Legal Representative/Authorized Representative

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Exhibit 10.20

Confirmation Letter

Duowan Entertainment Information Technology (Beijing) Company ("Beijing Duowan") and Beijing Tuda Science and Technology Company Limited ("Beijing Tuda") have entered into an Exclusive Technology Support and Technology Services Agreement (the "Original Agreement") on December 3, 2009. According to Section 2 of the Original Agreement, both parties confirm the fee rate and payment of services as follows:

1. Fee rate of services: Beijing Tuda shall, according to the Original Agreement, pay services fees to Beijing Duowan at the rate of 10% of Beijing Tuda's annual revenue of each year.

2. Payment time: The time of paying services fees above shall be determined by Beijing Duowan according to actual situation. Beijing Tuda shall arrange payment after receiving written notice from Beijing Duowan.

3. This confirmation letter shall prevail should there be any inconsistency between the Original Agreement and this confirmation letter.

Party A: **Duowan Entertainment Information Technology (Beijing) Company** (Seal)

Signature: /s/ Xueling Li
Name: Xueling Li
Position: Legal Representative/Authorized Representative

Party B: **Beijing Tuda Science and Technology Company Limited** (Seal)

Signature: /s/ Jin Cao
Name: Jin Cao
Position: Legal Representative/Authorized Representative

Date: November 10, 2011

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Exhibit 10.21

Power of Attorney

The undersigned, Xueling Li, a Chinese citizen, and a holder of 97.7% of the entire registered capital in Beijing Tuda Science and Technology Company Limited (“Beijing Tuda”) (the “Shareholding”), hereby irrevocably authorize Duowan Entertainment Information Technology (Beijing) Company Limited (“Duowan Beijing”) to exercise the following rights relating to the Shareholding during the term of this Power of Attorney:

Duowan Beijing is hereby authorized to act on behalf of the undersigned as the sole and exclusive agent with respect to all matters concerning the Shareholding, including, but not limited to: 1) attend shareholders’ meetings of Beijing Tuda; 2) exercise all the shareholder’s rights and shareholder’s voting rights of the undersigned under laws and the articles of association of Beijing Tuda, including, but not limited to, the sale or transfer or pledge or disposition of all or any part of the Shareholding; and 3) designate and appoint on behalf of the undersigned the legal representative (chairperson), directors, supervisors, the chief executive officer and other senior management members of Beijing Tuda.

Without limiting the generality of the powers granted hereunder, Duowan Beijing shall have the power and authority under this Power of Attorney to execute the Transfer Contracts stipulated in Exclusive Option Agreement, to which the undersigned is required to be a party, on behalf of the undersigned, and to effect the terms of the Share Pledge Agreement and Exclusive Option Agreement, both dated the date hereof, to which the undersigned is a party.

All the actions associated with the Shareholding conducted by Duowan Beijing shall be deemed as the actions of the undersigned, and all the documents related to the Shareholding executed by Duowan Beijing shall be deemed to be executed by the undersigned. The undersigned hereby acknowledge and ratify those actions and/or documents by Duowan Beijing.

Duowan Beijing is entitled to re-authorize or assign its rights related to the aforesaid matters to any other person or entity at its own discretion and without giving prior notice to or obtaining consent from the undersigned.

This Power of Attorney shall be irrevocable and continuously valid from the date of execution of this Power of Attorney, so long as the undersigned is a shareholder of Beijing Tuda.

During the term of this Power of Attorney, the undersigned hereby waives all the rights associated with the Shareholding, which have been authorized to Beijing Duowan through this Power of Attorney, and shall not exercise such rights by itself.

By: /s/ Xueling Li

Dated: May 27, 2011

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Power of Attorney

The undersigned, Bin Zhao, a Chinese citizen, and a holder of 1.5334% of the entire registered capital in Beijing Tuda Science and Technology Company Limited ("Beijing Tuda") (the "Shareholding"), hereby irrevocably authorize Duowan Entertainment Information Technology (Beijing) Company Limited ("Duowan Beijing") to exercise the following rights relating to the Shareholding during the term of this Power of Attorney:

Duowan Beijing is hereby authorized to act on behalf of the undersigned as the sole and exclusive agent with respect to all matters concerning the Shareholding, including, but not limited to: 1) attend shareholders' meetings of Beijing Tuda; 2) exercise all the shareholder's rights and shareholder's voting rights of the undersigned under laws and the articles of association of Beijing Tuda, including, but not limited to, the sale or transfer or pledge or disposition of all or any part of the Shareholding; and 3) designate and appoint on behalf of the undersigned the legal representative (chairperson), directors, supervisors, the chief executive officer and other senior management members of Beijing Tuda.

Without limiting the generality of the powers granted hereunder, Duowan Beijing shall have the power and authority under this Power of Attorney to execute the Transfer Contracts stipulated in Exclusive Option Agreement, to which the undersigned is required to be a party, on behalf of the undersigned, and to effect the terms of the Share Pledge Agreement and Exclusive Option Agreement, both dated the date hereof, to which the undersigned is a party.

All the actions associated with the Shareholding conducted by Duowan Beijing shall be deemed as the actions of the undersigned, and all the documents related to the Shareholding executed by Duowan Beijing shall be deemed to be executed by the undersigned. The undersigned hereby acknowledge and ratify those actions and/or documents by Duowan Beijing.

Duowan Beijing is entitled to re-authorize or assign its rights related to the aforesaid matters to any other person or entity at its own discretion and without giving prior notice to or obtaining consent from the undersigned.

This Power of Attorney shall be irrevocable and continuously valid from the date of execution of this Power of Attorney, so long as the undersigned is a shareholder of Beijing Tuda.

During the term of this Power of Attorney, the undersigned hereby waives all the rights associated with the Shareholding, which have been authorized to Beijing Duowan through this Power of Attorney, and shall not exercise such rights by itself.

By: /s/ Bin Zhao

Dated: May 27, 2011

Power of Attorney

The undersigned, Jin Cao, a Chinese citizen, and a holder of 0.7666% of the entire registered capital in Beijing Tuda Science and Technology Company Limited ("Beijing Tuda") (the "Shareholding"), hereby irrevocably authorize Duowan Entertainment Information Technology (Beijing) Company Limited ("Duowan Beijing") to exercise the following rights relating to the Shareholding during the term of this Power of Attorney:

Duowan Beijing is hereby authorized to act on behalf of the undersigned as the sole and exclusive agent with respect to all matters concerning the Shareholding, including, but not limited to: 1) attend shareholders' meetings of Beijing Tuda; 2) exercise all the shareholder's rights and shareholder's voting rights of the undersigned under laws and the articles of association of Beijing Tuda, including, but not limited to, the sale or transfer or pledge or disposition of all or any part of the Shareholding; and 3) designate and appoint on behalf of the undersigned the legal representative (chairperson), directors, supervisors, the chief executive officer and other senior management members of Beijing Tuda.

Without limiting the generality of the powers granted hereunder, Duowan Beijing shall have the power and authority under this Power of Attorney to execute the Transfer Contracts stipulated in Exclusive Option Agreement, to which the undersigned is required to be a party, on behalf of the undersigned, and to effect the terms of the Share Pledge Agreement and Exclusive Option Agreement, both dated the date hereof, to which the undersigned is a party.

All the actions associated with the Shareholding conducted by Duowan Beijing shall be deemed as the actions of the undersigned, and all the documents related to the Shareholding executed by Duowan Beijing shall be deemed to be executed by the undersigned. The undersigned hereby acknowledge and ratify those actions and/or documents by Duowan Beijing.

Duowan Beijing is entitled to re-authorize or assign its rights related to the aforesaid matters to any other person or entity at its own discretion and without giving prior notice to or obtaining consent from the undersigned.

This Power of Attorney shall be irrevocable and continuously valid from the date of execution of this Power of Attorney, so long as the undersigned is a shareholder of Beijing Tuda.

During the term of this Power of Attorney, the undersigned hereby waives all the rights associated with the Shareholding, which have been authorized to Beijing Duowan through this Power of Attorney, and shall not exercise such rights by itself.

By: /s/ Jin Cao

Dated: May 27, 2011

Exhibit 10.22

Exclusive Option Agreement

This Exclusive Option Agreement (this "Agreement") dated May 27, 2011, is made in Beijing, the People's Republic of China (the "PRC"), by and among:

Party A: Duowan Entertainment Information Technology (Beijing) Company Limited
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing

Party B: Xueling Li
Address:

Party C: Beijing Tuda Science and Technology Company Limited
Address: Suite B1506, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing

Party A, Party B and Party C respectively referred to as a "Party", collectively referred to as "Parties".

WHEREAS:

1. Party B holds 97.7% equity interests of Party C;
2. Party A and Party C entered into a series of legal documents, including an Exclusive Business Cooperation Agreement and Exclusive Technology Support and Technology Services Agreement on December 3, 2009, which are made for purpose of formation of Party A's control over Party C (collectively as "Controlling Documents").

THEREFORE, the Parties hereby agree as follows:

1. Sale and Purchase of Equity Interests

1.1 Right of Grant

Considering that Party A has paid RMB 10 to Party B as the consideration, and Party B has confirmed that it had received such consideration and such consideration was sufficient, Party B hereby irrevocably grants Party A an exclusive right to, according to the exercise steps decided by Party A at is own discretion and the price described in Clause 1.3 hereof, at anytime purchase or designate one or several persons ("Designated Person") to purchase any portion of all of equity interests held by Party B in Party C in one or several installments, to the extent allowed by laws of the PRC ("Equity Purchase Right"). Any third party other than Party A and Appointed Person should not enjoy the Equity Purchase Right or any other rights with respect to Party B's equity interests. Party C hereby allows Party B to grant the Equity Purchase Right to Party A. "Person" mentioned in this clause and this Agreement refers to individuals, companies, joint ventures, partnerships, enterprises, trusts and non-corporate organizations.

1.2 Steps of Exercise

The exercise of Equity Purchase Right by Party A is subject to provisions of laws and regulations of PRC. When exercising the Equity Purchase Right, Party A shall serve a written notice ("Purchase Notice") to Party B, to specify the following issues: (a) decisions of Party A regarding the exercise of Equity Purchase Right; (b) the percentage of equity interests to be purchased by Party A from Party B ("Purchased Equity Interests"), and (c) date of purchase/assignment of Purchased Equity Right.

1.3 Purchase Price

Lowest price allowed by laws of the PRC.

1.4 Assignment of Purchased Equity Interests

Every time Party A exercises the Equity Purchase Right,

1.4.1 Party B shall cause Party C to hold the shareholders' meeting, by which the resolutions regarding Party B's assignment of Purchased Equity Interests to Party A and/or Designated Person shall be resolved and approved;

1.4.2 Party B shall obtain Party C's other shareholders' consent regarding the assignment of Purchased Equity Interests to Party A and/or Designated Person, and provide a written statement with respect to waiver of the option right;

1.4.3 Party B shall enter into a respective equity transfer contract for each transfer of equity interests with Party A and/or the Designated Person (if applicable) in accordance with the provisions hereof and the Purchase Notice;

1.4.4 related parties shall enter into all the other contracts, agreements and documents, obtain all governmental approvals and consents, and take all actions necessary for the transfer of all valid ownership of the Purchased Equity Interests to Party A and/or the Designated Person, as well as validation of Party A and/or the Designated Person's status as registered owner of the Purchased Equity Interests, without any security interest. For the purpose of this clause and this Agreement, "security interest" includes guaranty, mortgage, third party's rights or interests, any stock option, right of purchase, option right, setting-off right, ownership retention or other guaranty arrangement, etc., provided that, for purchase of clarification, it will not include any security interest arising from this Agreement and Party B's Equity Pledge Agreement. "Party B's Equity Pledge Agreement" as mentioned in this clause and this Agreement refers to the Equity Pledge Agreement entered into by and among Party A, Party B and Party C on the date hereof, in accordance with which, Party B pledges all the equity interests held by it in Party C to Party A, for purpose of security of Party C's performance of all its obligations under the Exclusive Business Cooperation Agreement between Party C and Party A.

1.5 Payment

The Parties agree that, the equity interests transfer price to be paid by Party A to Party B for exercising the exclusive option right hereunder by Party A, in principle, shall be the lowest amount allowed by then effective laws and regulations of the PRC. If Party B is held liable to Party A or its affiliates then, Party A may also use related creditor's right as the consideration for the transfer of equity interests.

2. Undertakings

2.1 Undertakings Relating to Party C

Party B (as Party C's shareholder) and Party C hereby undertake that with respect to Party C, they:

2.1.1 without written consent of Party A, will not, in any way, supplement, change or amend the organizational documents of Party C, increase or decrease its registered capital, or change the structure of its registered capital in any other form;

2.1.2 maintain its existence, diligently and validly operate its business and deal with its daily corporate matters, according to a well-accepted financial and commercial standard and practice;

2.1.3 without written consent of Party A, will not sell, transfer, mortgage, or dispose of in any other way, any legal or beneficial interest in Party C's assets, business or revenue, or allow any security interest to be created over thereon, anytime upon the execution hereof;

2.1.4 without written consent of Party A, will not incur, succeed, guaranty, or allow the existing of, any liability, provided that, (i) such liability arises from its routine or daily operation, instead of borrowing; and (ii) such liability has been disclosed by Party A and consented by Party A in writing;

2.1.5 operate all business in the course of normal operation, and will not take any action/non-action imposing any adverse effect on Party C's operation status and value of assets, in order to maintain Party C's assets value;

2.1.6 without written consent of Party A, will not cause Party C to enter into any material contract, except for contracts made during the ordinary course of business (for purpose of this clause, if the value of contract exceeds RMB 100,000, the contract will be deemed material);

2.1.7 without written consent of Party A, Party C will not provide any loan or credit facility to any other person;

2.1.8 will provide to Party A all materials in respect of Party C's operation and financial situation, as required by Party A;

2.1.9 if required by Party A, will procure from the insurer accepted by Party A insurance and maintain the insurance with respect to its assts and business, and the insurance premium and policy shall be in compliance with those of other companies operating similar businesses;

2.1.10 without written consent of Party A, will not cause Party C to merge or amalgamate with any other person, or acquire or invest in any other person;

2.1.11 will notify Party A of any occurrence or threat of any lawsuit, arbitration or administrative proceeding with respect to Party C's assets, business and revenue;

2.1.12 for purpose of maintenance of Party C's ownership of all of its assets, will sign all necessary or appropriate documents, take all necessary and appropriate actions, and file any necessary or appropriate claims, or proceed with all necessary and appropriate defenses against all claims;

2.1.13 without written consent of Party A, will not distribute any dividend in any form to shareholders, provided that, if required so by Party A, will immediately distribute all its distributable profits to its shareholders; and

2.1.14 will appoint the persons designated by Party A as Party C's directors, as required by Party A.

2.2 Party B's Undertakings

Party B undertakes that:

2.2.1 without written consent of Party A, will not sell, transfer, mortgage, or dispose of in any other way, any legal or beneficial interest in the equity interests held by it of Party C, or allow any security interest to be created over thereon, except for the pledge created over such equity interests in accordance with Party B's Equity Pledge Agreement;

2.2.2 will cause Party C's shareholders' meeting and/or directors' meeting not to approve the sale, transfer, mortgage, or disposition in any other way of, any legal or beneficial interest in the equity interests held by it of Party C, or any security interest to be created over thereon, except for the pledge created over such equity interests in accordance with Party B's Equity Pledge Agreement;

2.2.3 without written consent of Party A, Party B will cause Party C's shareholders' meeting and/or directors' meeting not to approve Party C's merger or amalgamation with any other person, or its acquisition of or investment in any other person;

2.2.4 will notify Party A of any occurrence or threat of any lawsuit, arbitration or administrative proceeding with respect to the equity interests held by it;

2.2.5 will cause Party C's shareholders' meeting and/or directors meeting to resolve to agree upon the transfer of Purchased Equity Interests mentioned herein, and take any other actions as required by Party A;

2.2.6 for purpose of maintaining its legitimate ownership of equity interests held by it, will sign all necessary or appropriate documents, take all necessary and appropriate actions, and file any necessary or appropriate claims, or proceed with all necessary and appropriate defenses against all claims;

2.2.7 will appoint the persons designated by Party A as Party C's directors, as required by Party A;

2.2.8 as required by Party A at anytime, will at anytime, unconditionally transfer its equity interests to the representatives designated by Party A in accordance with the Equity Purchase Right mentioned herein, and waive the option right with respect to the transfer of corresponding equity interests to another existing shareholder (if any); and

2.2.9 will strictly abide by all provisions of this Agreement and other contracts among the Parties, and between any two of them, perform all the obligations thereunder, and will not take any action/non-action which may impose any effect on the validity and enforceability of such contracts. If Party B still maintains any right with respect to the equity interests under this Agreement, or Equity Pledge Agreement among the Parties, or the authorization letter of Party A, Party B will not exercise any of such rights unless with the written direction of Party A.

