UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

(Mark One)

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(B) OR 12(G) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2017.

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report……..

For the transition period from _____ to _____

Commission file number: 001-35729

YY INC.

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Cayman Islands

(Jurisdiction of incorporation or organization)

Building B-1, North Block of Wanda Plaza, No. 79 Wanbo Er Road,
Nancun Town, Panyu District
Guangzhou 511442
The People's Republic of China

(Address of principal executive offices)

Bing Jin,
Chief Financial Officer,
Tel: +86 (20) 8212-0088, E-mail: jinbing@yy.com, Fax: +86 (20) 8212-0887
Building B-1, North Block of Wanda Plaza, No. 79 Wanbo Er Road,
Nancun Town, Panyu District
Guangzhou 511442
The People's Republic of China

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Exchange on Which Registered
Class A common shares, par value US$0.00001 per share	The NASDAQ Stock Market*

* Not for trading, but only in connection with the listing on The NASDAQ Stock Market of the American depositary shares ("ADSs"). Currently, one ADS represents 20 Class A common shares.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

(Title of Class)

Indicate the number of outstanding shares of each of the Issuer's classes of capital or common stock as of the close of the period covered by the annual report. **945,245,908 Class A common shares, par value US$0.00001 per share, and 317,982,976 Class B common shares, par value US$0.00001 per share, were outstanding as of December 31, 2017.**

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

Yes ☒ No ☐

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes ☐ No ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐
Non-accelerated filer ☐ Emerging growth company ☐

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

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

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

U.S. GAAP ☒ International Financial Reporting Standards as issued by the International Accounting Standards Board ☐ Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes ☐ No ☒

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INTRODUCTION

Unless otherwise indicated and except where the context otherwise requires, references in this annual report on Form 20-F to:

- "we," "us," "our company" and "our" refer to YY Inc., a Cayman Islands company, its subsidiaries and consolidated affiliated entities (also referred to as variable interest entities) and the subsidiaries of its consolidated affiliated entities, as the context may require;
- "active user" for any period means a registered user account that has logged onto our platforms at least once during such relevant period;
- "concurrent users" for any point in time means the total number of YY users that are simultaneously logged onto our platforms 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 platforms 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 platforms; thus, the number of paying users referred to in this annual report may be higher than the number of unique users who are purchasing virtual items or other products and services;
- "registered user account" means a user account that has downloaded, registered and logged onto our platforms 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 our platforms 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 annual report may overstate the number of unique individuals who are our registered users; and
- "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.

FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements that involve risks and uncertainties. All statements other than statements of historical facts are forward-looking statements. These forward-looking statements are made under the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995. 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," "is expected to," "anticipate," "aim," "estimate," "intend," "plan," "believe," "is/are 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 platforms;
- 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, social networking services and online games;

- expected changes in our revenues and certain cost or expense items;
- general economic and business condition in China and elsewhere; and
- assumptions underlying or related to any of the foregoing.

You should thoroughly read this annual report and the documents that we refer to herein with the understanding that our actual future results may be materially different from and/or worse than what we expect. Other sections of this annual report, including the Risk Factors and Operating and Financial Review and Prospects sections, discuss factors which could adversely impact our business and financial performance. Moreover, we operate in an evolving environment. New risk factors emerge from time to time and it is not possible for our management to predict all risk factors, 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 we make as predictions of future events. The forward-looking statements made in this annual report relate only to events or information as of the date on which the statements are made in this annual report. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

The following table presents the selected consolidated financial information for our company. The selected consolidated statements of operations data for the three years ended December 31, 2015, 2016 and 2017 and the consolidated balance sheet data as of December 31, 2016 and 2017 have been derived from our audited consolidated financial statements, which are included in this annual report beginning on page F-1. Our selected consolidated statements of operation data for the years ended December 31, 2013 and 2014 and our consolidated balance sheet data as of December 31, 2013, 2014 and 2015 have been derived from our audited consolidated financial statements not included in this annual report. Beginning in 2016, we changed our revenues presentation to live streaming, online games, membership and others. As a result, we also retrospectively changed the revenue presentation for the year ended December 31, 2015, 2014 and 2013. Our consolidated financial statements are prepared and presented in accordance with accounting principles generally accepted in the United States, or U.S. GAAP. Our historical results for any period are not necessarily indicative of results to be expected for any future period. You should read the following selected financial information in conjunction with the consolidated financial statements and related notes and the information under "Item 5. Operating and Financial Review and Prospects" included elsewhere in this annual report.

	For the Year Ended December 31,					
	2013	2014	2015	2016	2017	
	RMB	RMB	RMB	RMB	RMB	US$
	(All amounts in thousands, except share, ADS, per share and per ADS data)					
Selected Consolidated Statements of Operations Data:						
Net Revenue[1]						
Live streaming	904,042	2,475,379	4,539,857	7,027,227	10,670,954	1,640,096
Online games	602,111	811,699	771,882	634,325	543,855	83,589
Membership	141,238	205,199	291,310	284,860	197,561	30,365
Others	176,077	186,091	294,200	257,638	182,422	28,038
Total net revenues	1,823,468	3,678,368	5,897,249	8,204,050	11,594,792	1,782,088
Cost of revenues [2]	(881,999)	(1,849,149)	(3,579,744)	(5,103,430)	(7,026,402)	(1,079,938)
Gross profit	941,469	1,829,219	2,317,505	3,100,620	4,568,390	702,150
Operating expenses:[2]						
Research and development expenses	(267,005)	(431,188)	(548,799)	(675,230)	(781,886)	(120,174)
Sales and marketing expenses	(24,955)	(102,527)	(312,870)	(387,268)	(691,281)	(106,248)
General and administrative expenses	(200,554)	(223,019)	(358,474)	(482,437)	(544,641)	(83,710)
Goodwill impairment	—	—	(310,124)	(17,665)	(2,527)	(388)
Fair value change of contingent consideration	—	—	292,471	—	—	—
Total operating expenses	(492,514)	(756,734)	(1,237,796)	(1,562,600)	(2,020,335)	(310,520)
Gain on deconsolidation and disposal of subsidiaries	—	—	—	103,960	37,989	5,839
Operating income	476,033	1,078,804	1,162,009	1,771,484	2,699,231	414,866
Income before income tax expenses	565,809	1,214,480	1,162,512	1,783,811	2,891,178	444,369
Net income attributable to YY Inc.	477,727	1,064,472	1,033,243	1,523,918	2,493,235	383,207
Weighted average number of ADS used in calculating net income per ADS:						
Basic	56,123,784	57,657,035	56,259,499	56,367,166	59,323,007	59,323,007
Diluted	59,056,065	59,927,174	57,541,558	60,805,566	60,831,887	60,831,887
Net income per ADS[3]						
Basic	8.51	18.46	18.37	27.04	42.03	6.46
Diluted	8.09	17.76	17.96	26.40	41.33	6.35
Weighted average number of common shares used in calculating net income per common share:						
Basic	1,122,475,688	1,153,140,699	1,125,189,978	1,127,343,312	1,186,460,144	1,186,460,144
Diluted	1,181,121,297	1,198,543,473	1,150,831,163	1,216,111,329	1,216,637,741	1,216,637,741
Net income per common share[3]						
Basic	0.43	0.92	0.92	1.35	2.10	0.32
Diluted	0.40	0.89	0.90	1.32	2.07	0.32

(1) For the year ended December 31, 2016, revenue presentation has been changed to live streaming, online games, membership and others. We also have retrospectively changed the revenue presentation for the years ended December 31, 2013, 2014 and 2015.

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

	For the Year Ended December 31,					
	2013	2014	2015	2016	2017	
	RMB	RMB	RMB	RMB	RMB	US$
	(in thousands)					
Cost of revenues	9,860	18,037	23,963	15,894	42,759	6,572
Research and development expenses	39,587	54,141	70,951	78,816	122,348	18,805
Sales and marketing expenses	1,318	2,807	3,283	3,107	4,417	679
General and administrative expenses	66,331	59,647	87,175	59,469	88,137	13,546
Total	117,096	134,632	185,372	157,286	257,661	39,602

(3) Each ADS represents 20 Class A common shares.