3. **Representations and Warrants**

Party B and Party C hereby respectively and jointly represent and warrant to Party A on the date hereof and each day of transfer, that:

3.1 it has the power and capacity to execute and deliver this Agreement, as well as any other equity interests transfer contract, to which it is a party, and which is made for each transfer of Purchased Equity Interests in accordance with this Agreement (individually referred to as "Transfer Agreement"), and perform its obligations under this Agreement and the Transfer Agreement. Party B and Party C agree to enter into a respective Transfer Agreement containing the provisions same to this Agreement when Party A exercises the Equity Purchase Right. This Agreement and any Transfer Agreement to which it is a party, upon being executed, constitutes or will constitute its valid and binding obligation enforceable against it in accordance with the terms hereof;

3.2 its execution, delivery and performance of this Agreement or any Transfer Agreement will not (i) violate any applicable laws of the PRC; (ii) conflict with the articles of association and other organizational documents of Party C; (iii) breach any contract or document which is binding upon it, or to which it is a party; (iv) violate any permit or approval, or the conditions for maintaining its validity of such permit or approval, granted to any party; or (v) cause the suspension or withdrawal of, or impose any additional conditions on, the permit or approval granted to any party;

3.3 Party B owns good and salable ownership of the equity interests by it in Party C, and Party B has not created any security interest over such equity interests except for Party B's Equity Pledge Agreement;

3.4 Party C owns good and salable ownership of all of its assets, and Party C has not created any security interest over such assets;

3.5 Party C does not have any outstanding liabilities, except for (i) those arising from the ordinary course of business; and (ii) those disclosed to Party A and approved by Party A in writing;

3.6 Party C has been complying with all applicable laws and regulations related to the acquisition of assets; and

3.7 there are no lawsuits, arbitrations or administrative proceedings pending or threatened with respect to the equity interests, Party C's assets or Party C itself.

4. **Effective Date**

This Agreement becomes effective upon the execution by each Party. The term of this Agreement is ten (10) years, and may be extended subject to Party A's decision. All the related Exclusive Stock Option Agreement and the Amendment thereto entered among the Parties will no longer be effective from the date hereof.

5. **Applicable Law and Dispute Resolution**

5.1 Applicable Law

The formation of this Agreement, its validity, interpretation, performance, change, and termination of this Agreement, and the settlement of any dispute between the Parties, shall be governed by and construed in accordance with the laws of the PRC, which are officially promulgated and available to the public. The issues not governed by the laws of the PRC, which are officially promulgated and available to the public, shall apply international legal rules and practices.

5.2 Dispute Resolution

The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Agreement through friendly consultations. If a dispute is not resolved through friendly consultations within 30 days from the date a Party gives the other Party written notice of the dispute, then each Party may submit the dispute to China International Economic and Trade Arbitration Commission ("CIETAC") for arbitration in accordance with then effective arbitration rules. The arbitration shall be conducted in Shanghai in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

6. **Taxes, Fees**

Each Party shall respectively bear any and all the taxes, expenses and fees incurred by, or collected from such Party, for preparation and execution of this Agreement, each Transfer Agreement, and completion of the transactions contemplated by this Agreement and each Transfer Agreement, in accordance with laws of the PRC.

7. **Notices**

7.1 All the notices and other communications required by or sent pursuant to this Agreement shall be delivered to the following address of each Party in person, by registered mail, prepaid post, or commercial courier services, or facsimile. Each notice shall be confirmed with a respective email. Delivery shall be deemed to have occurred:

7.1.1 the same day (local time at the recipient's place of business) on which delivery is made by personal delivery, or by courier services, registered mail, or prepaid post, or delivery is refused.

7.1.2 the day of delivery being successfully made, if by facsimile (certified by the automatically generated transmission confirmation).

7.2 Each Party's address for purpose of notice is as follows:

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited**
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing
Attention: Li Xueling
Telephone:
Facsimile:

Party B: **Xueling Li**
Address: No.2, Haiyuncang Hutong, Dongcheng District, Beijing
Telephone:
Facsimile:

Party C: **Beijing Tuda Science and Technology Company Limited**
Address: Suite B1506, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing
Attention: Jin Cao
Telephone:
Facsimile:

7.3 Each Party may at anytime change its address for receiving notices by giving a notice to the other Parties in accordance with this clause.

8. **Confidentiality**

Each Party recognizes and confirms this Agreement, the content of this Agreement, and any and all oral and written information exchanged among them for the preparation and performance of this Agreement shall be deemed as confidential information. Each Party shall hold in confidence all such confidential information, and without the written consent from the other Parties, should not disclose any confidential information to any third party, provided that, confidential information shall not include information that (i) is or becomes available to the public other than as a result of a disclosure by the receiving Party in violation of this Agreement, or (ii) any information which must be disclosed pursuant to laws and regulations, stock trading rules, or as required by order or decree of governmental authorities or courts; or (iii) any information disclosed by either Party to its shareholders, invertors, legal or financial advisors in relation to the transactions contemplated herein, who are bound by confidentiality obligation similar to this provision. Any disclosure of confidential information by the professionals or institutions engaged by either Party shall be deemed as the disclosure by such Party, and such Party shall be held liable for breach. This provision shall survive the termination of this Agreement for any reason.

9. **Further Assurance**

The Parties hereto shall each immediately perform such beneficial acts, execute and deliver such beneficial instruments and documents, and do all such other things as may be reasonably necessary to perform the provisions and purpose of this Agreement.

10. **Miscellaneous**

10.1 Amendment, Change and Supplement

Any amendment, change and supplement to this Agreement can only be made with the written agreement signed by each Party hereto.

10.2 Entirety

Except for any written amendment, supplement and change made to this Agreement upon the execution hereof, this Agreement constitutes the entire agreement reached among the Parties relating to the subject matter hereof, and supersedes in their entirety all prior written and oral agreements and understandings among the Parties relating to the subject matter hereof.

10.3 Headings

The headings of this Agreement are created only for reading convenience, and should not be interpreted, or explained to affect the meanings of the provisions hereof.

10.4 Languages

This Agreement is written in Chinese in three (3) originals, each Party holding one (1) copy.

10.5 Severability

If any single or multiple provisions hereof are judged invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be affected in any aspect. The Parties shall in good faith endeavor to use valid provisions to the extent allowed by laws and reflecting the intensions of all the Parties to replace those invalid, illegal or unenforceable provisions, provided that, the economic effects achieved by such valid provisions shall be similar to the economic effects achieved by those invalid, illegal or unenforceable provisions.

10.6 Successors

This Agreement shall be binding upon, and inure to the benefit of, the Parties and their successors and permitted assigns.

10.8 Survival

10.8.1 Any obligations arising from, or expiring upon the expiry or earlier termination of this Agreement survive the expiry or earlier termination of this Agreement.

10.8.2 Section 5, Section 7, Section 8 of this Agreement and this Clause 10.8 shall survive the termination of this Agreement.

10.9 Waiver

Each Party can only waive any term or condition of this Agreement in writing and with the signatures of all the Parties. Any waiver made by one Party regarding the other Party's breach should not be deemed as the waiver of such Party regarding the other Party's similar breaches in other situations.

10.10 Indemnification

10.10.1 Each Party hereby agrees and confirms that, if any existing shareholder materially breaches any provision hereof ("Default Party"), or materially fails to perform any obligation hereunder, then it has constituted the breach of this Agreement ("Breach"), and Party A has the right to require the Default Party to cure such Breach or take any correction measures regarding such Breach within a reasonable period. In the event that the Default Party fails to cure such Breach or take any correction measures regarding such Breach within such reasonable period or ten (10) days after Party A sends the written breach notice to the Default Party to require the correction, then Party A is entitled to choose any of the following relieves for the Breach: (i) to terminate this Agreement and require the Default Party to provide full indemnification for such Breach; (2) to require the enforcement of all the obligations of the Default Party under this Agreement, and the Default Party to provide full indemnification for such Breach; or (3) to sell or dispose of the pledged equity interests in accordance with the Equity Pledge Agreement, to be indemnified at the first priority with the price of sale and disposal of such equity interests, and require the Default Party to be liable for all losses so incurred by it.

10.10.2 Each Party agrees and confirms that under no circumstance may the existing shareholders may require the termination of this Agreement for any reason.

10.10.3 The rights and relieves available hereunder are accumulative and do not exclude any other right or relief available in accordance with laws.

10.10.4 Notwithstanding anything contained herein to the contrary, the validity of this provision survives the suspension or termination of this Agreement.

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[Signature page]

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited** (Seal)

Signature: /s/ Xueling Li
Name:
Title: Authorized Representative

Party B: **Xueling Li**

Signature: /s/ Xueling Li

Party C: **Beijing Tuda Science and Technology Company Limited** (Seal)

Signature: /s/ Jin Cao
Name:
Title: Authorized Representative

Exclusive Option Agreement

This Exclusive Option Agreement (this "Agreement") dated May 27, 2011, is made in Beijing, the People's Republic of China (the "PRC"), by and among:

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited**
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing

Party B: **Bin Zhao**
Address:

Party C: **Beijing Tuda Science and Technology Company Limited**
Address: Suite B1506, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing

Party A, Party B and Party C respectively referred to as a "Party", collectively referred to as "Parties".

WHEREAS:

1. Party B holds1.5334% equity interests of Party C;

2. Party A and Party C entered into a series of legal documents, including an Exclusive Business Cooperation Agreement and Exclusive Technology Support and Technology Services Agreement on December 3, 2009, which are made for purpose of formation of Party A's control over Party C (collectively as "Controlling Documents").

THEREFORE, the Parties hereby agree as follows:

1. Sale and Purchase of Equity Interests

1.1 Right of Grant

Considering that Party A has paid RMB 10 to Party B as the consideration, and Party B has confirmed that it had received such consideration and such consideration was sufficient, Party B hereby irrevocably grants Party A an exclusive right to, according to the exercise steps decided by Party A at is own discretion and the price described in Clause 1.3 hereof, at anytime purchase or designate one or several persons ("Designated Person") to purchase any portion of all of equity interests held by Party B in Party C in one or several installments, to the extent allowed by laws of the PRC ("Equity Purchase Right"). Any third party other than Party A and Appointed Person should not enjoy the Equity Purchase Right or any other rights with respect to Party B's equity interests. Party C hereby allows Party B to grant the Equity Purchase Right to Party A. "Person" mentioned in this clause and this Agreement refers to individuals, companies, joint ventures, partnerships, enterprises, trusts and non-corporate organizations.

1.2 Steps of Exercise

The exercise of Equity Purchase Right by Party A is subject to provisions of laws and regulations of PRC. When exercising the Equity Purchase Right, Party A shall serve a written notice (“Purchase Notice”) to Party B, to specify the following issues: (a) decisions of Party A regarding the exercise of Equity Purchase Right; (b) the percentage of equity interests to be purchased by Party A from Party B (“Purchased Equity Interests”), and (c) date of purchase/assignment of Purchased Equity Right.

1.3 Purchase Price

Lowest price allowed by laws of the PRC.

1.4 Assignment of Purchased Equity Interests

Every time Party A exercises the Equity Purchase Right,

1.4.1 Party B shall cause Party C to hold the shareholders’ meeting, by which the resolutions regarding Party B’s assignment of Purchased Equity Interests to Party A and/or Designated Person shall be resolved and approved;

1.4.2 Party B shall obtain Party C’s other shareholders’ consent regarding the assignment of Purchased Equity Interests to Party A and/or Designated Person, and provide a written statement with respect to waiver of the option right;

1.4.3 Party B shall enter into a respective equity transfer contract for each transfer of equity interests with Party A and/or the Designated Person (if applicable) in accordance with the provisions hereof and the Purchase Notice;

1.4.4 related parties shall enter into all the other contracts, agreements and documents, obtain all governmental approvals and consents, and take all actions necessary for the transfer of all valid ownership of the Purchased Equity Interests to Party A and/or the Designated Person, as well as validation of Party A and/or the Designated Person’s status as registered owner of the Purchased Equity Interests, without any security interest. For the purpose of this clause and this Agreement, “security interest” includes guaranty, mortgage, third party’s rights or interests, any stock option, right of purchase, option right, setting-off right, ownership retention or other guaranty arrangement, etc., provided that, for purchase of clarification, it will not include any security interest arising from this Agreement and Party B’s Equity Pledge Agreement. “Party B’s Equity Pledge Agreement” as mentioned in this clause and this Agreement refers to the Equity Pledge Agreement entered into by and among Party A, Party B and Party C on the date hereof, in accordance with which, Party B pledges all the equity interests held by it in Party C to Party A, for purpose of security of Party C’s performance of all its obligations under the Exclusive Business Cooperation Agreement between Party C and Party A.

1.5 Payment

The Parties agree that, the equity interests transfer price to be paid by Party A to Party B for exercising the exclusive option right hereunder by Party A, in principle, shall be the lowest amount allowed by then effective laws and regulations of the PRC. If Party B is held liable to Party A or its affiliates then, Party A may also use related creditor's right as the consideration for the transfer of equity interests.

2. Undertakings

2.1 Undertakings Relating to Party C

Party B (as Party C's shareholder) and Party C hereby undertake that with respect to Party C, they:

2.1.1 without written consent of Party A, will not, in any way, supplement, change or amend the organizational documents of Party C, increase or decrease its registered capital, or change the structure of its registered capital in any other form;

2.1.2 will maintain its existence, diligently and validly operate its business and deal with its daily corporate matters, according to a well-accepted financial and commercial standard and practice;

2.1.3 without written consent of Party A, will not sell, transfer, mortgage, or dispose of in any other way, any legal or beneficial interest in Party C's assets, business or revenue, or allow any security interest to be created over thereon, anytime upon the execution hereof;

2.1.4 without written consent of Party A, will not incur, succeed, guaranty, or allow the existing of, any liability, provided that, (i) such liability arises from its routine or daily operation, instead of borrowing; and (ii) such liability has been disclosed by Party A and consented by Party A in writing;

2.1.5 will operate all business in the course of normal operation, and will not take any action/non-action imposing any adverse effect on Party C's operation status and value of assets, in order to maintain Party C's assets value;

2.1.6 without written consent of Party A, will not cause Party C to enter into any material contract, except for contracts which is made during the ordinary course of business (for purpose of this clause, if the value of contract exceeds RMB 100,000, the contract will be deemed material);

2.1.7 without written consent of Party A, will not cause Party C to provide any loan or credit facility to any other person;

2.1.8 will provide to Party A all materials in respect of Party C's operation and financial situation, as required by Party A;

2.1.9 if required by Party A, will procure from the insurer accepted by Party A insurance and maintain the insurance with respect to its assets and business, and the insurance premium and policy shall be in compliance with those of other companies operating similar businesses;

2.1.10 without written consent of Party A, will not cause Party C to merge or amalgamate with any other person, or acquire or invest in any other person;

2.1.11 will notify Party A of any occurrence or threat of any lawsuit, arbitration or administrative proceeding with respect to Party C's assets, business and revenue;

2.1.12 for purpose of maintenance of Party C's ownership of all of its assets, will sign all necessary or appropriate documents, take all necessary and appropriate actions, and file any necessary or appropriate claims, or proceed with all necessary and appropriate defenses against all claims; 2.1.13 without written consent of Party A, will not distribute any dividend in any form to shareholders, provided that, if required so by Party A, will immediately distribute all its distributable profits to its shareholders; and

2.1.14 will appoint the persons designated by Party A as Party C's directors, as required by Party A.

2.2 Party B's Undertakings

Party B undertakes that it:

2.2.1 without written consent of Party A, will not sell, transfer, mortgage, or dispose of in any other way, any legal or beneficial interest in the equity interests held by it of Party C, or allow any security interest to be created over thereon, except for the pledge created over such equity interests in accordance with Party B's Equity Pledge Agreement; 2.2.2 will cause Party C's shareholders' meeting and/or directors' meeting not to approve the sale, transfer, mortgage, or disposition in other way of, any legal or beneficial interest in the equity interests held by it of Party C, or any security interest to be created over thereon, except for the pledge created over such equity interests in accordance with Party B's Equity Pledge Agreement;

2.2.3 without written consent of Party A, will cause Party C's shareholders' meeting and/or directors' meeting not to approve Party C's merger or amalgamation with any other person, or its acquisition of or investment in any other person;

2.2.4 will notify Party A of any occurrence or threat of any lawsuit, arbitration or administrative proceeding with respect to the equity interests held by it;

2.2.5 will cause Party C's shareholders' meeting and/or directors meeting to resolve to agree upon the transfer of Purchased Equity Interests mentioned herein, and take any other actions as required by Party A;

2.2.6 for purpose of maintaining its legitimate ownership of equity interests held by it, will sign all necessary or appropriate documents, take all necessary and appropriate actions, and file any necessary or appropriate claims, or proceed with all necessary and appropriate defenses against all claims;

2.2.7 will appoint the persons designated by Party A as Party C's directors, as required by Party A;

2.2.8 as required by Party A at anytime, will at anytime, unconditionally transfer its equity interests to the representatives designated by Party A in accordance with the Equity Purchase Right mentioned herein, and waive the option right with respect to the transfer of corresponding equity interests to another existing shareholder (if any); and

2.2.9 will strictly abide by all provisions of this Agreement and other contracts among the Parties, and between any two of them, perform all the obligations thereunder, and will not take any action/non-action which may impose any effect on the validity and enforceability of such contracts. If Party B still maintains any right with respect to the equity interests under this Agreement, or Equity Pledge Agreement among the Parties, or the authorization letter of Party A, Party B will not exercise any of such rights unless with the written direction of Party A.

3. **Representations and Warrants**

Party B and Party C hereby respectively and jointly represent and warrant to Party A on the date hereof and each day of transfer, that:

3.1 it has the power and capacity to execute and deliver this Agreement, as well as any other equity interests transfer contract, to which it is a party, and which is made for each transfer of Purchased Equity Interests in accordance with this Agreement (individually referred to as "Transfer Agreement"), and perform its obligations under this Agreement and the Transfer Agreement. Party B and Party C agree to enter into a respective Transfer Agreement containing the provisions same to this Agreement when Party A exercises the Equity Purchase Right. This Agreement and any Transfer Agreement to which it is a party, upon being executed, constitutes or will constitute its valid and binding obligation enforceable against it in accordance with the terms hereof;

3.2 its execution, delivery and performance of this Agreement or any Transfer Agreement will not (i) violate any applicable laws of the PRC; (ii) conflict with the articles of association and other organizational documents of Party C; (iii) breach any contract or document which is binding upon it, or to which it is a party; (iv) violate any permit or approval, or the conditions for maintaining its validity of such permit or approval, granted to any party; or (v) cause the suspension or withdrawal of, or impose any additional conditions on, the permit or approval granted to any party;

3.3 Party B owns good and salable ownership of the equity interests by it in Party C, and Party B has not created any security interest over such equity interests except for Party B's Equity Pledge Agreement;

3.4 Party C owns good and salable ownership of all of its assets, and Party C has not created any security interest over such assets;

3.5 Party C does not have any outstanding liabilities, except for (i) those arising from the ordinary course of business; and (ii) those disclosed to Party A and approved by Party A in writing;

3.6 Party C has been complying with all applicable laws and regulations related to the acquisition of assets; and

3.7 there are no lawsuits, arbitrations or administrative proceedings pending or threatened with respect to the equity interests, Party C's assets or Party C itself.

4. **Effective Date**

This Agreement becomes effective upon the execution by each Party. The term of this Agreement is ten (10) years, and may be extended subject to Party A's decision. All the related Exclusive Stock Option Agreement and the Amendment thereto entered among the Parties will no longer be effective from the date hereof.

5. **Applicable Law and Dispute Resolution**

5.1 Applicable Law

The formation of this Agreement, its validity, interpretation, performance, change, and termination of this Agreement, and the settlement of any dispute between the Parties, shall be governed by and construed in accordance with the laws of the PRC, which are officially promulgated and available to the public. The issues not governed by the laws of the PRC, which are officially promulgated and available to the public, shall apply international legal rules and practices.

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The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Agreement through friendly consultations. If a dispute is not resolved through friendly consultations within 30 days from the date a Party gives the other Party written notice of the dispute, then each Party may submit the dispute to China International Economic and Trade Arbitration Commission ("CIETAC") for arbitration in accordance with then effective arbitration rules. The arbitration shall be conducted in Shanghai in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

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Each Party shall respectively bear any and all the taxes, expenses and fees incurred by, or collected from such Party, for preparation and execution of this Agreement, each Transfer Agreement, and completion of the transactions contemplated by this Agreement and each Transfer Agreement, in accordance with laws of the PRC.

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7.1 All the notices and other communications required by or sent pursuant to this Agreement shall be delivered to the following address of each Party in person, by registered mail, prepaid post, or commercial courier services, or facsimile. Each notice shall be confirmed with a respective email. Delivery shall be deemed to have occurred:

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7.1.2 the day of delivery being successfully made, if by facsimile (certified by the automatically generated transmission confirmation).

7.2 Each Party's address for purpose of notice is as follows:

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Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing
Attention: Li Xueling
Telephone:
Facsimile:

Party B: **Bin Zhao**
Address: No.501, Door 2, Suite 6, Jiefang East yard, 55 Dongxi, Luoyang, He'nan Province
Telephone:
Facsimile:

Party C: **Beijing Tuda Science and Technology Company Limited**
Address: Suite B1506, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing
Attention: Jin Cao
Telephone:
Facsimile:

7.3 Each Party may at anytime change its address for receiving notices by giving a notice to the other Parties in accordance with this clause.

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The Parties hereto shall each immediately perform such beneficial acts, execute and deliver such beneficial instruments and documents, and do all such other things as may be reasonably necessary to perform the provisions and purpose of this Agreement.

10. **Miscellaneous**

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Any amendment, change and supplement to this Agreement can only be made with the written agreement signed by each Party hereto.

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Except for any written amendment, supplement and change made to this Agreement upon the execution hereof, this Agreement constitutes the entire agreement reached among the Parties relating to the subject matter hereof, and supersedes in their entirety all prior written and oral agreements and understandings among the Parties relating to the subject matter hereof.

10.3 Headings

The headings of this Agreement are created only for reading convenience and should not be interpreted, or explained to affect the meanings of the provisions hereof.

10.4 Languages

This Agreement is written in Chinese in three (3) originals, each Party holding one (1) copy.

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If any single or multiple provisions hereof are judged invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be affected in any aspect. The Parties shall in good faith endeavor to use valid provisions to the extent allowed by laws and reflecting the intensions of all the Parties to replace those invalid, illegal or unenforceable provisions, provided that, the economic effects achieved by such valid provisions shall be similar to the economic effects achieved by those invalid, illegal or unenforceable provisions.

10.6 Successors

This Agreement shall be binding upon, and inure to the benefit of, the Parties and their successors and permitted assigns.

10.8 Survival

10.8.1 Any obligations arising from, or expiring upon the expiry or earlier termination of this Agreement survive the expiry or earlier termination of this Agreement.

10.8.2 Section 5, Section 7, Section 8 of this Agreement and this Clause 10.8 shall survive the termination of this Agreement.

10.9 Waiver

Each Party can only waive any term or condition of this Agreement in writing and with the signatures of all the Parties. Any waiver made by one Party regarding the other Party's breach should not be deemed as the waiver of such Party regarding the other Party's similar breaches in other situations.

10.10 Indemnification

10.10.1 Each Party hereby agrees and confirms that, if any existing shareholder materially breaches any provision hereof ("Default Party"), or materially fails to perform any obligation hereunder, then it has constituted the breach of this Agreement ("Breach"), and Party A has the right to require the Default Party to cure such Breach or take any correction measures regarding such Breach within a reasonable period. In the event that the Default Party fails to cure such Breach or take any correction measures regarding such Breach within such reasonable period or ten (10) days after Party A sends the written breach notice to the Default Party to require the correction, then Party A is entitled to choose any of the following relieves for the Breach: (i) to terminate this Agreement and require the Default Party to provide full indemnification for such Breach; (2) to require the enforcement of all the obligations of the Default Party under this Agreement, and the Default Party to provide full indemnification for such Breach; or (3) to sell or dispose of the pledged equity interests in accordance with the Equity Pledge Agreement, to be indemnified at the first priority with the price of sale and disposal of such equity interests, and require the Default Party to be liable for all losses so incurred by it.

10.10.2 Each Party agrees and confirms that under no circumstance may the existing shareholders may require the termination of this Agreement for any reason.

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10.10.3 The rights and relieves available hereunder are accumulative and do not exclude any other right or relief available in accordance with laws.

10.10.4 Notwithstanding anything contained herein to the contrary, the validity of this provision survives the suspension or termination of this Agreement.

[Signature page]

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited** (Seal)

Signature: /s/ Xueling Li
Name:
Title: Authorized Representative

Party B: **Bin Zhao**

Signature: /s/ Bin Zhao

Party C: **Beijing Tuda Science and Technology Company Limited** (Seal)

Signature: /s/ Jin Cao
Name:
Title: Authorized Representative

Exclusive Option Agreement

This Exclusive Option Agreement (this “Agreement”) dated May 27, 2011, is made in Beijing, the People’s Republic of China (the “PRC”), by and among:

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited**
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing

Party B: **Jin Cao**
Address:

Party C: **Beijing Tuda Science and Technology Company Limited**
Address: Suite B1506, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing

Party A, Party B and Party C respectively referred to as a “Party”, collectively referred to as “Parties”.

WHEREAS:

1. Party B holds 0.7666% equity interests of Party C;

2. Party A and Party C entered into a series of legal documents, including an Exclusive Business Cooperation Agreement and Exclusive Technology Support and Technology Services Agreement on December 3, 2009, which are made for purpose of formation of Party A’s control over Party C (collectively as “Controlling Documents”).

THEREFORE, the Parties hereby agree as follows:

1. Sale and Purchase of Equity Interests

1.1 Right of Grant

Considering that Party A has paid RMB 10 to Party B as the consideration, and Party B has confirmed that it had received such consideration and such consideration was sufficient, Party B hereby irrevocably grants Party A an exclusive right to, according to the exercise steps decided by Party A at is own discretion and the price described in Clause 1.3 hereof, at anytime purchase or designate one or several persons (“Designated Person”) to purchase any portion of all of equity interests held by Party B in Party C in one or several installments, to the extent allowed by laws of the PRC (“Equity Purchase Right”). Any third party other than Party A and Appointed Person should not enjoy the Equity Purchase Right or any other rights with respect to Party B’s equity interests. Party C hereby allows Party B to grant the Equity Purchase Right to Party A. “Person” mentioned in this clause and this Agreement refers to individuals, companies, joint ventures, partnerships, enterprises, trusts and non-corporate organizations.

1.2 Steps of Exercise

The exercise of Equity Purchase Right by Party A is subject to provisions of laws and regulations of PRC. When exercising the Equity Purchase Right, Party A shall serve a written notice ("Purchase Notice") to Party B, to specify the following issues: (a) decisions of Party A regarding the exercise of Equity Purchase Right; (b) the percentage of equity interests to be purchased by Party A from Party B ("Purchased Equity Interests"), and (c) date of purchase/assignment of Purchased Equity Right.

1.3 Purchase Price

Lowest price allowed by laws of the PRC.

1.4 Assignment of Purchased Equity Interests

Every time Party A exercises the Equity Purchase Right,

1.4.1 Party B shall cause Party C to hold the shareholders' meeting, by which the resolutions regarding Party B's assignment of Purchased Equity Interests to Party A and/or Designated Person shall be resolved and approved;

1.4.2 Party B shall obtain Party C's other shareholders' consent regarding the assignment of Purchased Equity Interests to Party A and/or Designated Person, and provide a written statement with respect to waiver of the option right;

1.4.3 Party B shall enter into a respective equity transfer contract for each transfer of equity interests with Party A and/or the Designated Person (if applicable) in accordance with the provisions hereof and the Purchase Notice;

1.4.4 related parties shall enter into all the other contracts, agreements and documents, obtain all governmental approvals and consents, and take all actions necessary for the transfer of all valid ownership of the Purchased Equity Interests to Party A and/or the Designated Person, as well as validation of Party A and/or the Designated Person's status as registered owner of the Purchased Equity Interests, without any security interest. For the purpose of this clause and this Agreement, "security interest" includes guaranty, mortgage, third party's rights or interests, any stock option, right of purchase, option right, setting-off right, ownership retention or other guaranty arrangement, etc., provided that, for purchase of clarification, it will not include any security interest arising from this Agreement and Party B's Equity Pledge Agreement. "Party B's Equity Pledge Agreement" as mentioned in this clause and this Agreement refers to the Equity Pledge Agreement entered into by and among Party A, Party B and Party C on the date hereof, in accordance with which, Party B pledges all the equity interests held by it in Party C to Party A, for purpose of security of Party C's performance of all its obligations under the Exclusive Business Cooperation Agreement between Party C and Party A.

1.5 Payment

The Parties agree that, the equity interests transfer price to be paid by Party A to Party B for exercising the exclusive option right hereunder by Party A, in principle, shall be the lowest amount allowed by then effective laws and regulations of the PRC. If Party B is held liable to Party A or its affiliates then, Party A may also use related creditor's right as the consideration for the transfer of equity interests.

2. **Undertakings**

2.1 Undertakings Relating to Party C

Party B (as Party C's shareholder) and Party C hereby undertake that with respect to Party C, they:

2.1.1 without written consent of Party A, will not, in any way, supplement, change or amend the organizational documents of Party C, increase or decrease its registered capital, or change the structure of its registered capital in any other form;

2.1.2 will maintain its existence, diligently and validly operate its business and deal with its daily corporate matters, according to a well-accepted financial and commercial standard and practice;

2.1.3 without written consent of Party A, will not sell, transfer, mortgage, or dispose of in any other way, any legal or beneficial interest in Party C's assets, business or revenue, or allow any security interest to be created over thereon, anytime upon the execution hereof;

2.1.4 without written consent of Party A, will not incur, succeed, guaranty, or allow the existing of, any liability, provided that, (i) such liability arises from its routine or daily operation, instead of borrowing; and (ii) such liability has been disclosed by Party A and consented by Party A in writing;

2.1.5 will operate all business in the course of normal operation, and will not take any action/non-action imposing any adverse effect on Party C's operation status and value of assets, in order to maintain Party C's assets value;

2.1.6 without written consent of Party A, will not cause Party C to enter into any material contract, except for the contracts made during the ordinary course of business (for purpose of this clause, if the value of contract exceeds RMB 100,000, the contract will be deemed material);

2.1.7 without written consent of Party A, will not cause to Party C to provide any loan or credit facility to any other person;

2.1.8 will provide to Party A all materials in respect of Party C's operation and financial situation, as required by Party A;

2.1.9 if required by Party A, will procure from the insurer accepted by Party A insurance and maintain the insurance with respect to its assets and business, and the insurance premium and policy shall be in compliance with those of other companies operating similar businesses;

2.1.10 without written consent of Party A, will not cause Party C to merge or amalgamate with any other person, or acquire or invest in any other person;

2.1.11 will notify Party A of any occurrence or threaten of any lawsuit, arbitration or administrative proceeding with respect to Party C's assets, business and revenue;

2.1.12 for purpose of maintenance of Party C's ownership of all of its assets, will sign all necessary or appropriate documents, take all necessary and appropriate actions, and file any necessary or appropriate claims, or proceed with all necessary and appropriate defenses against all claims;

2.1.13 without written consent of Party A, will not distribute any dividend in any form to shareholders, provided that, if required so by Party A, will immediately distribute all its distributable profits to its shareholders; and

2.1.14 will appoint the persons designated by Party A as Party C's directors, as required by Party A.