	As of December 31,					
	2013	2014	2015	2016	2017	
	RMB	RMB	RMB	RMB	RMB	US$
	(in thousands)					
Selected Consolidated Statements of Operations Data:						
Cash and cash equivalents	729,598	475,028	928,934	1,579,743	2,617,432	402,292
Short-term deposits	1,432,863	4,214,576	1,894,946	3,751,519	6,000,104	922,199
Restricted short-term deposits	—	—	—	—	1,000,000	153,697
Short-term investments	—	—	—	—	124,550	19,143
Goodwill	1,577	300,382	151,638	14,300	11,716	1,801
Total assets*	2,597,947	6,820,519	7,302,754	9,785,792	14,458,719	2,222,265
Convertible bonds (current)**	—	—	—	2,768,469	—	—
Total current liabilities	701,313	1,090,558	1,384,414	4,690,448	3,145,799	483,499
Convertible bonds (non-current)	—	2,405,705	2,572,119	—	6,536	1,005
Long-term payable	—	183,000	—	—	—	—
Total mezzanine equity	—	—	61,833	9,272	524,997	80,691
Class A common shares (US$0.00001 par value; 10,000,000,000 shares authorized, 622,658,738, 706,173,568, 728,227,848 , 750,115,028 and 945,245,908 shares issued and outstanding as of December 31, 2013, 2014, 2015, 2016 and 2017 respectively)	38	43	43	44	57	9
Class B common shares (US$0.00001 par value; 1,000,000,000 shares authorized, 485,831,386, 427,352,696, 369,557,976 , 359,557,976 and 317,982,976 shares issued and outstanding as of December 31, 2013, 2014, 2015,2016 and 2017 respectively)	34	30	27	26	23	4
(Accumulated deficits) Retained earnings	(874,697)	173,963	1,207,168	2,728,736	5,218,110	802,009
Total shareholders' equity	1,887,209	3,090,164	3,246,819	5,052,555	10,712,859	1,646,538

* Effectively January 2016, ASU 2015-3 issued by FASB requires entities to present the issuance costs of bonds in the balance sheet as a direct deduction from the related bonds rather than assets. Accordingly, we retrospectively reclassified RMB42.3 million and RMB25.3 million of issuance cost of bonds from other non-current assets into convertible bonds as of December 31, 2014 and December 31, 2015, respectively.

** Convertible bonds classified in current liabilities represent convertible senior notes which may be redeemed within one year.

Exchange Rate Information

Our business is primarily conducted in China and most of our revenues are denominated in RMB. Unless otherwise noted, all translations from RMB to U.S. dollars and from U.S. dollars to RMB in this annual report were made at a rate of RMB6.5063 to US$1.00, the exchange rate on December 29, 2017 as set forth in the H.10 statistical release published by the Federal Reserve Board. We make no representation that any RMB or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or RMB, as the case may be, at any particular rate or at all. The PRC government imposes control over its foreign currency reserves in part through direct regulation of the conversion of RMB into foreign currency and through restrictions on foreign exchange activities. On April 20, 2018, the exchange rate, as set forth in the H.10 statistical release of the Federal Reserve Board, was RMB6.2945 to US$1.00.

The following table sets forth information concerning exchange rates between the RMB 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 annual report or will use in the preparation of our other periodic reports or any other information to be provided to you.

	Noon Buying Rate			
Period	**Period End**	**Average[(1)]**	**High**	**Low**
	(RMB per US$1.00)			
2013	6.0537	6.1412	6.2438	6.0537
2014	6.2046	6.1704	6.2591	6.0402
2015	6.4778	6.2869	6.4896	6.1870
2016	6.9430	6.6549	6.9580	6.4480
2017	6.5063	6.7350	6.9575	6.4773
October	6.6328	6.6254	6.6533	6.5712
November	6.6090	6.6200	6.6385	6.5967
December	6.5063	6.5932	6.6210	6.5063
2018				
January	6.2841	6.4233	6.5263	6.2841
February	6.3280	6.3183	6.3471	6.2649
March	6.2726	6.3174	6.3565	6.2685
April (through April 20, 2018)	6.2945	6.2859	6.3045	6.2655

(1) Annual averages are calculated from month-end rates. Monthly averages are calculated using the average of the daily rates during the relevant period.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

An investment in our capital stock involves a high degree of risk. You should carefully consider the risks described below, together with all of the other information included in this annual report, before making an investment decision. If any of the following risks actually occurs, our business, financial condition or results of operations could suffer. In that case, the trading price of our capital stock could decline, and you may lose all or part of your investment.

Risks Related to Our Business

Our business is based on a relatively new business model in a relatively new market in which user demand may change or decrease substantially.

Many of the elements of our business are unique, evolving and relatively unproven. The markets for our technology, especially our live streaming 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 our live streaming, online games and membership services, as well as our ability to successfully monetize our user base and products and services, and we may not succeed in any of these respects.

As the online live streaming 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. Furthermore, some of our current monetization methods are in a relatively preliminary stage. For example, 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. We cannot assure you that our attempts to monetize our user base and products and services will continue to be successful, profitable or widely accepted, and therefore the future revenue and income potential of our business are difficult to evaluate.

If we fail to effectively manage our growth or implement our business strategies, our business and results of operations may be materially and adversely affected.

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 products, services and 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, develop new advertising and promotion methods, 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 or achieve any of the above in a cost-effective manner.

To manage our growth and maintain profitability, we anticipate that we will need to continue to implement, from time to time, a variety of new and upgraded operational and financial systems, procedures and controls on an as-needed basis. We will also need to further expand, train, manage and motivate our workforce and manage our relationships with users, performers, third party game developers, advertisers media platforms and other business partners. 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, and failure to do so may materially and adversely affect our business and results of operations.

We cannot guarantee that we will be able to successfully carry out our overseas expansion strategy. We will face certain risks inherent in doing business internationally, including but not limited to: difficulties in developing, staffing and simultaneously managing a foreign operation as a result of distance, language and cultural differences; challenges in formulating effective local sales and marketing strategies targeting users from various jurisdictions and cultures, who have a diverse range of preferences and demands; challenges in identifying appropriate local business partners and establishing and maintaining good working relationships with them; dependence on local platforms in marketing our international products and services overseas; challenges in selecting suitable geographical regions for international business; political or social unrest or economic instability; compliance with applicable foreign laws and regulations and unexpected changes in laws or regulations; exposure to different tax jurisdictions that may subject us to greater fluctuations in our effective tax rate and potentially adverse tax consequences; and increased costs associated with doing business in foreign jurisdictions.

We are a relatively young company, 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 our ADSs.

We expect that we will continue to incur significant costs and expenses in many aspects of our business, such as sales and marketing expenses to acquire users and raise our brand awareness, as well as research and development costs to update existing services and launch new services and rising bandwidth costs to support our video function, grow our user base and generally expand our business operations. We have been profitable since 2012 and achieved accumulated profitability since 2014, but we may not generate sufficient revenues to offset such costs to achieve or sustain profitability in the future. In addition, we expect to continue to invest heavily in our operations to maintain our current market position, support our anticipated future growth and meet our expanded reporting and compliance obligations as a public company.

Our profitability is also affected by other factors beyond our control. The continued success of our business depends on our ability to identify which services will appeal to our user base and to offer such services on commercially acceptable terms. Our ability to finance our planned expansion also depends in part on our ability to convert active users into paying users and increase the average revenue per paying user, or ARPU, and successfully compete in a very competitive market.

We have a limited operating history. We introduced YY Client in July 2008 and have experienced a high growth rate since then. As a result of our relatively short history, 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 Related to Our ADSs—The trading prices of our ADSs are likely to be volatile, which could result in substantial losses to investors."

Our business is heavily dependent on revenues from live streaming services. If our live streaming revenue declines in the future, our results of operations may be materially and adversely affected.

Historically, a substantial majority of our revenues are from live streaming service, online games, and membership subscription fees. In the year ended December 31, 2017, revenues from live streaming, online games and membership subscription fees constituted 98.4% of our total net revenue, with revenues from live streaming alone accounting for 92.0% of our total net revenue. We expect that our business will continue to be dependent on revenues from live streaming services in the future. Any decline in live streaming revenues may materially and adversely affect our results of operations. See "—The revenue model for each of our live streaming and our membership program may not remain effective, which may affect our ability to retain existing users and attract new users and materially and adversely affect our business, financial condition and results of operations."

We may be held liable for information or content displayed on, retrieved from or linked to our platforms, 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 platforms.

Our live streaming platforms enable users to exchange information, generate and distribute content, advertise products and services, conduct business and engage in various other online activities. However, because a majority of the communications on our platforms 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 platforms. These issues exist on YY Client, YY.com, Huya.com, Duowan.com, 100.com and our other websites and mobile applications. If any content on our platforms 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 platforms, 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 platforms. 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 platforms, PRC authorities may impose legal sanctions on us, including, in serious cases, suspending or revoking the licenses necessary to operate our platforms. See "Item 4. Information on the Company—B. Business Overview—PRC Regulation—Information Security and Censorship" and "Item 4. Information on the Company—B. Business Overview—PRC Regulation—Intellectual Property Rights."

The revenue model for each of our live streaming and our membership program may not remain effective, which may affect our ability to retain existing users and attract new users and materially and adversely affect our business, financial condition and results of operations.

We operate YY Live and Huya platform, our live streaming platforms using a virtual items-based revenue model whereby users can listen to music and access other forms of entertainment, participate in or watch online dating shows, watch shows that deliver financial news and information, and get access to the live streaming of different game plays for free, and have the option of purchasing in-channel virtual items. We have generated, and expect to continue to generate, a substantial majority of our live streaming revenues using this revenue model. In 2017, revenues from live streaming contributed 92.0% of our total net revenues. Our live streaming business has experienced significant growth in recent years, but we cannot assure you that we will continue to achieve a similar growth rate in the future, as the user demand for this service may change, decrease substantially or dissipate, or we may fail to anticipate and serve user demands effectively.

We may not be able to continue to successfully implement the virtual items-based revenue model for live streaming, as popular performers, channel owners, famous professional game teams and commentators may leave our platforms and we may be unable to attract new talent that can attract users or cause such users to increase the amount of time spent engaging and money spent on purchasing in-channel virtual items on our platforms. In addition, certain content on our live streaming platforms, such as certain online games owned by or licensed to certain gaming companies or publishers, may not continue to be available to our users for live streaming purposes. Failure to keep our users engaged in the live streaming service may result in reducing ARPU and the number of paying users, which may adversely affect our financial condition and results of operations.

Furthermore, under our current arrangements with certain popular performers, channel owners, famous professional game teams and commentators, we share with them a portion of the revenues we derive from the sales of in-channel virtual items on our live streaming platform. We also cooperate with popular professional game teams and commentators to make their game play available on our platforms by paying them fixed sponsorship fees. In the future, the amount we pay to these performers, channel owners famous professional game teams and commentators may increase or we may fail to reach mutually acceptable terms with these parties, which may adversely affect our revenues or cause these parties to leave our platforms. In turn, this may affect the user and revenue growth in this business, which may materially and adversely affect our financial condition and results of operations.

In addition, we have been a pioneer in offering an online concert platform to music performers and YY users. We also continue to focus on the development of professionally-curated user generated content, or PUGC, and professionally generated content, or PGC, as well as introduce more sports content on our platforms. However, if our users decide to access live streaming content provided by our current or future competitors, our business, financial condition and results of operations 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, 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. 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 may not be able to retain them and our business, financial condition and results of operations could be adversely affected.

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 using the virtual items-based revenue model, whereby players can play games for free, but have the option of purchasing in-game virtual items 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, obtain or maintain 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 "Item 4. Information on the Company—B. Business Overview—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 personal computers, or PCs, 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, or that we will not in the future need to change our revenue model or introduce a new revenue model. 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 game operations, criticism from game players who have invested time and money in a game, a decrease in the number of our game players and a 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.

We generate a significant portion of our online games revenues from a limited number of popular online games, most of which are PC-based online games. Due to the increasing popularity of mobile online games, our online game business sector faces a weak PC-based online game market. If we cannot continue to offer popular PC-based online games that retain existing players or attract new players, if the PC-based online game market continues to remain weak or shrink, if we are unable to successfully develop or source new online games, in particular mobile online games, if the terms of the revenue-sharing or exclusive license arrangements become less favorable, or if the number of our paying users for online games declines or ceases to grow for any reason, or if the average revenue per paying user 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 online game revenues from a limited number of popular online games on YY, primarily through selling of game tokens to users for their purchase of in-game virtual items. In 2017, the five most popular online games contributed approximately 35.7% of our total online game revenues, as compared to 37.2% in 2016, representing a decrease in reliance on our top games. 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 typically provide for automatic extension or renewal. A few of our online games are licensed to us by third party game developers under exclusive license arrangements. 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. For online games licensed to us under exclusive license arrangements, we also have to devote additional resources to promoting these games on our platforms or licensing such games to the appropriate third party operators. If our users decide to access any of our 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 13.1%, 7.7% and 4.7% of our total net revenues in 2015, 2016 and 2017, respectively. We believe that most online games have a limited commercial lifespan. We must continually source new online games that appeal to our game players. Hence, we must maintain good relationships with our third party game developers to have access to new popular games with reasonable revenue-sharing or exclusive licensing terms. Under most of our current revenue-sharing and exclusive license 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 or other commercial 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 platforms 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 or the promised updates and expansion packs as scheduled.

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

Our online education business is a challenging business line, which may continuously require further investment, our profitability may be adversely affected in the future.

Competition in the education market in China is intense. Traditional offline education institutions and practitioners are still the mainstream that appeals to most students. However, online education service providers have grown in number, size and popularity in the recent years, and are getting accepted by more and more students. Many traditional offline education service providers are also trying to start their online business. If we cannot provide services differentiated from these competitors, we may not attract or retain sufficient users and our financial condition and results of operations could be adversely affected. In addition, our online education business is still in developing, which may continuously require further investment, our profitability may be adversely affected in the future.

We generate a portion of our revenues from online advertising and promotion. If we fail to attract more advertisers to our platforms or if advertisers are less willing to advertise with us, our revenues may be adversely affected.

In 2015, 2016 and 2017, online advertising and promotion accounted for 1.1%, 0.5% and 1.0%, respectively, of our total net revenues. Although we have become less dependent upon online advertising and promotion revenues due to a shift in the majority of our revenues from online advertising and promotion to live streaming service, our revenues still partly depend on the continual development of the online advertising industry in China and advertisers' allocation of budgets to internet advertising and promotion. In addition, companies that decide to advertise or promote online may utilize more established methods or channels for online advertising and promotion, such as more established Chinese internet portals or search engines, over advertising and promotion on our platforms. 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 and promotion revenues and our profitability and prospects could be adversely affected.

We offer advertising and promotion services substantially through contracts entered into with third party advertising agencies and by way of displaying advertisement on our websites and platforms or providing promotion integrated in the programs, shows or other content offered on our live streaming platforms. 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. 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. If we fail to retain existing advertisers and advertising agencies or attract new direct advertisers and direct advertising agencies or any of our current advertising methods or promotion activities becomes less effective, our business, financial condition and results of operations may be adversely affected.