2.2 Party B's Undertakings

Party B undertakes that it:

2.2.1 without written consent of Party A, will not sell, transfer, mortgage, or dispose of in any other way, any legal or beneficial interest in the equity interests held by it of Party C, or allow any security interest to be created over thereon, except for the pledge created over such equity interests in accordance with Party B's Equity Pledge Agreement;

2.2.2 will cause Party C's shareholders' meeting and/or directors' meeting not to approve the sale, transfer, mortgage, or disposition in any other way of, any legal or beneficial interest in the equity interests held by it of Party C, or any security interest to be created over thereon, except for the pledge created over such equity interests in accordance with Party B's Equity Pledge Agreement;

2.2.3 without written consent of Party A, will cause Party C's shareholders' meeting and/or directors' meeting not to approve Party C's merger or amalgamation with any other person, or its acquisition of or investment in any other person;

2.2.4 will notify Party A of any occurrence or threat of any lawsuit, arbitration or administrative proceeding with respect to the equity interests held by it;

2.2.5 will cause Party C's shareholders' meeting and/or directors meeting to resolve to agree upon the transfer of Purchased Equity Interests mentioned herein, and take any other actions as required by Party A;

2.2.6 for purpose of maintaining its legitimate ownership of equity interests held by it, will sign all necessary or appropriate documents, take all necessary and appropriate actions, and file any necessary or appropriate claims, or proceed with all necessary and appropriate defenses against all claims;

2.2.7 will appoint the persons designated by Party A as Party C's directors, as required by Party A;

2.2.8 as required by Party A at anytime, will at anytime, unconditionally transfer its equity interests to the representatives designated by Party A in accordance with the Equity Purchase Right mentioned herein, and waive the option right with respect to the transfer of corresponding equity interests to another existing shareholder (if any); and

2.2.9 will strictly abide by all provisions of this Agreement and other contracts among the Parties, and between any two of them, perform all the obligations thereunder, and will not take any action/non-action which may impose any effect on the validity and enforceability of such contracts. If Party B still maintains any right with respect to the equity interests under this Agreement, or Equity Pledge Agreement among the Parties, or the authorization letter of Party A, Party B will not exercise any of such rights unless with the written direction of Party A.

3. **Representations and Warrants**

Party B and Party C hereby respectively and jointly represent and warrant to Party A on the date hereof and each day of transfer, that:

3.1 it has the power and capacity to execute and deliver this Agreement, as well as any other equity interests transfer contract, to which it is a party, and which is made for each transfer of Purchased Equity Interests in accordance with this Agreement (individually referred to as "Transfer Agreement"), and perform its obligations under this Agreement and the Transfer Agreement. Party B and Party C agree to enter into a respective Transfer Agreement containing the provisions same to this Agreement when Party A exercises the Equity Purchase Right. This Agreement and any Transfer Agreement to which it is a party, upon being executed, constitutes or will constitute its valid and binding obligation enforceable against it in accordance with the terms hereof;

3.2 its execution, delivery and performance of this Agreement or any Transfer Agreement will not (i) violate any applicable laws of the PRC; (ii) conflict with the articles of association and other organizational documents of Party C; (iii) breach any contract or document which is binding upon it, or to which it is a party; (iv) violate any permit or approval, or the conditions for maintaining its validity of such permit or approval, granted to any party; or (v) cause the suspension or withdrawal of, or impose any additional conditions on, the permit or approval granted to any party;

3.3 Party B owns good and salable ownership of the equity interests by it in Party C, and Party B has not created any security interest over such equity interests except for Party B's Equity Pledge Agreement;

3.4 Party C owns good and salable ownership of all of its assets, and Party C has not created any security interest over such assets;

3.5 Party C does not have any outstanding liabilities, except for (i) those arising from the ordinary course of business; and (ii) those disclosed to Party A and approved by Party A in writing;

3.6 Party C has been complying with all applicable laws and regulations related to the acquisition of assets; and

3.7 there are no lawsuits, arbitrations or administrative proceedings pending or threatened with respect to the equity interests, Party C's assets or Party C itself.

4. **Effective Date**

This Agreement becomes effective upon the execution by each Party. The term of this Agreement is ten (10) years, and may be extended subject to Party A's decision. All the related Exclusive Stock Option Agreement and the Amendment thereto entered among the Parties will no longer be effective from the date hereof.

5. **Applicable Law and Dispute Resolution**

5.1 Applicable Law

The formation of this Agreement, its validity, interpretation, performance, change, and termination of this Agreement, and the settlement of any dispute between the Parties, shall be governed by and construed in accordance with the laws of the PRC, which are officially promulgated and available to the public. The issues not governed by the laws of the PRC, which are officially promulgated and available to the public, shall apply international legal rules and practices.

5.2 Dispute Resolution

The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Agreement through friendly consultations. If a dispute is not resolved through friendly consultations within 30 days from the date a Party gives the other Party written notice of the dispute, then each Party may submit the dispute to China International Economic and Trade Arbitration Commission ("CIETAC") for arbitration in accordance with then effective arbitration rules. The arbitration shall be conducted in Shanghai in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

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6. **Taxes, Fees**

Each Party shall respectively bear any and all the taxes, expenses and fees incurred by, or collected from such Party, for preparation and execution of this Agreement, each Transfer Agreement, and completion of the transactions contemplated by this Agreement and each Transfer Agreement, in accordance with laws of the PRC.

7. **Notices**

7.1 All the notices and other communications required by or sent pursuant to this Agreement shall be delivered to the following address of each Party in person, by registered mail, prepaid post, or commercial courier services, or facsimile. Each notice shall be confirmed with a respective email. Delivery shall be deemed to have occurred:

7.1.1 the same day (local time at the recipient's place of business) on which delivery is made by personal delivery, or by courier services, registered mail, or prepaid post, or delivery is refused.

7.1.2 the day of delivery being successfully made, if by facsimile (certified by the automatically generated transmission confirmation).

7.2 Each Party's address for purpose of notice is as follows:

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited**
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing
Attention: Li Xueling
Telephone:
Facsimile:

Party B: **Jin Cao**
Address: 6-1-301, Guanjingli, Hongqi South Road, Nankai District, Tianjin
Telephone:
Facsimile:

Party C: **Beijing Tuda Science and Technology Company Limited**
Address: Suite B1506, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing
Attention: Jin Cao
Telephone:
Facsimile:

7.3 Each Party may at anytime change its address for receiving notices by giving a notice to the other Parties in accordance with this clause.

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8. **Confidentiality**

Each Party recognizes and confirms this Agreement, the content of this Agreement, and any and all oral and written information exchanged among them for the preparation and performance of this Agreement shall be deemed as confidential information. Each Party shall hold in confidence all such confidential information, and without the written consent from the other Parties, should not disclose any confidential information to any third party, provided that, confidential information shall not include information that (i) is or becomes available to the public other than as a result of a disclosure by the receiving Party in violation of this Agreement, or (ii) any information which must be disclosed pursuant to laws and regulations, stock trading rules, or as required by order or decree of governmental authorities or courts; or (iii) any information disclosed by either Party to its shareholders, invertors, legal or financial advisors in relation to the transactions contemplated herein, who are bound by confidentiality obligation similar to this provision. Any disclosure of confidential information by the professionals or institutions engaged by either Party shall be deemed as the disclosure by such Party, and such Party shall be held liable for breach. This provision shall survive the termination of this Agreement for any reason.

9. **Further Assurance**

The Parties hereto shall each immediately perform such beneficial acts, execute and deliver such beneficial instruments and documents, and do all such other things as may be reasonably necessary to perform the provisions and purpose of this Agreement.

10. **Miscellaneous**

10.1 Amendment, Change and Supplement

Any amendment, change and supplement to this Agreement can only be made with the written agreement signed by each Party hereto.

10.2 Entirety

Except for any written amendment, supplement and change made to this Agreement upon the execution hereof, this Agreement constitutes the entire agreement reached among the Parties relating to the subject matter hereof, and supersedes in their entirety all prior written and oral agreements and understandings among the Parties relating to the subject matter hereof.

10.3 Headings

The headings of this Agreement are created only for reading convenience, and should not be interpreted, or explained to affect the meanings of the provisions hereof.

10.4 Languages

This Agreement is written in Chinese in three (3) originals, each Party holding one (1) copy.

10.5 Severability

If any single or multiple provisions hereof are judged invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be affected in any aspect. The Parties shall in good faith endeavor to use valid provisions to the extent allowed by laws and reflecting the intensions of all the Parties to replace those invalid, illegal or unenforceable provisions, provided that, the economic effects achieved by such valid provisions shall be similar to the economic effects achieved by those invalid, illegal or unenforceable provisions.

10.6 Successors

This Agreement shall be binding upon, and inure to the benefit of, the Parties and their successors and permitted assigns.

10.8 Survival

10.8.1 Any obligations arising from, or expiring upon the expiry or earlier termination of this Agreement survive the expiry or earlier termination of this Agreement.

10.8.2 Section 5, Section 7, Section 8 of this Agreement and this Clause 10.8 shall survive the termination of this Agreement.

10.9 Waiver

Each Party can only waive any term or condition of this Agreement in writing and with the signatures of all the Parties. Any waiver made by one Party regarding the other Party's breach should not be deemed as the waiver of such Party regarding the other Party's similar breaches in other situations.

10.10 Indemnification

10.10.1 Each Party hereby agrees and confirms that, if any existing shareholder materially breaches any provision hereof ("Default Party"), or materially fails to perform any obligation hereunder, then it has constituted the breach of this Agreement ("Breach"), and Party A has the right to require the Default Party to cure such Breach or take any correction measures regarding such Breach within a reasonable period. In the event that the Default Party fails to cure such Breach or take any correction measures regarding such Breach within such reasonable period or ten (10) days after Party A sends the written breach notice to the Default Party to require the correction, then Party A is entitled to choose any of the following relieves for the Breach: (i) to terminate this Agreement and require the Default Party to provide full indemnification for such Breach; (2) to require the enforcement of all the obligations of the Default Party under this Agreement, and the Default Party to provide full indemnification for such Breach; or (3) to sell or dispose of the pledged equity interests in accordance with the Equity Pledge Agreement, to be indemnified at the first priority with the price of sale and disposal of such equity interests, and require the Default Party to be liable for all losses so incurred by it.

10.10.2 Each Party agrees and confirms that under no circumstance may the existing shareholders may require the termination of this Agreement for any reason.

10.10.3 The rights and relieves available hereunder are accumulative and do not exclude any other right or relief available in accordance with laws.

10.10.4 Notwithstanding anything contained herein to the contrary, the validity of this provision survives the suspension or termination of this Agreement.

[Signature page]

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited** (Seal)

Signature: /s/ Xueling Li
Name:
Title: Authorized Representative

Party B: **Jin Cao**

Signature: /s/ Jin Cao

Party C: **Beijing Tuda Science and Technology Company Limited** (Seal)

Signature: /s/ Jin Cao
Name:
Title: Authorized Representative

Exhibit 10.23

Equity Interest Pledge Agreement

This Equity Interest Pledge Agreement (this "Contract"), dated July 1, 2011, is made in the People's Republic of China (the "PRC"), by and between:

Party A: Duowan Entertainment Information Technology (Beijing) Company Limited ("Pledgee")

Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing

Party B: Xueling Li ("Pledgor")

Address:

The Pledged equity interest is about the company called Beijing Tuda Science and Technology Company Limited. The registration number is 110108008398900.

(Pledgor and Pledgee individually, a "Party"; collectively, the "Parties").

WHEREAS

1. The Pledgor is a Chinese citizen in the PRC, holding 97.7% equity interests of Beijing Tuda Science and Technology Company Limited (the "Company") as of the date hereof, formerly pledged RMB0.167 million per ten thousand shares, now applying to pledge RMB0.81 million per ten thousand shares. The Company is a limited liability company registered in Beijing, the PRC, engaged in the Internet-based value-added telecommunications services. Party B will cause the Company to confirm the rights and obligations of the Pledgor and the Pledgee under this Contract and to provide necessary assistance for the registration of such pledge.

2. The Pledgee is a limited liability company registered in Beijing. The Pledgee, the Pledgor and/or the Company entered into a series of legal documents, including an Exclusive Business Cooperation Agreement, which are made for the purpose of formation of the Pledgee's control over the Company ("Controlling Agreements").

3. The Pledgor agrees to pledge all of its equity interests in the Company to the Pledgee as security for the performance of the obligations hereunder by Party B and/or the Company.

NOW, THEREFORE, the Parties agree as follows through friendly negotiations:

1. Definitions

Unless otherwise required in the context, in this Contract:

1.1 **Pledge** means the secured property rights granted to the Pledgee by the Pledgor in accordance with Section 2 of this Contract, i.e., the right of the Pledgee to be compensated at first priority with respect to the price of sale or disposal of such equity interests pledged to the Pledgee by the Pledgor.

1.2 **Equity Interests** mean any and all equity interests duly owned by the Pledgor in the Company now and in the future.

1.3 **Pledged Equity Interests** mean any and all equity interests duly owned by the Pledgor in the Company, to be pledged by the Pledgor.

1.4 **Pledge Term** means the period as specified in Section 3 of this Contract.

1.5 **Major Contracts** mean the agreements listed in Appendix 1 hereto, including a series of Controlling Agreements by and among the Pledgor and/or the Company and the Pledgee, such as the Exclusive Business Cooperation Agreement.

1.6 An **Breaching Event** means any event listed in Section 7 hereof.

1.7 **Default Notice** means the notice given by the Pledgee regarding the Breaching Event in accordance with this Contract.

2. Pledge

The Pledgor hereby pledges any and all equity interests of the Company owned by it now and in the future as security for its timely and complete performance of the Pledgor's obligations to discharge of liabilities, other monetary payments, as well as all other obligations under the Major Contracts, no matter the monetary payment obligation becomes due and payable as a result of its maturity, demand of earlier collection or any other reasons.

3. Pledge Term

3.1 This Pledge becomes effective immediately after the equity interests pledged hereunder is recorded on the share register of the Company, and remains valid until Party B is no longer authorized as shareholder of the Company. Each Party agrees that the Pledgor shall record the equity interests pledge under this Contract on the share register of the Company within three (3) business days upon the execution hereof.

3.2 During the Pledge Term, if Party B fails to perform the obligations in accordance with the provisions of the Major Contracts, the Pledgee is entitled, however not obligated, to dispose the Pledged Equity Interests pursuant to law and this Contract.

4. Custody of Pledge Certificate

4.1 During the Pledge Term, the Pledgor shall deliver its capital contribution certificate and the share register of the Company in which the pledge is recorded to the custody of the Pledgee. The Pledgor shall deliver the abovementioned capital contribution certificate and the share register of the Company in which the pledge is recorded to the Pledgee within one (1) week upon the execution of this Contract. And the Pledgee shall remain the custodian of such documents throughout the whole Pledge Term as mentioned herein.

4.2 During the Pledge Term, the Pledgee has the right to collect the dividends arising from the Equity Interests.

5. Pledgor's Representations and Warranties

5.1 The Pledgor is the only legal owner of the Equity Interests.

5.2 The Pledgee has the right to dispose or transfer the Equity Interests according to the ways as described in this Contract.

5.3 The Pledgor has not created any other pledge or other security interest over the Equity Interests, except for this Pledge.

6. Pledgor's Undertakings and Confirmation

6.1 During the term of this Contract, the Pledgor undertakes to the Pledgee that:

6.1.1 Without prior written consent of the Pledgee, the Pledgor may not transfer the Equity Interests, or create or allow the creation of any new pledge or any other encumbrances upon the Equity Interests, except for the purpose of performance of the Major Contracts;

6.1.2 The Pledgor will abide by the provisions of all laws and regulations related to the Pledge, and upon receiving any notice, order or direction given or formulated by any competent authority with respect to the Pledge, the Pledgor will notify the Pledgee of such notice, order or direction within five (5) days upon the receipt thereof, and comply with such notice, order or direction, or submit any dissenting opinions and statements at the request of the Pledgee or with the consent of the Pledgee;

6.1.3 The Pledgor will immediately notify the Pledgee of any event or notice received which may possibly affect the Equity Interests of the Pledgee or any part of the Plegee's rights, and any other event or received notice which may possibly change the warrants and obligations of the Pledgor under this Contract, or the performance of obligations hereunder by the Pledgor.