We have granted employee stock options and other share-based awards in the past and are very likely to continue to do so in the future. We recognize share-based compensation expenses in our consolidated statements of operations 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 120,020,001 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, plus an annual increase of 20,000,000 common shares on the first day of each fiscal year, beginning from 2013, or such smaller number of Class A common shares as determined by our board of directors. As of March 31, 2018, options to purchase 154,535 common shares, 1,684,572restricted shares and 39,168,468 restricted share units were outstanding under the 2009 Scheme and the 2011 Plan. In addition, our controlling subsidiary, HUYA Inc. adopted its 2017 share incentive plan, or HUYA Amended and Restated 2017 Plan, in July 2017 and amended and restated in March 2018. Under this HUYA Amended and Restated 2017 Plan, HUYA Inc. is authorized to grant options, restricted shares and restricted share units to purchase or receive a maximum of 28,394,117 HUYA Inc.'s class A ordinary shares. As of March 31, 2018, options to purchase 17,529,555 HUYA Inc.'s class A ordinary shares and 3,655,084 HUYA Inc.'s restricted share units have been granted. As a result of these grants and potential future grants, we had incurred in the past and expect to continue to incur significant share-based compensation expenses in the future. 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 materially increased our net losses or reduced our net income in the past, and may reduce our net income in the future. In addition, 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 number of mobile active users we have may fluctuate and we may fail to attract more paying users, which may materially and adversely affect our revenues growth, results of operations and financial condition.

The number of our mobile average monthly active users increased by 36.6% to 76.5 million for the three months ended December 31, 2017.

However, the number of our mobile monthly active users may substantially fluctuate from time to time. If we are unable to attract new 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 reduce our monetization opportunities and materially and adversely affect our revenues, profitability and prospects.

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 platforms 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 broadly support mobile-live broadcasting across our live streaming 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.

Due to the intensified competitions among live streaming platforms, 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 our platforms' online 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 platforms 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 live streaming platform such as ours which enable users to interact in live online group activities through voice, text and video. 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 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 live streaming 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 live streaming, internet communication, online games and other products and services, and thereby increase their respective market shares. We may also face potential competition from global live streaming 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 our live streaming business, our competitors primarily include Kuaishou, Momo, Douyin, Huoshan, DouyuTV.com, Yingke (Ingkee), Huajiao, Kuwo Fanxing, Now Zhibo and Yizhibo. We also compete for online games revenues with other game companies, and online advertising and promotion revenues with other internet companies that sell online advertising services in China.

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 platforms. 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 platforms in a timely fashion. Any spamming activities could have a material and adverse effect on our business, financial condition and results of operations.

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, financial condition and results of operations.

Our business depends upon services provided by, and relationships with, third parties. If we are unable to retain or attract popular talents such as performers, channel managers, professional game players, commentators and hosts for our live streaming platform or if these talents cannot draw 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 on our live streaming platform, we may lose popular performers and our business and operations may be adversely affected. Furthermore, 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. 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 by us 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."

Furthermore, we generate substantially all of our online advertising revenues 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.

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 a material adverse effect on our business and results of operations."

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 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 platforms 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 would likely 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 on to our platforms, purchase virtual items or other products and services on our platforms 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.

Pursuant to the Provisions on Administration over the Internet User Public Account Information Services, which was promulgated by the State Internet Information Office on September 7, 2017 and became effective on October 8, 2017, we have required all of our users who publish information via our platform to provide the identity information and mobile phone number, but users who do not publish or release information via our platform are not required or obligated to undergo real-name verification under the current valid regulation. Therefore we cannot and do not track all the number of 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 our platforms 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 our platforms 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 platforms 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 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 platforms, sign onto our platforms, purchase virtual items or other products and services on our platforms 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 platforms 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 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 continue to successfully capture and retain the growing number of users that access internet services through mobile devices or successfully monetize mobile users, our business, financial condition and results of operations may be materially and adversely affected.

An increasing number of users are accessing our platforms through mobile devices, and we consider the rise of mobile-based business to be a general trend. We have been taking measures to expand our success from PC-based products and services to the mobile platform. In 2010, we introduced Mobile YY, our music and entertainment mobile application. In the second half of 2016, along with our transition into a live streaming platform, we rebrand Mobile YY into YY Live APP, a mobile application for our YY Live platform. We also have introduced Huya APP, a mobile application for our Huya platform. In addition, we have launched several other mobile applications over the years, including, among others, Xunhuan for online dating shows and Zhiniu for financial news and analysis. Our mobile applications in aggregate, have contributed 53.4% of the total revenue generated from our live streaming services in the fourth quarter of 2017, compared to 49.6% in the same period of 2016. We have also developed numerous mobile applications for other parts of our business. An important element of our strategy is to continue to develop and enhance mobile applications to capture a greater share of the growing number of mobile users.

Nevertheless, since the user experience and user habits on mobile devices are significantly different from those on PCs, there can be no assurance that we can succeed in adapting our products and services to the expectation of mobile users. If we are unable to attract and retain the increasing number of mobile 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 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 our mobile applications as we can on YY Client, which may limit the monetization potential of mobile users.

Furthermore, as new mobile devices and operating systems are continually being released, it is difficult to predict the problems we may encounter in developing and updating versions of our products and services for use on these devices and operating systems, and we have devoted, and expect to continue 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 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, our mobile applications may not work or be viewable on these devices. Meanwhile, new social platforms or services may emerge which are specifically created to function on mobile operating systems, whereas our platforms were originally designed to be accessed from PCs. Such new entrants may operate more effectively on mobile devices than our mobile applications do.

Due to the increasing importance of mobile-based business, any of the above may have a material adverse effect on our business, financial condition and results of operations.

The development of mobile technology and applications as a substitute for PC-based technology and applications may adversely affect our existing business, and in turn our revenues and financial performance.

In recent years, the development of mobile technology and application, such as increased speed and stability of mobile network and enhancement of mobile devices, allows performers, content providers and other users to broadcast simply with a mobile device instead of relying on PC-based or other more complicated devices. Due to the portability and affordability of mobile devices, mobile live streaming is more diversified and spontaneous as compared to online live streaming on PC-based platforms. We believe that such innovation brings opportunities as well as challenges for our business.

Although we believe that our mobile application has some unique features and is competitive in the market, the industry is new and we expect the competition to be intensive. Since mobile live steaming is more diversified and spontaneous, our experience in content organization and interaction on PC platforms may not satisfy the mobile users, we may hence fail to attract or retain such mobile users.

Although we believe that users, including performers, are unlikely to entirely migrate to mobile applications and cease to use YY through PCs and that most of our mobile users also access our platforms through PCs, we cannot assure you that the increasing usage of mobile application will not cause our users to cease accessing our platforms from PCs. If a significant number of users migrate to mobile applications as a substitute for accessing our platforms through PCs, or even turn to use mobile applications developed by our competitors, 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 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. 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 platforms. See "—Risks Related to Our Corporate Structure and Our Industry—We may be adversely affected by the complexity, uncertainties and changes in PRC regulation of internet business and companies." A significant reduction in registered, active or paying user numbers could lead to lower 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 a material adverse effect on our business and results of operations.

Currently, we sell almost all of our products and services to our users through third party online payment systems. 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 services, which may have a material adverse effect on our business.

In addition, there are currently only a limited number of third party online payment systems in China. If any of these major payment systems decides to cease to provide services to us, or 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 platforms to competing, irrelevant or potentially offensive platforms, which could harm our reputation and cause us to lose revenue.

We may be subject to intellectual property infringement claims or other allegations, which could result in our payment of substantial damages, penalties and fines, removal of relevant content from our website or seeking license arrangements which may not be available on commercially reasonable terms.

Third party owners or right holders of technology patents, copyrights, trademarks, trade secrets and website content may assert intellectual property infringement or other claims against us. In addition, content generated through our platforms, including real-time content, may also potentially cause disputes regarding content ownership or intellectual property. For example, we could face copyright infringement claims with respect to songs performed live, recorded or made accessible and online games being streamed live, recorded or made accessible on our live streaming platforms. We generated 92.0% of our total net revenues in 2017 from live streaming services.

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. For example, Guangzhou NetEase Computer System Co., Ltd., or NetEase, has initiated a lawsuit against us in Guangzhou in October 2014, claiming the infringement of its rights of reproduction concerning the online game of *Fantasy Westward Journey* in the amount of RMB100 million. In 2017, Guangzhou Intellectual Property Court ordered us to compensate NetEase in an amount of RMB20.0 million. This judgment is not final and has been appealed to the appellate court. Although we believe that the claim is unjustified and commercially motivated, if the final outcome of the proceeding is unfavorable to us, we may suffer considerable damage to our financial position and reputation. Under relevant PRC laws and regulations, online service providers which provide storage space for users to upload works or links to other services or content could be held liable for copyright infringement under various circumstances, including situations where an online service provider knows or should reasonably have known that the relevant content uploaded or linked to on its platform infringes the copyrights of others and the provider realizes economic benefits from such infringement activities. The “knows or should reasonably have known” element would be fulfilled under some statutorily specified circumstances. For example, online service providers are subject to liability if they fail to take necessary measures, such as deletion, blocking or disconnection, after receiving notification from the legal right holders. In particular, there have been cases in China in which the courts have found an online service provider to be liable for the copyrighted content posted by users which were accessible and stored on such provider’s servers. On the other hand, to our knowledge, there is currently no precedent or settled court practice which provides clear or potential guidance as to whether or to what extent a real-time online platform such as YY would be held liable for the unauthorized posting or live performances of copyrighted content by our users. See “Item 4. Information on the Company—B. Business Overview—PRC Regulation—Intellectual Property Rights.”

We have implemented procedures 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; such procedures include requiring performers, channel owners and users to acknowledge and agree that they would not perform or upload copyrighted content without proper authorization and that they will indemnify us for any relevant copyright infringement claims. However, these procedures may not be effective in preventing unauthorized posting or use of copyrighted content on our platforms or the infringement of other third party rights. Specifically, such acknowledgments and agreements by performers, channel owners and users are not enforceable against third parties who may nevertheless file claims of copyright infringement against us. Furthermore, individual performers or channel owners who generate content that may infringe on copyrights of third parties on our platforms may not be easily traceable, if at all, by a plaintiff who may then choose to file a claim against us, and these individual performers and channel owners may not have resources to fully indemnify us, if at all, for any such claims. In addition, we have entered into revenue-sharing arrangements in the form of direct or indirect employment agreements with some of the popular singers, performers or channel owners on our platforms, and we cannot assure you that PRC courts will not view these singers, performers or channel owners as our employees or agents, deem us to have control over their activities on our platforms and the content they upload or otherwise make available on our platforms, determine that we have knowingly uploaded such infringing content on our platforms and hold us directly liable for their infringement activities on our platforms. Separately, as our business expands, the cost of carrying out these procedures and obtaining authorization and licenses for the growing content on our platforms may increase, which may potentially have material and adverse effects on our results of operations.

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 Select Market, the ability of users to access our platforms in the United States and other jurisdictions, the performance of songs and other content which are subject to copyright and other intellectual property laws of countries outside China, including the United States, 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 an infringement claim brought against us in China, the United States or any other jurisdiction is successful, we may be required to pay substantial statutory penalties or other damages and fines, remove relevant content from our platforms or enter into license agreements which may not be available on commercially reasonable terms or at all. Litigation or other claims against us also subject us to adverse publicity which could harm our reputation and affect our ability to attract and retain users, including channel owners, singers and other performers, which could materially and adversely affect the popularity of our platforms and therefore, our business, financial condition, results of operations and prospects may be materially and adversely affected.

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 platforms, 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 platforms, implanted Trojan viruses in user PCs to steal user data from YY Client and attempted to imitate our brand or the functionality of our platforms. 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 December 31, 2017, we had registered 246 domain names, including YY.com, Huya.com, Zhiniu8.com, Duowan.com, 100.com and Chinaduo.com, 427 software copyrights and other copyrights, 233 patents and 752 trademarks and service marks in China and overseas. In addition, as of December 31, 2017, we had filed 1,028 patent applications covering certain of our proprietary technologies and 567 trademark applications in China and overseas.

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 a material and adverse effect 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 to effectively promote our products and acquire new users, or if we incur excessive expenses in these 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. Negative publicity or public complaints by users may harm our reputation and affect our ability to attract new users and retain existing users. 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, results of operations and prospects.

We may lose control of our controlling subsidiary, HUYA Inc. which may materially and adversely affect our results of operations.

In March 2018, our controlling subsidiary HUYA Inc. entered into definitive agreements for its series B equity financing with Linen Investment Limited, a wholly owned subsidiary of Tencent Holdings Limited, or Tencent. Pursuant to these agreements, Tencent has a right, exercisable between March 8, 2020 and March 8, 2021, to purchase additional shares in HUYA Inc. to reach 50.1% of HUYA Inc.'s total voting power. If Tencent chooses to exercise such purchase right, we will lose effective control over HUYA Inc. As a result, we will no longer consolidate the financial results of HUYA Inc. financial results into our financial statements, and our results of operations as shown in our financial statements will be adversely affected. As of the date of this annual report, we still have the majority of voting power in and effective control over HUYA Inc.

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 Science and Technology Co., Ltd., or Beijing Tuda, Guangzhou Huaduo Network Technology Co., Ltd., or Guangzhou Huaduo, Guangzhou Bilin Online Information Technology Co., Ltd. (formerly known as Beijing Bilin Online Information Technology Co., Ltd.), or Bilin Online, and Guangzhou Huya Information Technology Co., Ltd., or Guangzhou Huya, our PRC consolidated affiliated entities. In particular, Mr. David Xueling Li, our co-founder, chairman and acting chief executive officer, owns 97.7% of Beijing Tuda's equity interests and 99% of Bilin Online's equity interests. Mr. Li and Beijing Tuda also own 0.5% and 99.0% of Guangzhou Huaduo's equity interests, respectively, which in turn owns 99.01% of Guangzhou Huya's equity interests. Rongjie Dong, CEO of HUYA Inc., owns 0.99% of Guangzhou Huya's equity interests through his wholly owned subsidiary Guangzhou Qinlv Investment Consulting Co., Ltd., or Guangzhou Qinlv. If any of these executive officers and key employees terminates 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, Fangda Partners, 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 Related 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.

We may be exposed to cyber security risk.

Computer hackers, foreign governments or cyber terrorists may attempt to penetrate our network security and our website. Unauthorized access to our proprietary business information or customer data may be obtained through break-ins, sabotage, breach of our secure network by an unauthorized party, computer viruses, computer denial-of-service attacks, employee theft or misuse, breach of the security of the networks of our third party providers, or other misconduct. Because the techniques used by computer programmers who may attempt to penetrate and sabotage our network security or our website change frequently and may not be recognized until launched against a target, we may be unable to anticipate these techniques. It is also possible that unauthorized access to customer data may be obtained through inadequate use of security controls by customers. We would suffer economic and reputational damages if a technical failure of our systems or a security breach compromises our user data, including identification or contact information, although there has not been any compromise in the past. Any disruption to our computer systems could have a material adverse effect on our on-site operations and ability to retain and attract users.

Our results of operations are subject to substantial quarterly and annual fluctuations due to seasonality.

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 our live streaming platform 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 quarter.

As a result, our operating results in 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 "Item 4. Information on the Company—B. Business Overview—Seasonality" for additional details regarding the effects of seasonality on our cash flow, operating performance and financial results.

Our business is sensitive to global economic conditions. A severe or prolonged downturn in the global or Chinese economy could materially and adversely affect our business, financial condition and results of operations.