6.2 The Pledgor agrees that, the rights granted to the Pledgee regarding the Pledge in accordance with this Contract shall not be interrupted or impaired by any legal proceedings initiated by the Pledgor, its successors, its authorized persons, or any other person.

6.3 The Pledgor warrants to the Pledgee that, for safeguarding or consummating the guaranty regarding the transfer of earnings under the Major Contracts in accordance with this Contract, the Pledgor will faithfully sign, or cause the other party materially related to the Pledge to sign, all the right certificates or instruments as required by the Pledgee, and/or take, or cause the other party materially related to the Pledge to take, any acts as required by the Pledgee, facilitate the exercise of rights and authorizations granted to the Pledgee hereunder, enter into any documents related to the ownership of the Equity Interests with the Pledges or its designated persons (natural person/legal person), and provide to the Pledgee any and all notices, orders and decisions relating to the Pledge as deemed necessary by the Pledgee within the reasonable period.

6.4 The Pledgor warrants to the Pledgee that, the Pledgor will abide by and perform all the warrants, undertakings, agreements, representations and conditions under this Contract, and the Pledgor will indemnify the Pledgee of all losses incurred that is caused by the failure in or partial failure in the performance of such warrants, undertakings, agreements, representations on conditions by the Pledgor.

7. Breaching Event

7.1 Any of the following is deemed as an Breaching Event:

7.1.1 Party B fails to transfer the earnings under the Major Contracts in full and according to the timeline, or commits any act in violation of the Major Contracts and this Contract;

7.1.2 Any of representations or warrants made by the Pledgor in Section 5 hereof is materially misleading or wrong, and/or, the Pledgor breaches any of the representations or warrants made by the Pledgor in Section 5 hereof;

7.1.3 The Pledgor fails to record the Pledge on the share register of the Company in accordance with Clause 3.1;

7.1.4 The Pledgor breaches any provision of this Contract;

7.1.5 Except for the circumstance agreed to in Clause 6.1.1, the Pledgor waives the Pledged Equity Interests, or transfers or intends to transfer the Pledged Equity Interests without the prior written consent of the Pledgee;

7.1.6 Any external borrowings, guaranties, indemnification, undertakings or any other liabilities of the Pledgor (1) shall be repaid or performed earlier due to its default; or (2) cannot be repaid or performed when due;

7.1.7 Any or all consents, permits, approvals or authorizations from the governmental authorities necessary for the enforceability, legality or validity of this Contract, are revoked, suspended, invalidated, or materially changed;

7.1.8 Promulgation of application laws makes this Contract becomes illegal, or the Pledgor cannot continue the performance of its obligations hereunder;

7.1.9 Any adverse change to assets owned by the Pledgor makes the Pledgee to believe that the ability of the Pledgor to perform its obligations hereunder has been affected;

7.1.10 Any other circumstance which makes the Pledgee unable or possibly unable to dispose the Pledge in accordance with applicable laws.

7.2 The Pledgor shall immediately notify the Pledgee in writing of the occurrence of any event mentioned in Clause 7.1 or any event which may cause the occurrence of any abovementioned event.

7.3 Unless any of the abovementioned Breaching Event has been resolved to the satisfaction of the Pledgee, the Pledgee is entitled to give a written Default Notice to the Pledgor anytime upon or following the occurrence of any Breaching Event of the Pledgor, requiring the Pledgee to dispose the Pledge in accordance with Section 8 of this Contract.

8. Exercise of Pledge

8.1 The Pledgor should not transfer any of the Equity Interests of the Company owned by it before the liabilities are discharged and all other material obligations are performed under the Major Contracts.

8.2 The Pledgee may give a Default Notice to the Pledgor when exercising the Pledge.

8.3 Subject to Clause 7.3, the Pledgee may exercise the right to dispose the Pledge at the same time or at anytime after the Pledgee gives the Default Notice in accordance with Clause 7.2. The Pledgor no longer owns any right or benefit in relation to the Equity Interests once the Pledgee decides to exercise the right to dispose the Pledge.

8.4 As of the occurrence of any Breaching Event, the Pledgee is entitled to dispose the Pledged Equity Interests according to legal procedure, to the extent allowed by laws and in accordance with applicable laws, and does not need to distribute any of the proceedings of such disposal to the Pledgor; the Pledgor hereby waives the contingent right to require for distribution from the Pledgee of any proceedings of such disposal. Similarly, the Pledgor should not be held liable for any losses which the Pledgee may incur by following the disposal of the Pledged Equity Interests.

8.5 As the Pledgee disposes the Pledge in accordance with this Contract, the Pledgor and the Company shall provide assistance necessary for the realization of the Pledge by the Pledgee.

9. Transfer

9.1 Unless with the prior consent of the Pledgee, the Pledgor has no right to grant or transfer any of its rights and obligations hereunder.

9.2 This Contract shall be binding upon the Pledgor and its successors and permitted assigns, and inure to the benefit of the Pledgee and its successors and permitted assigns.

9.3 The Pledgee has the right to, at anytime, transfer any of its rights and obligations under the business cooperation agreement to its designated person (natural person/legal person), and under such circumstance, the assigns shall enjoy and assume the same rights and obligations same to which the Pledgee enjoys and assumes under this Contract, as if the assigns is the original party to the Contract. When the Pledgee transfers any of its rights and obligations under the business cooperation agreement, the Pledgor shall sign any necessary agreement and/or instruments at the request of the Pledgee.

9.4 After the Pledgee changes upon the transfer, the Pledgor shall enter into a new pledge contract containing the content substantially same to this Contract with the new pledgee.

9.5 The Pledgor shall strictly comply with the provisions of this Contract and any other contract entered into with any other party or parties, perform the obligations under this Contract and other contracts, and should not take any action/non-action which may substantially affect the validity and enforceability of the abovementioned contracts. Unless with the written direction of the Pledgee, the Pledgor should not exercise its remaining rights regarding the Pledged Equity Interests.

10. Termination

This Contract terminates once the transfer of the proceedings arising from the Major Contracts is completed, and the Pledgor no longer assumes any obligations under the Major Contracts and is no longer authorized as shareholder of the Company. And the Pledgee shall cancel or revoke this Contract as soon as practical upon the termination of this Contract.

11. Costs and Expenses

Any and all costs and expenses actually incurred in connection with this Contract, including but not limited to legal expenses, costs, stamp duty, as well as any other taxes and fees, will be fully borne by Party A.

12. Confidentiality

Each Party recognizes and confirms this Contract, the content of this Contract, and any and all oral and written information exchanged among them for the preparation and performance of this Contract shall be deemed as confidential information. Each Party shall hold in confidence all such confidential information, and without the written consent from the other Parties, should not disclose any confidential information to any third party, provided that, confidential information shall not include information that (a) is or becomes available to the public other than as a result of disclosure by the receiving Party in violation of this Contract, or (b) any information which must be disclosed pursuant to laws and regulations, stock trading rules, or as required by order or decree of governmental authorities or courts; or (c) any information disclosed by either Party to its shareholders, investors, legal or financial advisors in relation to the transactions contemplated herein, who are bound by confidentiality obligation similar to this provision. Any disclosure of confidential information by the professionals or institutions engaged by either Party shall be deemed as the disclosure by such Party, and such Party shall be held liable for breach. This provision shall survive the termination of this Contract for any reason.

13. Applicable Law and Dispute Resolution

The formation of this Contract, its validity, interpretation, performance, change, and termination of this Contract, and the settlement of any dispute between the Parties, shall be governed by and construed in accordance with the laws of the PRC.

The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Contract through friendly consultations. If a dispute is not resolved through friendly consultations within 30 days from the date a Party gives the other Party written notice of the dispute, then each Party may submit the dispute to China International Economic and Trade Arbitration Commission ("CIETAC") for arbitration in accordance with then effective arbitration rules. The arbitration shall be conducted in Beijing in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

In the event of any dispute arising from the interpretation or performance of this Contract, and in the course of the arbitration of any dispute, each Party shall continue the performance of its rights and obligations hereunder excepted for those disputed ones.

14. Notices

All the notices and other communications required by or sent pursuant to this Contract shall be delivered to the following address of each Party in person, by registered mail, prepaid post, or commercial courier services, or facsimile. Each notice shall be confirmed with a respective email. Delivery shall be deemed to have occurred:

the same day (local time at the recipient's place of business) on which delivery is made by personal delivery, or by courier services, registered mail, or prepaid post, or delivery is refused; or

the day of delivery being successfully made, if by facsimile (certified by the automatically generated transmission confirmation).

Each Party's address for purpose of notice is as follows:

Pledgee: **Duowan Entertainment Corporation**
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing
Attention: Xueling Li
Facsimile:

Pledgor: **Xueling Li**
Address: No.2, Haiyuncang Hutong, Dongcheng District, Beijing
Facsimile:

Each Party may at anytime change its address for receiving notices by giving a notice to the other Parties in accordance with this clause.

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15. Severability

If any single or multiple provisions hereof are judged invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality and enforceability of the remaining provisions of this Contract shall not be affected in any aspect. The Parties shall in good faith, endeavor to use valid provisions to the extent allowed by laws and reflecting the intensions of all the Parties, to replace those invalid, illegal or unenforceable provisions, provided that, the economic effects achieved by such valid provisions shall be similar to the economic effects achieved by those invalid, illegal or unenforceable provisions.

16. Appendices

The appendix hereto is an integral part of this Contract.

17. Effectiveness

Any amendment, supplement or change to this Contract shall be made in writing, and can only become effective with the signatures or seals of the Parties and registration with governmental authorities in accordance with applicable rules (if applicable).

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[Signature page]

IN WITNESS WHEREOF, the Parties hereto have caused this Equity Pledge Contract to be executed by their duly authorized representatives as of the date first above written.

Party A: Duowan Entertainment Information Technology (Beijing) Company Limited

By Authorized Representative: (Seal)
Date:

Party B: Xueling Li

By: /s/ Xueling Li
Date:

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Appendix 1

List of Major Contracts

1. Exclusive Business Cooperation Agreement, dated December 3, 2009, by and between Duowan Entertainment Information Technology (Beijing) Company Limited and Beijing Tuda Science and Technology Company Limited.
2. Exclusive Option Agreement, dated May 27, 2011, by and among Duowan Entertainment Information Technology (Beijing) Company, Xueling Li and Beijing Tuda Science and Technology Company Limited.
3. Exclusive Technology Support and Technology Services Agreement, dated December 3, 2009, by and between Duowan Entertainment Information Technology (Beijing) Company and Beijing Tuda Science and Technology Company Limited.
4. Power of Attorney, dated May 27, 2011, signed by Xueling Li

Equity Interest Pledge Agreement

This Equity Interest Pledge Agreement (this “Contract”), dated July 1, 2011, is made in the People’s Republic of China (the “PRC”), by and between:

Party A: Duowan Entertainment Information Technology (Beijing) Company Limited (“Pledgee”)
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing

Party B: Bin Zhao (“Pledgor”)
Address:

The Pledged equity interest is about the company called Beijing Tuda Science and Technology Company Limited. The registration number is 110108008398900.

(Pledgor and Pledgee individually, a “Party”; collectively, the “Parties”).

WHEREAS

4. The Pledgor is a Chinese citizen in the PRC, holding 1.5334% equity interests of Beijing Tuda Science and Technology Company Limited (the “Company”) as of the date hereof, pledged equity interests are RMB15.334 thousand per ten thousand shares. The Company is a limited liability company registered in Beijing, the PRC, engaged in the Internet-based value-added telecommunications services. Party B will cause the Company to confirm the rights and obligations of the Pledgor and the Pledgee under this Contract and to provide necessary assistance for the registration of such pledge.

5. The Pledgee is a limited liability company registered in Beijing. The Pledgee, the Pledgor and/or the Company entered into a series of legal documents, including an Exclusive Business Cooperation Agreement, which are made for the purpose of formation of the Pledgee’s control over the Company (“Controlling Agreements”).

6. The Pledgor agrees to pledge all of its equity interests in the Company to the Pledgee as security for the performance of the obligations hereunder by Party B and/or the Company.

NOW, THEREFORE, the Parties agree as follows through friendly negotiations:

1. Definitions

Unless otherwise required in the context, in this Contract:

1.1 **Pledge** means the secured property rights granted to the Pledgee by the Pledgor in accordance with Section 2 of this Contract, i.e., the right of the Pledgee to be compensated at first priority with respect to the price of sale or disposal of such equity interests pledged to the Pledgee by the Pledgor.

1.2 **Equity Interests** mean any and all equity interests duly owned by the Pledgor in the Company now and in the future.

1.3 **Pledged Equity Interests** mean any and all equity interests duly owned by the Pledgor in the Company, to be pledged by the Pledgor.

1.4 **Pledge Term** means the period as specified in Section 3 of this Contract.

1.5 **Major Contracts** mean the agreements listed in Appendix 1 hereto, including a series of Controlling Agreements by and among the Pledgor and/or the Company and the Pledgee, such as the Exclusive Business Cooperation Agreement.

1.6 An **Breaching Event** means any event listed in Section 7 hereof.

1.7 **Default Notice** means the notice given by the Pledgee regarding the Breaching Event in accordance with this Contract.

2. Pledge

The Pledgor hereby pledges any and all equity interests of the Company owned by it now and in the future as security for its timely and complete performance of the Pledgor’s obligations to discharge of liabilities, other monetary payments, as well as all other obligations under the Major Contracts, no matter the monetary payment obligation becomes due and payable as a result of its maturity, demand of earlier collection or any other reasons.

3. Pledge Term

3.1 This Pledge becomes effective immediately after the equity interests pledged hereunder is recorded on the share register of the Company, and remains valid until Party B is no longer authorized as shareholder of the Company. Each Party agrees that the Pledgor shall record the equity interests pledge under this Contract on the share register of the Company within three (3) business days upon the execution hereof.

3.2 During the Pledge Term, if Party B fails to perform the obligations in accordance with the provisions of the Major Contracts, the Pledgee is entitled, however not obligated, to dispose the Pledged Equity Interests pursuant to law and this Contract.

4. Custody of Pledge Certificate

4.1 During the Pledge Term, the Pledgor shall deliver its capital contribution certificate and the share register of the Company in which the pledge is recorded to the custody of the Pledgee. The Pledgor shall deliver the abovementioned capital contribution certificate and the share register of the Company in which the pledge is recorded to the Pledgee within one (1) week upon the execution of this Contract. And the Pledgee shall remain the custodian of such documents throughout the whole Pledge Term as mentioned herein.

4.2 During the Pledge Term, the Pledgee has the right to collect the dividends arising from the Equity Interests.

5. Pledgor's Representations and Warranties

5.1 The Pledgor is the only legal owner of the Equity Interests.

5.2 The Pledgee has the right to dispose or transfer the Equity Interests according to the ways as described in this Contract.

5.3 The Pledgor has not created any other pledge or other security interest over the Equity Interests, except for this Pledge.

6. Pledgor's Undertakings and Confirmation

6.1 During the term of this Contract, the Pledgor undertakes to the Pledgee that:

6.1.1 Without prior written consent of the Pledgee, the Pledgor may not transfer the Equity Interests, or create or allow the creation of any new pledge or any other encumbrances upon the Equity Interests, except for the purpose of performance of the Major Contracts;

6.1.2 The Pledgor will abide by the provisions of all laws and regulations related to the Pledge, and upon receiving any notice, order or direction given or formulated by any competent authority with respect to the Pledge, will the Pledgor notify the Pledgee of such notice, order or direction within five (5) days upon the receipt thereof, and at same comply with such notice, order or direction, or submit any dissenting opinions and statements at the request of the Pledgee or with the consent of the Pledgee;

6.1.3 The Pledgor will immediately notify the Pledgee of any event or notice received which may possibly affect the Equity Interests of the Pledgee or any part of the Plegee's rights, and any other event or received notice which may possibly change the warrants and obligations of the Pledgor under this Contract, or the performance of obligations hereunder by the Pledgor.

6.2 The Pledgor agrees that, the rights granted to the Pledgee regarding the Pledge in accordance with this Contract shall not be interrupted or impaired by any legal proceedings initiated by the Pledgor, its successors, its authorized persons, or any other person.