The global macroeconomic environment is facing challenges, including the escalation of the European sovereign debt crisis since 2011, the end of quantitative easing by the U.S. Federal Reserve, the economic slowdown in the Eurozone in 2014 and the expected exit of the United Kingdom from the European Union. The Chinese economy has slowed down since 2012 and such slowdown may continue. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies adopted by the central banks and financial authorities of some of the world's leading economies, including the United States and China. There have been concerns over unrest and terrorist threats in the Middle East, Europe and Africa, which have resulted in volatility in oil and other markets, and over the conflicts involving Ukraine and Syria. There have also been concerns on the relationship among China and other Asian countries, which may result in or intensify potential conflicts in relation to territorial disputes. Economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. Any sever or prolonged slowdown in the global or Chinese economy may materially and adversely affect our business, results of operations and financial condition. In addition, continued turbulence in the international markets may adversely affect our ability to access capital markets to meet liquidity needs.

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. Past and future acquisitions and the subsequent integration of new assets and businesses into our own 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 maintain an effective system of internal control over financial reporting, we may be unable to accurately report our financial results or prevent fraud, and investor confidence in our company and the market price of our ADSs may be adversely affected.

The SEC, as required by Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, adopted rules requiring most public companies to include a management report on such company's internal control over financial reporting in its annual report, which contains management's assessment of the effectiveness of the company's internal control over financial reporting. In addition, when a company meets the SEC's criteria, an independent registered public accounting firm must report on the effectiveness of the company's internal control over financial reporting.

Our management and independent registered public accounting firm have concluded that our internal control over financial reporting was effective as of December 31, 2017. However, we cannot assure you that in the future our management or our independent registered public accounting firm will not identify material weaknesses during the Section 404 of the Sarbanes-Oxley Act audit process or for other reasons. In addition, because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. As a result, if we fail to maintain effective internal control over financial reporting or should we be unable to prevent or detect material misstatements due to error or fraud on a timely basis, investors could lose confidence in the reliability of our financial statements, which in turn could harm our business, results of operations and negatively impact the market price of our ADSs, and harm our reputation. Furthermore, we have incurred and expect to continue to incur considerable costs and to use significant management time and the other resources in an effort to comply with Section 404 and other requirements of the Sarbanes-Oxley Act.

Some of our users may make sales or purchases through unauthorized third party platforms of virtual items we offer for free on our platforms, 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 our platforms 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 Related 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 platforms 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, currently known as the State Administration of Press Publication, Radio, Film and Television after combination of SARFT and GAPP, the National Development and Reform Commission and the Ministry of Commerce, or the MOFCOM, in July 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 an exempted company incorporated in the Cayman Islands and our PRC subsidiaries, Guangzhou Huanju Shidai Information Technology Co., Ltd., or Guangzhou Huanju Shidai, Huanju Shidai Technology (Beijing) Co., Ltd., or Beijing Huanju Shidai, and Guangzhou Huya Technology Co., Ltd., or Huya Technology, are each considered a wholly foreign owned enterprise. We conduct our operations in China primarily through a series of contractual arrangements entered into among our PRC subsidiaries, Beijing Huanju Shidai and Huya Technology, our major PRC consolidated affiliated entities, Guangzhou Huaduo, Beijing Tuda and Guangzhou Huya, and Guangzhou Huaduo, Beijing Tuda and Guangzhou Huya's shareholders. As a result of these contractual arrangements, we exert control over our major PRC consolidated affiliated entities and consolidate each of their operating results in our financial statements under U.S. GAAP. All of the equity (net assets) or deficit (net liabilities) and net income (loss) of the consolidated affiliated entities are attributed to us. In addition, we conduct the Bilin business, a mobile instant communication application and its related business line, through contractual arrangements among our PRC subsidiary, Bilin Changxiang, our PRC consolidated affiliated entity, Bilin Online, and Bilin Online's shareholder. For a detailed description of these contractual arrangements, see "Item 7. Major Shareholders and Related Party Transactions—B. Related Party—Contractual Arrangements with Beijing Tuda."

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 for our consolidated affiliated entities. 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, 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 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. Furthermore, on January 19, 2015, the MOFCOM issued a discussion draft of the proposed Foreign Investment Law, which may place restrictions on variable interest entity structures adopted by us, but the enactment timetable, interpretation, implementation and influence thereof remain unclear. See "—Risks Related to Doing Business in China—Substantial uncertainties exist with respect to the enactment timetable, interpretation and implementation of draft PRC Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations."

Based on understanding of current PRC laws, rules and regulations of our PRC legal counsel, Fangda Partners, 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 annual report on Form 20-F, are in compliance with existing PRC laws, rules and regulations. However, we were further advised by Fangda Partners 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 platforms, 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 our initial public 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, 2015, 2016 and 2017.

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 Mr. David Xueling Li and certain other shareholders. For additional details on these ownership interests, see "—Risks Related 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 "Item 4. Information on the Company—A. History and Development of the Company." 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. In particular, the contractual arrangements provide that any dispute arising from these arrangements will be submitted to the China International Economic and Trade Arbitration Commission for arbitration in Beijing, the ruling of which will be final and binding. The legal framework and system in China, particularly those relating to arbitration proceedings, is not as developed as other jurisdictions such as the United States. As a result, significant uncertainties relating to the enforcement of legal rights through arbitration, litigation and other legal proceedings remain in China, which could limit our ability to enforce these contractual arrangements and exert effective control over our consolidated affiliated entities. 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 Related 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.

As of March 31, 2018, Mr. David Xueling Li, our co-founder, chairman and acting chief executive officer, and his affiliates, held 76.0% of the total voting power. Mr. Li and Beijing Tuda together hold 99.5% of the equity interest in Guangzhou Huaduo and Mr. Li holds 97.7% of the equity interest in Beijing Tuda. Guangzhou Huaduo in turn owns 99.01% of Guangzhou Huya's equity interests. Guangzhou Huaduo, Beijing Tuda and Guangzhou Huya are our major variable interest entities. Mr. David Xueling Li 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. Rongjie Dong could violate the terms of his non-compete or employment agreements with us or his 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.

Additionally, Mr. Jun Lei, our major shareholder who beneficially owned 10.5% of our outstanding shares as of March 31, 2018, has delegated the voting rights of the shares that he holds in our Company to Mr. Li. Mr. Lei is active in making investments in internet companies in China and currently holds direct and indirect interests in Xiaomi and iSpeak, which competes with certain of our lines of business, and other entities which may have businesses that compete with ours. Xiaomi is a mobile phone and smart appliances manufacturer and internet value-added service provider directly invested by Mr. Lei, which has started offering online performance and live broadcasting services recently. iSpeak is owned by Mr. Lei in part through Kingsoft Corporation Limited, which is engaged in the research, development operation and distribution of online games, mobile games, casual game services and internet software. Mr. Lei 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 may pursue acquisitions or make further investments in our industries which may conflict with our interests. For more information regarding the beneficial ownership of our company by our principal shareholders, see "Item 6. Directors, Senior management and Employees—E. Share Ownership."

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 major PRC consolidated affiliated entities, Guangzhou Huaduo, Beijing Tuda, Bilin Online and Guangzhou Huya, such entities hold certain assets, such as patents for the proprietary technology that are essential to the operations of our platforms and important to the operation of our business. If any one of Guangzhou Huaduo, Beijing Tuda, Bilin Online and Guangzhou Huya 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 any one of Guangzhou Huaduo, Beijing Tuda, Bilin Online and Guangzhou Huya 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 ability to enforce the equity pledge agreements between us and our PRC variable interest entities' shareholders may be subject to limitations based on PRC laws and regulations.