6.3 The Pledgor warrants to the Pledgee that, for safeguarding or consummating the guaranty regarding the transfer of earnings under the Major Contracts in accordance with this Contract, the Pledgor will faithfully sign, or cause the other party materially related to the Pledge to sign, all the right certificates or instruments as required by the Pledgee, and/or take, or cause the other party materially related to the Pledge to take, any acts as required by the Pledgee, facilitate the exercise of rights and authorizations granted to the Pledgee hereunder, enter into any documents related to the ownership of the Equity Interests with the Pledges or its designated persons (natural person/legal person), and provide to the Pledgee any and all notices, orders and decisions relating to the Pledge as deemed necessary by the Pledgee within the reasonable period.

6.4 The Pledgor warrants to the Pledgee that, the Pledgor will abide by and perform all the warrants, undertakings, agreements, representations and conditions under this Contract, and the Pledgor will indemnify the Pledgee of all losses incurred that is caused by the failure in or partial failure in the performance of such warrants, undertakings, agreements, representations or conditions by the Pledgor.

7. Breaching Event

7.1 Any of the following is deemed as an Breaching Event:

7.1.1 Party B fails to transfer the earnings under the Major Contracts in full and according to the timeline, or commits any act in violation of the Major Contracts and this Contract;

7.1.2 Any of representations or warrants made by the Pledgor in Section 5 hereof is materially misleading or wrong, and/or, the Pledgor breaches any of the representations or warrants made by the Pledgor in Section 5 hereof;

7.1.3 The Pledgor fails to record the Pledge on the share register of the Company in accordance with Clause 3.1;

7.1.4 The Pledgor breaches any provision of this Contract;

7.1.5 Except for the circumstance agreed to in Clause 6.1.1, the Pledgor waives the Pledged Equity Interests, or transfers or intends to transfer the Pledged Equity Interests without the prior written consent of the Pledgee;

7.1.6 Any external borrowings, guaranties, indemnification, undertakings or any other liabilities of the Pledgor (1) shall be repaid or performed earlier due to its default; or (2) cannot be repaid or performed when due;

7.1.7 Any or all consents, permits, approvals or authorizations from the governmental authorities necessary for the enforceability, legality or validity of this Contract, are revoked, suspended, invalidated, or materially changed;

7.1.8 Promulgation of application laws makes this Contract becomes illegal, or the Pledgor cannot continue the performance of its obligations hereunder;

7.1.9 Any adverse change to assets owned by the Pledgor makes the Pledgee to believe that the ability of the Pledgor to perform its obligations hereunder has been affected;

7.1.10 Any other circumstance which makes the Pledgee unable or possibly unable to dispose the Pledge in accordance with applicable laws.

7.2 The Pledgor shall immediately notify the Pledgee in writing of the occurrence of any event mentioned in Clause 7.1 or any event which may cause the occurrence of any abovementioned event.

7.3 Unless any of the abovementioned Breaching Event has been resolved to the satisfaction of the Pledgee, the Pledgee is entitled to give a written Default Notice to the Pledgor anytime upon or following the occurrence of any Breaching Event of the Pledgor, requiring the Pledgee to dispose the Pledge in accordance with Section 8 of this Contract.

8. Exercise of Pledge

8.1 The Pledgor should not transfer any of the Equity Interests of the Company owned by it before the liabilities are discharged and all other material obligations are performed under the Major Contracts.

8.2 The Pledgee may give a Default Notice to the Pledgor when exercising the Pledge.

8.3 Subject to Clause 7.3, the Pledgee may exercise the right to dispose the Pledge at the same time or at anytime after the Pledgee gives the Default Notice in accordance with Clause 7.2. The Pledgor no longer owns any right or benefit in relation to the Equity Interests once the Pledgee decides to exercise the right to dispose the Pledge.

8.4 As of the occurrence of any Breaching Event, the Pledgee is entitled to dispose the Pledged Equity Interests according to legal procedure, to the extent allowed by laws and in accordance with applicable laws, and does not need to distribute any of the proceedings of such disposal to the Pledgor; the Pledgor hereby waives the contingent right to require for distribution from the Pledgee of any proceedings of such disposal. Similarly, the Pledgor should not be held liable for any losses which the Pledgee may incur by following the disposal of the Pledged Equity Interests.

8.5 As the Pledgee disposes the Pledge in accordance with this Contract, the Pledgor and the Company shall provide assistance necessary for the realization of the Pledge by the Pledgee.

9. Transfer

9.1 Unless with the prior consent of the Pledgee, the Pledgor has no right to grant or transfer any of its rights and obligations hereunder.

9.2 This Contract shall be binding upon the Pledgor and its successors and permitted assigns, and inure to the benefit of the Pledgee and its successors and permitted assigns.

9.3 The Pledgee has the right to, at anytime, transfer any of its rights and obligations under the business cooperation agreement to its designated person (natural person/legal person), and under such circumstance, the assigns shall enjoy and assume the same rights and obligations same to which the Pledgee enjoys and assumes under this Contract, as if the assigns is the original party to the Contract. When the Pledgee transfers any of its rights and obligations under the business cooperation agreement, the Pledgor shall sign any necessary agreement and/or instruments at the request of the Pledgee.

9.4 After the Pledgee changes upon the transfer, the Pledgor shall enter into a new pledge contract containing the content substantially same to this Contract with the new pledgee.

9.5 The Pledgor shall strictly comply with the provisions of this Contract and any other contract entered into with any other party or parties, perform the obligations under this Contract and other contracts, and should not take any action/non-action which may substantially affect the validity and enforceability of the abovementioned contracts. Unless with the written direction of the Pledgee, the Pledgor should not exercise its remaining rights regarding the Pledged Equity Interests.

10. Termination

This Contract terminates once the transfer of the proceedings arising from the Major Contracts is completed, and the Pledgor no longer assumes any obligations under the Major Contracts and is no longer authorized as shareholder of the Company. And the Pledgee shall cancel or revoke this Contract as soon as practical upon the termination of this Contract.

11. Costs and Expenses

Any and all costs and expenses actually incurred in connection with this Contract, including but not limited to legal expenses, costs, stamp duty, as well as any other taxes and fees, will be fully borne by Party A.

12. Confidentiality

Each Party recognizes and confirms this Contract, the content of this Contract, and any and all oral and written information exchanged among them for the preparation and performance of this Contract shall be deemed as confidential information. Each Party shall hold in confidence all such confidential information, and without the written consent from the other Parties, should not disclose any confidential information to any third party, provided that, confidential information shall not include information that (a) is or becomes available to the public other than as a result of disclosure by the receiving Party in violation of this Contract, or (b) any information which must be disclosed pursuant to laws and regulations, stock trading rules, or as required by order or decree of governmental authorities or courts; or (c) any information disclosed by either Party to its shareholders, investors, legal or financial advisors in relation to the transactions contemplated herein, who are bound by confidentiality obligation similar to this provision. Any disclosure of confidential information by the professionals or institutions engaged by either Party shall be deemed as the disclosure by such Party, and such Party shall be held liable for breach. This provision shall survive the termination of this Contract for any reason.

13. Applicable Law and Dispute Resolution

The formation of this Contract, its validity, interpretation, performance, change, and termination of this Contract, and the settlement of any dispute between the Parties, shall be governed by and construed in accordance with the laws of the PRC.

The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Contract through friendly consultations. If a dispute is not resolved through friendly consultations within 30 days from the date a Party gives the other Party written notice of the dispute, then each Party may submit the dispute to China International Economic and Trade Arbitration Commission ("CIETAC") for arbitration in accordance with then effective arbitration rules. The arbitration shall be conducted in Beijing in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

In the event of any dispute arising from the interpretation or performance of this Contract, and in the course of the arbitration of any dispute, each Party shall continue the performance of its rights and obligations hereunder excepted for those disputed ones.

14. Notices

All the notices and other communications required by or sent pursuant to this Contract shall be delivered to the following address of each Party in person, by registered mail, prepaid post, or commercial courier services, or facsimile. Each notice shall be confirmed with a respective email. Delivery shall be deemed to have occurred:

the same day (local time at the recipient's place of business) on which delivery is made by personal delivery, or by courier services, registered mail, or prepaid post, or delivery is refused; or

the day of delivery being successfully made, if by facsimile (certified by the automatically generated transmission confirmation).

Each Party's address for purpose of notice is as follows:

Pledgee: **Duowan Entertainment Information Technology (Beijing) Company Limited**
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing
Attention: Xueling Li
Facsimile:

Pledgor: **Bin Zhao**
Address: No.501, Door 2, Suite 6, Jiefang East yard, 55 Dongxi, Luoyang, He'nan Province
Facsimile:

Each Party may at anytime change its address for receiving notices by giving a notice to the other Parties in accordance with this clause.

15. Severability

If any single or multiple provisions hereof are judged invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality and enforceability of the remaining provisions of this Contract shall not be affected in any aspect. The Parties shall in good faith, endeavor to use valid provisions to the extent allowed by laws and reflecting the intensions of all the Parties, to replace those invalid, illegal or unenforceable provisions, provided that, the economic effects achieved by such valid provisions shall be similar to the economic effects achieved by those invalid, illegal or unenforceable provisions.

16. Appendices

The appendix hereto is an integral part of this Contract.

17. Effectiveness

Any amendment, supplement or change to this Contract shall be made in writing, and can only become effective with the signatures or seals of the Parties and registration with governmental authorities in accordance with applicable rules (if applicable).

[Signature page]

IN WITNESS WHEREOF, the Parties hereto have caused this Equity Pledge Contract to be executed by their duly authorized representatives as of the date first above written.

Party A: Duowan Entertainment Information Technology (Beijing) Company Limited

By Authorized Representative: (Seal)
Date:

Party B: Bin Zhao

By: /s/ Bin Zhao
Date:

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Appendix 1

List of Major Contracts

1. Exclusive Business Cooperation Agreement, dated December 3, 2009, by and between Duowan Entertainment Information Technology (Beijing) Company Limited and Beijing Tuda Science and Technology Company Limited.
2. Exclusive Preemptive Right Contract, dated May 27, 2011, by and among Duowan Entertainment Information Technology (Beijing) Company Limited, Bin Zhao and Beijing Tuda Science and Technology Company Limited.
3. Exclusive Technology Support and Technology Services Agreement, dated December 3, 2009, by and between Duowan Entertainment Information Technology (Beijing) Company Limited and Beijing Tuda Science and Technology Company Limited.
4. Power of Attorney, dated May 27, 2011, signed by Bin Zhao

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Equity Interest Pledge Agreement

This Equity Interest Pledge Agreement (this “Contract”), dated July 1, 2011, is made in the People’s Republic of China (the “PRC”), by and between:

Party A: **Duowan Entertainment Information Technology (Beijing) Company Limited (“Pledgee”)**
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing

Party B: **Jin Cao (“Pledgor”)**
Address:

The Pledged equity interest is about the company called Beijing Tuda Science and Technology Company Limited. The registration number is 110108008398900.

(Pledgor and Pledgee individually, a “Party”; collectively, the “Parties”).

WHEREAS

1. The Pledgor is a Chinese citizen in the PRC, holding 0.7666% equity interests of Beijing Tuda Technology Co., Ltd. (the “Company”) as of the date hereof, pledged equity interests of RMB7.666 thousand per ten thousand shares. The Company is a limited liability company registered in Beijing, the PRC, engaged in the Internet-based value-added telecommunications services. Party B will cause the Company to confirm the rights and obligations of the Pledgor and the Pledgee under this Contract and to provide necessary assistance for the registration of such pledge.

2. The Pledgee is a limited liability company registered in Beijing. The Pledgee, the Pledgor and/or the Company entered into a series of legal documents, including an Exclusive Business Cooperation Agreement, which are made for the purpose of formation of the Pledgee’s control over the Company (“Controlling Agreements”).

3. The Pledgor agrees to pledge all of its equity interests in the Company to the Pledgee as security for the performance of the obligations hereunder by Party B and/or the Company.

NOW, THEREFORE, the Parties agree as follows through friendly negotiations:

1. Definitions

Unless otherwise required in the context, in this Contract:

1.1 **Pledge** means the secured property rights granted to the Pledgee by the Pledgor in accordance with Section 2 of this Contract, i.e., the right of the Pledgee to be compensated at first priority with respect to the price of sale or disposal of such equity interests pledged to the Pledgee by the Pledgor.

1.2 **Equity Interests** mean any and all equity interests duly owned by the Pledgor in the Company now and in the future.

1.3 **Pledged Equity Interests** mean any and all equity interests duly owned by the Pledgor in the Company, to be pledged by the Pledgor.

1.4 **Pledge Term** means the period as specified in Section 3 of this Contract.

1.5 **Major Contracts** mean the agreements listed in Appendix 1 hereto, including a series of Controlling Agreements by and among the Pledgor and/or the Company and the Pledgee, such as the Exclusive Business Cooperation Agreement.

1.6 An **Breaching Event** means any event listed in Section 7 hereof.

1.7 **Default Notice** means the notice given by the Pledgee regarding the Breaching Event in accordance with this Contract.

2. Pledge

The Pledgor hereby pledges any and all equity interests of the Company owned by it now and in the future as security for its timely and complete performance of the Pledgor's obligations to discharge of liabilities, other monetary payments, as well as all other obligations under the Major Contracts, no matter the monetary payment obligation becomes due and payable as a result of its maturity, demand of earlier collection or any other reasons.

3. Pledge Term

3.1 This Pledge becomes effective immediately after the equity interests pledged hereunder is recorded on the share register of the Company, and remains valid until Party B is no longer authorized as shareholder of the Company. Each Party agrees that the Pledgor shall record the equity interests pledge under this Contract on the share register of the Company within three (3) business days upon the execution hereof.

3.2 During the Pledge Term, if Party B fails to perform the obligations in accordance with the provisions of the Major Contracts, the Pledgee is entitled, however not obligated, to dispose the Pledged Equity Interests pursuant to law and this Contract.

4. Custody of Pledge Certificate

4.1 During the Pledge Term, the Pledgor shall deliver its capital contribution certificate and the share register of the Company in which the pledge is recorded to the custody of the Pledgee. The Pledgor shall deliver the abovementioned capital contribution certificate and the share register of the Company in which the pledge is recorded to the Pledgee within one (1) week upon the execution of this Contract. And the Pledgee shall remain the custodian of such documents throughout the whole Pledge Term as mentioned herein.

4.2 During the Pledge Term, the Pledgee has the right to collect the dividends arising from the Equity Interests.

5. Pledgor's Representations and Warranties

5.1 The Pledgor is the only legal owner of the Equity Interests.

5.2 The Pledgee has the right to dispose or transfer the Equity Interests according to the ways as described in this Contract.

5.3 The Pledgor has not created any other pledge or other security interest over the Equity Interests, except for this Pledge.

6. Pledgor's Undertakings and Confirmation

6.1 During the term of this Contract, the Pledgor undertakes to the Pledgee that:

6.1.1 Without prior written consent of the Pledgee, the Pledgor may not transfer the Equity Interests, or create or allow the creation of any new pledge or any other encumbrances upon the Equity Interests, except for the purpose of performance of the Major Contracts;

6.1.2 The Pledgor will abide by the provisions of all laws and regulations related to the Pledge, and upon receiving any notice, order or direction given or formulated by any competent authority with respect to the Pledge, the Pledgor will notify the Pledgee of such notice, order or direction within five (5) days upon the receipt thereof, and at same comply with such notice, order or direction, or submit any dissenting opinions and statements at the request of the Pledgee or with the consent of the Pledgee;

6.1.3 The Pledgor will immediately notify the Pledgee of any event or notice received which may possibly affect the Equity Interests of the Pledgee or any part of the Plegee's rights, and any other event or received notice which may possibly change the warrants and obligations of the Pledgor under this Contract, or the performance of obligations hereunder by the Pledgor.

6.2 The Pledgor agrees that, the rights granted to the Pledgee regarding the Pledge in accordance with this Contract shall not be interrupted or impaired by any legal proceedings initiated by the Pledgor, its successors, its authorized persons, or any other person.

6.3 The Pledgor warrants to the Pledgee that, for safeguarding or consummating the guaranty regarding the transfer of earnings under the Major Contracts in accordance with this Contract, the Pledgor will faithfully sign, or cause the other party materially related to the Pledge to sign, all the right certificates or instruments as required by the Pledgee, and/or take, or cause the other party materially related to the Pledge to take, any acts as required by the Pledgee, facilitate the exercise of rights and authorizations granted to the Pledgee hereunder, enter into any documents related to the ownership of the Equity Interests with the Pledges or its designated persons (natural person/legal person), and provide to the Pledgee any and all notices, orders and decisions relating to the Pledge as deemed necessary by the Pledgee within the reasonable period.

6.4 The Pledgor warrants to the Pledgee that, the Pledgor will abide by and perform all the warrants, undertakings, agreements, representations and conditions under this Contract, and the Pledgor will indemnify the Pledgee of all losses incurred that is caused by the failure in or partial failure in the performance of such warrants, undertakings, agreements, representations or conditions by the Pledgor.

7. Breaching Event

7.1 Any of the following is deemed as an Breaching Event:

7.1.1 Party B fails to transfer the earnings under the Major Contracts in full and according to the timeline, or commits any act in violation of the Major Contracts and this Contract;

7.1.2 Any of representations or warrants made by the Pledgor in Section 5 hereof is materially misleading or wrong, and/or, the Pledgor breaches any of the representations or warrants made by the Pledgor in Section 5 hereof;

7.1.3 The Pledgor fails to record the Pledge on the share register of the Company in accordance with Clause 3.1;

7.1.4 The Pledgor breaches any provision of this Contract;

7.1.5 Except for the circumstance agreed to in Clause 6.1.1, the Pledgor waives the Pledged Equity Interests, or transfers or intends to transfer the Pledged Equity Interests without the prior written consent of the Pledgee;

7.1.6 Any external borrowings, guaranties, indemnification, undertakings or any other liabilities of the Pledgor (1) shall be repaid or performed earlier due to its default; or (2) cannot be repaid or performed when due;

7.1.7 Any or all consents, permits, approvals or authorizations from the governmental authorities necessary for the enforceability, legality or validity of this Contract, are revoked, suspended, invalidated, or materially changed;

7.1.8 Promulgation of application laws makes this Contract becomes illegal, or the Pledgor cannot continue the performance of its obligations hereunder;

7.1.9 Any adverse change to assets owned by the Pledgor makes the Pledgee to believe that the ability of the Pledgor to perform its obligations hereunder has been affected;

7.1.10 Any other circumstance which makes the Pledgee unable or possibly unable to dispose the Pledge in accordance with applicable laws.

7.2 The Pledgor shall immediately notify the Pledgee in writing of the occurrence of any event mentioned in Clause 7.1 or any event which may cause the occurrence of any abovementioned event.

7.3 Unless any of the abovementioned Breaching Event has been resolved to the satisfaction of the Pledgee, the Pledgee is entitled to give a written Default Notice to the Pledgor anytime upon or following the occurrence of any Breaching Event of the Pledgor, requiring the Pledgee to dispose the Pledge in accordance with Section 8 of this Contract.

8. Exercise of Pledge

8.1 The Pledgor should not transfer any of the Equity Interests of the Company owned by it before the liabilities are discharged and all other material obligations are performed under the Major Contracts.

8.2 The Pledgee may give a Default Notice to the Pledgor when exercising the Pledge.

8.3 Subject to Clause 7.3, the Pledgee may exercise the right to dispose the Pledge at the same time or at anytime after the Pledgee gives the Default Notice in accordance with Clause 7.2. The Pledgor no longer owns any right or benefit in relation to the Equity Interests once the Pledgee decides to exercise the right to dispose the Pledge.

8.4 As of the occurrence of any Breaching Event, the Pledgee is entitled to dispose the Pledged Equity Interests according to legal procedure, to the extent allowed by laws and in accordance with applicable laws, and does not need to distribute any of the proceedings of such disposal to the Pledgor; the Pledgor hereby waives the contingent right to require for distribution from the Pledgee of any proceedings of such disposal. Similarly, the Pledgor should not be held liable for any losses which the Pledgee may incur by following the disposal of the Pledged Equity Interests.

8.5 As the Pledgee disposes the Pledge in accordance with this Contract, the Pledgor and the Company shall provide assistance necessary for the realization of the Pledge by the Pledgee.

9. Transfer

9.1 Unless with the prior consent of the Pledgee, the Pledgor has no right to grant or transfer any of its rights and obligations hereunder.

9.2 This Contract shall be binding upon the Pledgor and its successors and permitted assigns, and inure to the benefit of the Pledgee and its successors and permitted assigns.

9.3 The Pledgee has the right to, at anytime, transfer any of its rights and obligations under the business cooperation agreement to its designated person (natural person/legal person), and under such circumstance, the assigns shall enjoy and assume the same rights and obligations same to which the Pledgee enjoys and assumes under this Contract, as if the assigns is the original party to the Contract. When the Pledgee transfers any of its rights and obligations under the business cooperation agreement, the Pledgor shall sign any necessary agreement and/or instruments at the request of the Pledgee.

9.4 After the Pledgee changes upon the transfer, the Pledgor shall enter into a new pledge contract containing the content substantially same to this Contract with the new pledgee.

9.5 The Pledgor shall strictly comply with the provisions of this Contract and any other contract entered into with any other party or parties, perform the obligations under this Contract and other contracts, and should not take any action/non-action which may substantially affect the validity and enforceability of the abovementioned contracts. Unless with the written direction of the Pledgee, the Pledgor should not exercise its remaining rights regarding the Pledged Equity Interests.

10. Termination

This Contract terminates once the transfer of the proceedings arising from the Major Contracts is completed, and the Pledgor no longer assumes any obligations under the Major Contracts and is no longer authorized as shareholder of the Company. And the Pledgee shall cancel or revoke this Contract as soon as practical upon the termination of this Contract.

11. Costs and Expenses

Any and all costs and expenses actually incurred in connection with this Contract, including but not limited to legal expenses, costs, stamp duty, as well as any other taxes and fees, will be fully borne by Party A.

12. Confidentiality

Each Party recognizes and confirms this Contract, the content of this Contract, and any and all oral and written information exchanged among them for the preparation and performance of this Contract shall be deemed as confidential information. Each Party shall hold in confidence all such confidential information, and without the written consent from the other Parties, should not disclose any confidential information to any third party, provided that, confidential information shall not include information that (a) is or becomes available to the public other than as a result of disclosure by the receiving Party in violation of this Contract, or (b) any information which must be disclosed pursuant to laws and regulations, stock trading rules, or as required by order or decree of governmental authorities or courts; or (c) any information disclosed by either Party to its shareholders, investors, legal or financial advisors in relation to the transactions contemplated herein, who are bound by confidentiality obligation similar to this provision. Any disclosure of confidential information by the professionals or institutions engaged by either Party shall be deemed as the disclosure by such Party, and such Party shall be held liable for breach. This provision shall survive the termination of this Contract for any reason.

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13. Applicable Law and Dispute Resolution

The formation of this Contract, its validity, interpretation, performance, change, and termination of this Contract, and the settlement of any dispute between the Parties, shall be governed by and construed in accordance with the laws of the PRC.

The Parties will firstly attempt in good faith to resolve any and all disputes arising out of or relating to this Contract through friendly consultations. If a dispute is not resolved through friendly consultations within 30 days from the date a Party gives the other Party written notice of the dispute, then each Party may submit the dispute to China International Economic and Trade Arbitration Commission ("CIETAC") for arbitration in accordance with then effective arbitration rules. The arbitration shall be conducted in Beijing in Chinese. The award of the arbitration tribunal shall be final and binding upon the Parties.

In the event of any dispute arising from the interpretation or performance of this Contract, and in the course of the arbitration of any dispute, each Party shall continue the performance of its rights and obligations hereunder excepted for those disputed ones.

14. Notices

All the notices and other communications required by or sent pursuant to this Contract shall be delivered to the following address of each Party in person, by registered mail, prepaid post, or commercial courier services, or facsimile. Each notice shall be confirmed with a respective email. Delivery shall be deemed to have occurred:

the same day (local time at the recipient's place of business) on which delivery is made by personal delivery, or by courier services, registered mail, or prepaid post, or

delivery is refused; or the day of delivery being successfully made, if by facsimile (certified by the automatically generated transmission confirmation).

Each Party's address for purpose of notice is as follows:

Pledgee: **Duowan Entertainment Information Technology (Beijing) Company Limited**
Address: Suite B1507, Huizhi Plaza, 9 Xueqing Road, Haidian District, Beijing
Attention: Xueling Li
Facsimile:

Pledgor: **Jin Cao**
Address: 6-1-301, Guanjingli, Hongqi South Road, Nankai District, Tianjin
Facsimile:

Each Party may at anytime change its address for receiving notices by giving a notice to the other Parties in accordance with this clause.

15. Severability

If any single or multiple provisions hereof are judged invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality and enforceability of the remaining provisions of this Contract shall not be affected in any aspect. The Parties shall in good faith, endeavor to use valid provisions to the extent allowed by laws and reflecting the intensions of all the Parties, to replace those invalid, illegal or unenforceable provisions, provided that, the economic effects achieved by such valid provisions shall be similar to the economic effects achieved by those invalid, illegal or unenforceable provisions.

16. Appendices

The appendix hereto is an integral part of this Contract.

17. Effectiveness

Any amendment, supplement or change to this Contract shall be made in writing, and can only become effective with the signatures or seals of the Parties and registration with governmental authorities in accordance with applicable rules (if applicable).

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[Signature page]

IN WITNESS WHEREOF, the Parties hereto have caused this Equity Pledge Contract to be executed by their duly authorized representatives as of the date first above written.

Party A: Duowan Entertainment Information Technology (Beijing) Company Limited
By Authorized Representative: (Seal)
Date:

Party B: Jin Cao

By: /s/ Jin Cao
Date:

Appendix 1

List of Major Contracts

1. Exclusive Business Cooperation Agreement, dated December 3, 2009, by and between Duowan Entertainment Information Technology (Beijing) Company Limited and Beijing Tuda Science and Technology Company Limited.
2. Exclusive Preemptive Right Contract, dated May 27, 2011, by and among Duowan Entertainment Information Technology (Beijing) Company Limited, Jin Cao and Beijing Tuda Science and Technology Company Limited.
3. Exclusive Technology Support and Technology Services Agreement, dated December 3, 2009, by and between Duowan Entertainment Information Technology (Beijing) Company Limited and Beijing Tuda Science and Technology Company Limited.
4. Power of Attorney, dated May 27, 2011, signed by Jin Cao.

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Exhibit 10.24

Consent Letter

Xueling Li, Bin Zhao and Jin Cao (the “Pledgor”) have entered into an Equity Interest Pledge Agreement (the “Agreement”), respectively, with Duowan Entertainment Information Technology (Beijing) Company Limited (the “Beijing Duowan”) on July 1, 2011, to pledge their respective equity interests in Beijing Tuda Science and Technology Company Limited (the “Beijing Tuda”) to Beijing Duowan. Pledgors have reached irrevocable agreement:

1. Beijing Duowan and Beijing Tuda entered into a confirmation letter to the Exclusive Business Cooperation Agreement on November 10, 2011.

2. Beijing Duowan and Beijing Tuda entered into a Supplementary Agreement to the Exclusive Business Cooperation Agreement on November 10, 2011.

3. Beijing Duowan and Beijing Tuda entered into a confirmation letter to the Exclusive Technology Support and Technology Services Agreement on November 10, 2011.

4. Beijing Duowan and Beijing Tuda entered into a Supplementary Agreement to the Exclusive Technology Support and Technology Services Agreement on November 10, 2011.

5. The confirmation letters and supplementary agreements above shall not affect the effect of the Agreement. Pledgors shall continue to comply with and perform the obligations in their respective Agreements.

Xueling Li

Signature: /s/ Xueling Li

Bin Zhao

Signature: /s/ Bin Zhao

Jin Cao
Signature: /s/ Jin Cao

Date: November 10, 2011

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Exhibit 99.2

深圳市福田区益田路 6003 号荣超中心 A 座 10 楼 邮政编码: 518026
10/F, Tower A, Rongchao Center, 6003 Yitian Road, Futian District, Shenzhen, 518026, People's Republic of China
电话/ Tel: (86755) 3325-6666 传真/ Fax: (86755) 3320-6888/6889
网址 http://www.zhonglun.com

To: YY Inc.
Building 3-08 Yangcheng Creative Industry Zone
No.309 Huangpu Avenue Middle
Tianhe District
Guangzhou 510655
P.R.C

[ ], 2012

Dear Sirs/Madam

YY INC.

We are lawyers qualified in the People's Republic of China (the "**PRC**", which, for the purpose of this opinion, exclude the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan) and are qualified to issue an opinion on PRC Laws (as defined below).

We are acting as PRC legal counsel to YY Inc. (the "**Company**") solely in connection with (A) the Company's registration statement on Form F-1 including all amendments or supplements thereto (the "**Registration Statement**") filed with the Securities and Exchange Commission (the "**SEC**") under the U.S. Securities Act of 1933, as amended, on , 2012, relating to the initial public offering by the Company of a certain number of the Company's American depositary shares ("**ADSs**"), each representing a certain number of class A common shares of par value US$0.00001 per share of the Company, and (B) the proposed listing and trading of the Company's ADSs on the Nasdaq Global Market (the "**Offering**").

This legal opinion (the "**Opinion**") is furnished pursuant to the instructions of the Company regarding certain PRC legal matters, and is delivered to the Company solely for the purposes of the Offering.

The following terms as used in this Opinion are defined as follows:

“Beijing Tuda” means Beijing Tuda Science and Technology Company Limited (北京途达科技有限责任公司) ..

“Control Agreements” means each of the contractual agreements and documents listed in Annex 3 hereto.

“CSRC” means China Securities Regulatory Commission.

“Government Agency” means any competent government authorities, courts, arbitration commissions, or regulatory bodies of the PRC.

“Governmental Authorization” means any approval, consent, permit, authorization, filing, registration, exemption, waiver, endorsement, annual inspection, qualification and license required by the applicable PRC Laws to be obtained from any Government Agency.

“Guangzhou Huaduo” means Guangzhou Huaduo Network Technology Company Limited (广州华多网络科技有限公司). ..

“Huanju Shidai” means Huanju Shidai Technology (Beijing) Company Limited (欢聚时代科技（北京）有限公司), formerly known as “Duowan Entertainment Information Technology (Beijing) Company Limited” (多玩娱乐信息技术（北京）有限公司) ..

“M&A Rules” means the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors issued by the PRC Ministry of Commerce, the State Assets Supervision and Administration Commission, the State Administration for Taxation, the State Administration for Industry and Commerce, the CSRC, and the State Administration of Foreign Exchange on August 8, 2006, which became effective on September 8, 2006 and was further amended on June 22, 2009.

“Material Adverse Effect” means any event, circumstance, condition, occurrence or situation or any combination of the foregoing that has or could be reasonably expected to have a material and adverse effect upon the conditions (financial or otherwise), business, properties or results of operations or prospects of the Company and the PRC Companies taken as a whole.

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"PRC Affiliated Entities"	means the PRC affiliated entities listed in Annex 2 attached hereto; and a "PRC Affiliated Entity" shall be construed accordingly.
"PRC Laws"	means any and all laws, regulations, statutes, rules, decrees, notices, and supreme court's judicial interpretations currently in force and publicly available in the PRC as of the date hereof.
"PRC Companies"	means, collectively, the PRC Subsidiaries and the PRC Affiliated Entities.
"PRC Subsidiaries"	means the PRC subsidiaries of the Company listed in Annex 1 attached hereto and a "PRC Subsidiary" shall be construed accordingly.

Capitalized terms used herein and not otherwise defined herein shall have the same meanings described in the Registration Statement.

For the purpose of rendering this Opinion, we have reviewed the Registration Statement, the originals or copies, certified or otherwise identified to our satisfaction, of the documents provided to us by the Company and the PRC Companies and such other documents, corporate records, certificates, Governmental Authorizations and other instruments as we have deemed necessary or advisable for purposes of this Opinion (collectively, the "**Documents**").