Pursuant to the equity interest pledge agreements between Beijing Huanju Shidai, our wholly owned subsidiary in China, and the shareholders of Guangzhou Huaduo, Beijing Tuda and Bilin Online, our variable interest entities, or VIEs, each shareholders of each variable interest entities agrees to pledge its equity interests in the VIE to our subsidiary to secure the relevant VIE's performance of their obligations under the relevant contractual arrangements. In addition, pursuant to the equity interest pledge agreements between Guangzhou Huya, Huya Technology and the shareholders of Guangzhou Huya, each shareholder of Guangzhou Huya agrees to pledge its equity interests in Guangzhou Huya to our subsidiary to secure Guangzhou Huya's performance of its obligations under the relevant contractual arrangements. The equity interest pledges of shareholders of VIEs under these equity pledge agreements have been registered with the relevant local branch of the SAIC. In addition, in the registration forms of the local branch of State Administration for Industry and Commerce for the pledges over the equity interests under the equity interest pledge agreements, the aggregate amount of registered equity interests pledged to Beijing Huanju Shidai represents 100% of the registered capital of Guangzhou Huaduo and Beijing Tuda, and those pledged to Bilin Changxiang represents 100% of the registered capital of Bilin Online. The aggregate amount of registered equity interests pledged to Huya Technology represents 100% of the registered capital of Guangzhou Huya. The equity interest pledge agreements with each of the VIEs' shareholders provide that the pledged equity interest shall constitute continuing security for any and all of the indebtedness, obligations and liabilities under all of the principal service agreements and the scope of pledge shall not be limited by the amount of the registered capital of that VIE. However, it is possible that a PRC court may take the position that the amount listed on the equity pledge registration forms represents the full amount of the collateral that has been registered and perfected. If this is the case, the obligations that are supposed to be secured in the equity interest pledge agreements in excess of the amount listed on the equity pledge registration forms could be determined by the PRC court as unsecured debt, which takes last priority among creditors.

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 PRC turnover tax on revenues generated by our subsidiaries from our contractual arrangements with our PRC consolidated affiliated entities. Such tax generally includes the PRC value added tax, or the VAT, at a rate of 6% or 17% along with related surcharges. The applicable turnover tax is determined by the nature of the transaction generating the revenues subject to taxation. 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 "Item 4. Information on the Company—B. Business Overview—PRC Regulation." Guangzhou Huaduo, Guangzhou Huya and our other PRC consolidated affiliated entities are required to obtain and maintain applicable licenses or approvals from different regulatory authorities in order to provide their 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 February 2016, an educational website operator shall obtain approvals from the local education authorities. Prior to July 2010, specific approvals on online bulletin board services were also required for the provision of BBS services. Each of Guangzhou Huaduo and Guangzhou Huya has obtained a valid ICP License for provision of internet information services, a Radio and Television Program Production and Operating Permit and an Internet Culture Operation License for online games and music products. 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 TV dramas, cartoons (excluding production), special subjects, special columns (excluding current political news category) and entertainment programs. On January 1, 2015, Guangzhou Huaduo was granted a License for surveying and mapping, covering online map service. On January 17, 2013 and January 16, 2014, we were granted permission by relevant authorities to provide online education content on edu.YY.com and 100.com, respectively. In the fourth quarter of 2014, we acquired Beijing Huanqiu Xingxue Technology Development Co., Ltd., or Beijing Xingxue, and Beijing Huanqiu Chuangzhi Software Co., Ltd., or Beijing Chuangzhi, which operated Edu24oL.com, an online education website that is an online vocational training and language training platform, and Beijing Xingxue held an ICP License and a Publication Operating License for the operation of Edu24oL.com. In the fourth quarter of 2016, we sold majority equity interests in Beijing Xingxue and cease to consolidate financial results of Beijing Xingxue. In addition, Zhuhai Huanju Entertainment has obtained a valid ICP License for provision of internet information services, an Internet Culture Operation License for online games and music products, and 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 or permits 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.

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 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 a relatively 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.

The shareholders of our PRC variable interest entities may have potential conflicts of interest with us, and if any such conflicts of interest are not resolved in our favor, our business may be materially and adversely affected.

Guangzhou Huaduo, Beijing Tuda and Guangzhou Huya are our major variable interest entities. Mr. David Xueling Li and Beijing Tuda, together hold 99.5% of the equity interest in Guangzhou Huaduo and Mr. Li holds 97.7% of the equity interest in Beijing Tuda. Guangzhou Huaduo in turn owns 99.01% of Guangzhou Huya's equity interests, which is our variable interest entity. Rongjie Dong, CEO of HUYA Inc., owns 0.99% of Guangzhou Huya's equity interests through his wholly-owned subsidiary Guangzhou Qinlv. Besides Guangzhou Huaduo, Beijing Tuda and Guangzhou Huya, Bilin Online is also our variable interest entity, which was acquired in August 2015 and is currently 99% held by Mr. Li. Mr. Li is a co-founder and shareholder of our company. The interests of Mr. Li as the controlling shareholder of the VIEs may differ from the interests of our company as a whole, as what is in the best interests of our VIEs may not be in the best interests of our company. We cannot assure you that when conflicts of interest arise, Mr. Li will act in the best interests of our company or that conflicts of interests will be resolved in our favor. In addition, Mr. Li may breach or cause Guangzhou Huaduo, Beijing Tuda, Guangzhou Huya, Bilin Online and their respective subsidiaries to breach or refuse to renew the existing contractual arrangements with us. Currently, we do not have existing arrangements to address potential conflicts of interest Mr. Li may encounter in his capacity as a shareholder or director of our VIEs, on the one hand, and as a beneficial owner or director of our company, on the other hand; provided that we could, at all times, exercise our option under the exclusive option agreement with Mr. Li to cause him to transfer all of his equity ownership in Guangzhou Huaduo, Beijing Tuda, Bilin Online or Guangzhou Huya to a PRC entity or individual designated by us, and this new shareholder of Guangzhou Huaduo, Beijing Tuda, Bilin Online or Guangzhou Huya could then appoint a new director of Guangzhou Huaduo, Beijing Tuda, Bilin Online or Guangzhou Huya to replace the existing directors. In addition, if such conflicts of interest arise, Beijing Huanju Shidai and Huya Technology, our wholly owned PRC subsidiaries, could also, in the capacity of attorney-in-fact for Mr. Li as provided under the relevant powers of attorney, directly appoint a new director of Guangzhou Huaduo or Beijing Tuda to replace the existing directors. The same mechanism is also applicable to Bilin Online and Guangzhou Huya. We rely on Mr. Li to comply with the laws of China, which protect contracts and provide that co-founder and chairman owe a duty of loyalty to our company and require him to avoid conflicts of interest and not to take advantage of his position for personal gains. We also rely on Mr. Li to abide by the laws of the Cayman Islands, which provide that directors have a duty of care and a duty of loyalty to act honestly in good faith with a view toward our best interests. However, the legal frameworks of China and the Cayman Islands do not provide guidance on resolving conflicts in the event of a conflict with another corporate governance regime. If we cannot resolve any conflicts of interest or disputes between us and Mr. Li, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings.

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

Pursuant to the labor contract law that took effect in January 2008, its implementation rules that took effect in September 2008 and its amendment that took effect in July 2013, 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 lack of detailed interpretative rules and uniform implementation practices and broad discretion of the local competent authorities, it is uncertain as to how the labor contract law and its implementation rules will 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 a material adverse effect 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 game industry in China. 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 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 Games Measures, on June 3, 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 our platforms 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 platforms 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, financial condition 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 by a local authority in Guangzhou found that our games contained lucky draws. 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 platforms.

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 non-compliance 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 approximately 14 different locations for daily operations and certain other properties serving as dormitories and canteens 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.

In addition, we allow providers of some online services, such as online education and financial services, to establish channels on our platforms. The online service providers and the producers of content on our platforms may be required to meet specific qualifying standards, evidenced by approvals, permits or certificates, and to comply with various requirements when conducting business. We cannot predict if any non-compliance 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 platforms.

The PRC government has, in recent years, intensified regulation on various aspects of the internet industry in China. For example, the PRC government adopted more stringent policies to monitor the online game 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 "Item 4. Information on the Company—B. Business Overview—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 game operations and license revocation. Furthermore, if these restrictions were expanded to apply to adult game players in the future, our online game business could be materially and adversely affected.