In reviewing the Documents and for the purpose of this Opinion, we have assumed the accuracy of the factual matters described in the Registration Statement and that the Registration Statement and other documents will be executed by the parties in the forms provided to and reviewed by us. We have further assumed without further inquiry: (a) the genuineness of all the signatures, seals and chops contained therein; (b) the authenticity and completeness of the Documents submitted to us as originals and the conformity with the originals of the Documents provided to us as copies and the authenticity and completeness of such originals; (c) the truthfulness, accuracy, completeness and fairness of all Documents, as well as the factual statements contained in such Documents; (d) that the Documents provided to us remain in full force and effect up to the date of this Opinion and have not been revoked, amended, varied or supplemented except as otherwise indicated in such Documents; (e) that all information provided to us by the Company and the PRC Companies in response to our enquiries for the purpose of this Opinion is true, accurate, complete and not misleading, and that the Company and the PRC Companies have not withheld anything that, if disclosed to us, would reasonably cause us to alter this Opinion in whole or in part; (f) that all parties other than the PRC Companies have the requisite capacity, necessary power, authority and legal right to enter into, execute, deliver and perform the Documents to which they are parties; (g) that all parties other than the PRC Companies have duly executed, delivered and performed the Documents to which they are parties, and all parties will duly perform their obligations under the Documents to which they are parties; (h) that all Governmental Authorizations and other official statement or documentation are obtained from competent PRC Governmental Agencies by lawful means in due course; and (i) that each Document which is governed by the laws of any jurisdiction other than the PRC is legal, valid and enforceable in any aspects under the respective governing law.

This Opinion relates to the PRC Law as it exists and is interpreted at the date of this Opinion. We do not purport to be experts on or generally familiar with or qualified to express legal opinion based on the laws of any jurisdiction other than the PRC. Accordingly we express no opinion as to the laws of any other jurisdiction and none is to be implied.

Based on the foregoing and subject to the disclosures contained in the Registration Statement and the qualifications set out below, we are of the opinion that as of the date hereof, so far as PRC Laws are concerned:

(1) *Corporate Structure.* The descriptions of the corporate structure of the PRC Group Companies set forth in “Corporate History and Structure” section of the Prospectus are true and accurate and nothing has been omitted from such description which would make the same misleading in any material respects.

We have advised the Company that:

(a) Each of the PRC Subsidiaries and the PRC Affiliated Entities has been duly organized and is validly existing as a wholly foreign owned enterprise, or a domestic limited liability company, as the case may be, with full legal person status and limited liability and in good standing under the applicable PRC Laws; and the articles of association and the business license of each of the PRC Subsidiaries and the PRC Affiliated Entities comply with the requirements of applicable PRC Laws, have been approved by or registered with the relevant PRC authorities, as the case may be, and are in full force and effect.

(b) (aa) the Company’s current ownership structure for its business operations, the ownership structure of its PRC Subsidiaries and its PRC Affiliated Entities, the contractual arrangements among its PRC Subsidiaries, its PRC Affiliated Entities and its shareholders, as described in the Prospectus, both currently and after giving effect to the Offering, are in compliance with the existing PRC Laws; and (bb) the contractual arrangements among Huanju Shidai, Guangzhou Huaduo and its shareholders governed by PRC Laws are valid, binding and enforceable, and are in compliance with the existing PRC Laws.

(c) The statements set forth in the Prospectus under the captions “Risk Factors —Risks Relating to Our Corporate Structure and Our Industry — If the PRC government finds that the structure we have adopted for our business operations does not comply with PRC laws and regulations, or if these laws or regulations or interpretations of existing laws or regulations change in the future, we could be subject to severe penalties, including the shutting down of our platform and our business operations.” are fair and accurate summaries of the matters described therein, and nothing has been omitted from such summaries that would make the same misleading in any material respect.

(2) *M&A Rules*. We have advised the Company as to the content of the M&A Rules, in particular the relevant provisions thereof that purport to require offshore special purpose vehicles formed for the purpose of obtaining a stock exchange listing outside of PRC and controlled directly or indirectly by Chinese companies or natural persons, to obtain the approval of the CSRC prior to the listing and trading of their securities on stock exchange located outside of PRC.

We have advised the Company that CSRC approval is not required in the context of the Offering because (A) the CSRC currently has not issued any definitive rule or interpretation concerning whether offerings like the Company's under the Prospectus are subject to the M&A Rules; (B) the Company is not required to submit an application to CSRC for its approval of the listing and trading of its ADSs on the Nasdaq Global Market, considering that (a) its PRC subsidiaries, Huanju Shidai and Zhuhai Duowan Technology, are foreign-invested enterprises established by foreign enterprises, (b) it did not acquire any equity interest or assets of a PRC domestic company owned by PRC companies or individuals as defined under the M&A Rules and (c) there is no provision that clearly classifies the contractual arrangements among its PRC subsidiary, Huanju Shidai, its PRC consolidated affiliated entities and their respective shareholders as a transaction regulated by the M&A Rules.

The statements set forth in the Prospectus under the captions "Risk Factors — Risks Relating to Our ADSs and This Offering — The approval of the China Securities Regulatory Commission may be required in connection with this offering and, if required, we cannot assure you that we will be able to obtain such approval." when taken together with the statements under "Regulation — New M&A Regulations and Overseas Listings," are fair and accurate summaries of the matters described therein, and nothing has been omitted from such summaries that would make the same misleading in any material respect.

(3) *Company Contracts.* Except as disclosed in the Registration Statement, each of the material company contracts governed by PRC Laws (the "Company Contracts"), listed in Annex 4 hereto, has been duly authorized, executed and delivered by the relevant PRC Subsidiary or PRC Affiliated Entity; each such PRC Subsidiary or PRC Affiliated Entity had the corporate power and capacity to enter into and to perform its obligations under such Company Contracts; except as disclosed in the Registration Statement, each of the Company Contracts to which a PRC Subsidiary or PRC Affiliated Entity is a party constitutes a legal, valid and binding obligation of the parties therein, enforceable against the parties therein in accordance with its terms and conditions, subject, as to enforcement, to bankruptcy, insolvency, reorganization and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles, provided that each of the Company Contracts has been duly authorized, executed and delivered by the parties other than the PRC Subsidiaries or the PRC Affiliated Entities.

(3) *Enforceability of Civil Procedures*. We have advised the Company that there is uncertainty as to whether the courts of the PRC would: (i) recognize or enforce judgments of United States courts obtained against the Company or directors or officers of the Company predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States; or (ii) entertain original actions brought in each respective jurisdiction against the Company or directors or officers of the Company predicated upon the securities laws of the United States or any state in the United States.

We have further advised the Company that the recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based either on treaties between China and the country where the judgment is rendered or on reciprocity between the jurisdictions provided that the foreign judgments do not violate the basic principles of laws of the PRC or its sovereignty, security, or social and public interest. However, China does not have any treaties or other form of reciprocity with the United States or Cayman Islands that provide for the reciprocal recognition and enforcement of foreign judgments. As a result, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered by a court in the United States or the Cayman Islands.

(4) *Statements in the Prospectus.* The statements in the Prospectus under the headings “Prospectus Summary”, “Risk Factors”, “Use of Proceeds”, “Corporate History and Structure”, “Dividend Policy”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, “Industry Overview”, “Business”, “PRC Regulation”, “Management”, “Related Party Transactions”, “Description of Share Capital”, “Enforceability of Civil Liabilities” and “Taxation” (other than the financial statements and related schedules and other financial data contained therein to which we express no opinion) to the extent such statements relate to matters of the PRC Laws or documents, agreements or proceedings governed by the PRC Laws, are true and accurate in all material respects, and fairly present and fairly summarize in all material respects the PRC Laws, documents, agreements or proceedings referred to therein, and we have no reason to believe there has been anything omitted from such statements which would make the statements, in light of the circumstance under which they were made, misleading in any material aspect.

(5) *Statement relating to PRC Tax.* We have also advised the Company that foreign ADS holders may be subject to a 10% withholding tax upon dividends payable by the Company, if such income is sourced from within the PRC. Under the Enterprise Income Tax Law of 2007 dated March 16, 2007 and the Implementation Regulations of the Enterprise Income Tax Law dated December 6, 2007, an enterprise established outside the PRC with its “de facto management body” within the PRC is considered a resident enterprise. The “de facto management body” of an enterprise is defined as the organizational body that effectively exercises overall management and control over production and business operations, personnel, finance and accounting, and properties of the enterprise. It remains unclear how the PRC tax authorities will interpret such a broad definition. Although the Company is incorporated in the Cayman Islands, substantially all of the Company’s management members are based in the PRC. It remains unclear how the PRC tax authorities will interpret the PRC tax resident treatment of an offshore company controlled by PRC individuals, like the Company.

This Opinion is subject to the following qualifications:

(a) This Opinion relates only to the PRC Laws and we express no opinion as to any other laws and regulations. There is no guarantee that any of the PRC Laws, or the interpretation thereof or enforcement therefor, will not be changed, amended or replaced in the immediate future or in the longer term with or without retrospective effect.

(b) This Opinion is intended to be used in the context which is specifically referred to herein and each section should be looked on as a whole regarding the same subject matter.

(c) The term "enforceable" as used above means that the obligations assumed by the relevant obligors under the relevant Documents are of a type which the courts of the PRC enforce. It does not mean that those obligations will necessarily be enforced in all circumstances in accordance with their terms.

(d) This Opinion is subject to the effects of (i) certain legal or statutory principles affecting the enforceability of contractual rights generally under the concepts of public interest, national security, good faith and fair dealing, applicable statutes of limitation, and the limitations by bankruptcy, insolvency, reorganization or similar laws affecting the enforcement of creditor's rights generally; (ii) any circumstance in connection with formulation, execution or performance of any legal documents that would be deemed materially mistaken, clearly unconscionable, fraudulent; (iii) judicial discretion with respect to the availability of injunctive relief, the calculation of damages, and the entitlement of attorneys' fees and other costs; and (iv) the discretion of any competent PRC legislative, administrative or judicial bodies in exercising their authority in connection with the interpretation, implementation and application of relevant PRC Laws.

(e) This Opinion is issued based on our understanding of the current PRC Laws. For matters not explicitly provided under the current PRC Laws, the interpretation, implementation and application of the specific requirements under the PRC Laws are subject to the final discretion of competent PRC legislative, administrative and judicial authorities.

This Opinion is rendered to you for the purpose hereof only, and save as provided herein, this Opinion shall not be quoted nor shall a copy be given to any person (apart from the addressee) without our express prior written consent except where such disclosure is required to be made by the applicable law or is requested by SEC or any other regulatory agencies.

We hereby consent to the use of this Opinion in, and the filing hereof as an exhibit to, the Registration Statement. In giving such consent, we do not thereby admit that we fall within the category of the person whose consent is required under Section 7 of the U.S. Securities Act of 1933, as amended, or the regulations promulgated thereunder.

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[Signature Page]

Yours faithfully

ZHONG LUN LAW FIRM

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Annex 1

PRC Subsidiaries

1. Huanju Shidai Technology (Beijing) Company Limited (欢聚时代科技（北京）有限公司), formerly known as “Duowan Entertainment Information Technology (Beijing) Company Limited” (多玩娱乐信息技术（北京）有限公司)
2. Zhuhai Duowan Information Technology Company Limited (珠海多玩信息技术有限公司)
3. Zhuhai Duowan Technology Company Limited (珠海多玩科技有限公司) ..

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Annex 2

PRC Affiliated Entities

1. Guangzhou Huaduo Network Technology Company Limited (广州华多网络科技有限公司)
2. Beijing Tuda Science and Technology Company Limited (北京途达科技有限责任公司)..

Annex 3

Control Agreements

A. Control Agreements Relating to Beijing Tuda:

1. Exclusive Business Cooperation Agreement (独家业务合作协议), dated December 3, 2009, between Huanju Shidai and Beijing Tuda.
2. Exclusive Technology Support and Technology Services Agreement (独家技术支持与技术服务协议), dated December 3, 2009, between Huanju Shidai and Beijing Tuda.
3. Supplemental Agreement to Exclusive Business Cooperation Agreement (独家业务合作协议 – 补充协议), dated November 10, 2011, between Huanju Shidai and Beijing Tuda.
4. Supplemental Agreement to Exclusive Technology Support and Technology Services Agreement (独家技术支持与技术服务协议 – 补充协议), dated November 10, 2011, between Huanju Shidai and Beijing Tuda.
5. Powers of Attorney (授权委托书), dated 27 May 2011, by the shareholders of Beijing Tuda.
6. Exclusive Option Agreements (独家购买权合同), dated May 27, 2011, between Huanju Shidai, Beijing Tuda and each of the shareholders of Beijing Tuda.
7. Share Pledge Agreements (股权质押合同), dated July 1, 2011, between Huanju Shidai and each of the shareholders of Beijing Tuda.
8. Confirmation Letter to Exclusive Business Cooperation Agreement (独家业务合作协议 – 确认函), dated November 10, 2011, between Huanju Shidai and Beijing Tuda.
9. Confirmation letter to Exclusive Technology Support and Technology Services Agreement (独家技术支持与技术服务协议 – 确认函).. dated November 10, 2011, between Huanju Shidai and Beijing Tuda.
10. Consent Letter (同意函), dated November 10, 2011, issued by the shareholders of Beijing Tuda.

B. Control Agreements Relating to Guangzhou Huaduo:

1. Exclusive Business Cooperation Agreement (独家业务合作协议), dated August 12, 2008, between Huanju Shidai and Guangzhou Huaduo.
2. Exclusive Technology Support and Technology Services Agreement (独家技术支持与技术服务协议), dated August 12, 2008, between Huanju Shidai and Guangzhou Huaduo.
3. Supplemental Agreement to Exclusive Business Cooperation Agreement (独家业务合作协议 – 补充协议), dated November 10, 2011, between Huanju Shidai and Guangzhou Huaduo.
4. Supplemental Agreement to Exclusive Technology Support and Technology Services Agreement (独家技术支持与技术服务协议 – 补充协议), dated November 10, 2011, between Huanju Shidai and Guangzhou Huaduo.
5. Powers of Attorney (授权委托书), dated September 16, 2011, by the shareholders of Guangzhou Huaduo.
6. Exclusive Option Agreement (独家购买权合同), dated September 16, 2011, between Huanju Shidai, David Xueling Li and Guangzhou Huaduo.
7. Exclusive Option Agreement (独家购买权合同), dated September 16, 2011, between Huanju Shidai, Jun Lei and Guangzhou Huaduo.
8. Exclusive Option Agreement (独家购买权合同), dated September 16, 2011, between Huanju Shidai, Tony Bin Zhao and Guangzhou Huaduo.
9. Exclusive Option Agreement (独家购买权合同), dated September 16, 2011, between Huanju Shidai, Jin Cao and Guangzhou Huaduo.
10. Exclusive Option Agreement (独家购买权合同), dated September 16, 2011, between Huanju Shidai, Beijing Tuda and Guangzhou Huaduo.
11. Share Pledge Agreements (股权质押合同), dated September 16, 2011, between Huanju Shidai and David Xueling Li.
12. Share Pledge Agreements (股权质押合同), dated September 16, 2011, between Huanju Shidai and Jun Lei.

13. Share Pledge Agreements (股权质押合同), dated September 16, 2011, between Huanju Shidai and Tony Bin Zhao.
14. Share Pledge Agreements (股权质押合同), dated September 16, 2011, between Huanju Shidai and Jin Cao.
15. Share Pledge Agreements (股权质押合同), dated September 16, 2011, between Huanju Shidai and Beijing Tuda.
16. Confirmation Letter to Exclusive Business Cooperation Agreement (独家业务合作协议 – 确认函), dated November 10, 2011, between Huanju Shidai and Guangzhou Huaduo.
17. Confirmation letter to Exclusive Technology Support and Technology Services Agreement (独家技术支持与技术服务协议 – 确认函).. dated November 10, 2011, between Huanju Shidai and Guangzhou Huaduo.
18. Consent Letter (同意函), dated November 10, 2011, issued by the shareholders of Guangzhou Huaduo.

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Annex 4

Company Contracts

1. Joint Operation Agreement (业务合作协议), dated July 1, 2011, between the Zhuhai branch of Guangzhou Huaduo and Shenzhen 7th Road Technology Co., Ltd.