In addition, on February 15, 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 platforms 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 platforms 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 Related 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, Guangzhou Huanju Shidai and Huya 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 sometime 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, financial condition and results of 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 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 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 business, financial condition and results of operations.

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 platforms. Guangzhou Huaduo and Guangzhou Huya, our PRC consolidated affiliated entity, owns our platforms due to the restriction of foreign investment in businesses providing value-added telecommunication services in China, including internet content provision services. If either one of Guangzhou Huaduo and Guangzhou Huya 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 Related 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 "Item 4. Information on the Company—B. Business Overview—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 platforms 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.

On July 13, 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 be the registered holders of the domain names or 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.

On June 3, 2010, the MOC promulgated the Provisional Administration Measures of Online Games, or the Online Games Measures, which became effective on August 1, 2010 and subsequently amended on December 15, 2017. The Online Games 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 and shall conduct online game operation within the approved business scope. 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 Games Measures. However, due to lack of detailed interpretative rules and uniform implementation practices and broad discretion of the local competent authorities, 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 platforms 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. 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. Furthermore, internet content providers who have broadcasted objectionable contents on one platform may be prohibited from broadcasting on all onlive live steaming platforms, and such prohibition should be adhered to by all other online streaming platforms. 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 "Item 4. Information on the Company—B. Business Overview—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 platforms. For a description of how content can be accessed on or through our live streaming platform, and what measures we take to lessen the likelihood that we will be held liable for the nature of such content, see "Item 4. Information on the Company—B. Business Overview—Technology," "Item 4. Information on the Company—B. Business Overview—Intellectual Property," and "—Risks Related to Our Business—We may be subject to intellectual property infringement claims or other allegations, which could result in our payment of substantial damages, penalties and fines, removal of relevant content from our website or seeking license arrangements 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 platforms and to make the utmost effort in complying with relevant laws and regulations. However, it may not be possible to timely 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 platforms or for content we distribute that is deemed inappropriate. For example, we have previously been subject to a few warnings and fines in an aggregate amount of RMB0.5 million in 2017 for having inappropriate content on our platforms. 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. Users may upload content or images containing copyright violations and other illegal content and we may be subject to 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 platforms 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 platforms 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 platforms 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 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 issued the Administrative Measures of Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial), or SAT Bulletin 45, which became effective on September 1, 2011, to provide more guidance on the implementation of SAT Circular 82. 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, private share transfers 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, and the Notice on Several Issues Concerning Enterprise Income Tax for Indirect Share Transfer by Non-PRC Resident Enterprises, issued by the PRC State Administration of Taxation on February 3, 2015, or SAT Circular 7, an "indirect transfer" of assets of a PRC resident enterprise, including equity interests in a PRC resident enterprise, by non-PRC resident enterprises may be re-characterized and treated as a direct transfer of PRC taxable properties, if such transaction arrangement lacks reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax, and tax filing or withholding obligations may be triggered, depending on the nature of the PRC taxable properties being transferred. According to SAT Circular 7, "PRC taxable properties" include assets of a PRC establishment or place of business, real properties in the PRC, and equity investments in PRC resident enterprises, in respect of which gains from their transfer by a direct holder, being a non-PRC resident enterprise, would be subject to PRC enterprise income taxes. When determining if there is a "reasonable commercial purpose" of the transaction arrangement, features to be taken into consideration include: whether the main value of the equity interest of the relevant offshore enterprise derives from PRC taxable properties; whether the assets of the relevant offshore enterprise mainly consists of direct or indirect investment in China or if its income mainly derives from China; whether the offshore enterprise and its subsidiaries directly or indirectly holding PRC taxable properties have real commercial nature which is evidenced by their actual function and risk exposure; the duration of existence of the business model and organizational structure; the replicability of the transaction by direct transfer of PRC taxable properties; and the tax situation of such indirect transfer and applicable tax treaties or similar arrangements. In respect of an indirect offshore transfer of assets of a PRC establishment or place of business of a foreign enterprise, the resulting gain is to be included with the annual enterprise filing of the PRC establishment or place of business being transferred, and would consequently be subject to PRC enterprise income tax at a rate of 25%. Where the underlying transfer relates to PRC real properties or to equity investments in a PRC resident enterprise, which is not related to a PRC establishment or place of business of a non-resident enterprise, a PRC enterprise income tax at 10% would apply, subject to available preferential tax treatment under applicable tax treaties or similar arrangements, and the party who is obligated to make the transfer payments has the withholding obligation. Where the payor fails to withhold any or sufficient tax, the transferor shall declare and pay such tax to the competent tax authority by itself within the statutory time limit. Late payment of applicable tax will subject the transferor to default interest. Currently, neither SAT Circular 698 nor SAT Circular 7 applies to the sale of shares by investors through a public stock exchange where such shares were acquired from a transaction through a public stock exchange.

We cannot assure you that the PRC tax authorities will not, at their discretion, adjust any capital gains and impose tax return filing and withholding or tax payment obligations on the transferors and transferees, while our PRC subsidiaries may be requested to assist in the filing. Any PRC tax imposed on a transfer of our shares or any adjustment of such gains would cause us to incur additional costs and may have a negative impact on the value of your investment in our company.

If our preferential tax treatments are revoked or 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 financial condition and 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 EIT Law, which became effective on January 1, 2008 and subsequently amended on February 24, 2017, the statutory enterprise income tax rate is 25%. However, Guangzhou Huaduo, our PRC consolidated affiliated entity in the PRC, renewed its qualification as a high and new technology enterprise, or HNTE, as of December 9, 2016 and, subject to the approval of an annual review by competent tax authorities in Guangdong, would be entitled to enjoy a preferential enterprise income tax rate of 15% for three years, from 2016 through 2018. In addition, Guangzhou Huanju Shidai has been recognized as a software enterprise since 2013, and is therefore entitled to a two-year exemption from enterprise income tax followed by three years at 50% of the standard enterprise income tax rate starting from 2014, the first profit-making year. Furthermore, Guangzhou Huanju Shidai was entitled to a preferential income tax rate of 10% in 2016 due to its "Key Software Enterprise" status designated by the relevant government authorities. Guangzhou Huanju Shidai intends to file with the local tax authority for the preferential tax rate of 10% for a "Key Software Enterprise" in 2017, and will be subject to relevant governmental authorities' assessment. However, if either Guangzhou Huaduo or Guangzhou Huanju Shidai fails to maintain its qualification for preferential tax treatments, its applicable enterprise income tax rate may increase to 25%, which could materially and adversely affect our financial condition and results of operations.

China's M&A Rules and certain other PRC regulations establish complex procedures for certain 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 on June 22, 2009, that are commonly referred to as the M&A Rules. See "Item 4. Information on the Company—B. Business Overview—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 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. Moreover, the Anti-Monopoly Law promulgated by the Standing Committee of the National People's Congress on August 30, 2007 which became effective on August 1, 2008 requires that transactions which are deemed concentrations and involve parties with specified turnover thresholds (for example, during the previous fiscal year, (i) the total global turnover of all operators participating in the transaction exceeds RMB10 billion (US$1.4 billion) and at least two of these operators each had a turnover of more than RMB400 million (US$57.6 million) within China, or (ii) the total turnover within China of all the operators participating in the concentration exceeded RMB2 billion (US$0.3 billion) and at least two of these operators each had a turnover of more than RMB400 million (US$57.6 million) within China) must be cleared by the MOFCOM before they can be completed. In addition, on February 3, 2011, the General Office of the State Council promulgated a Notice on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the Circular No. 6, which officially established a security review system for mergers and acquisitions of domestic enterprises by foreign investors. Under Circular No. 6, a security review is required for mergers and acquisitions by foreign investors having "national defense and security" concerns and mergers and acquisitions by which foreign investors may acquire the "de facto control" of domestic enterprises with "national security" concerns.

In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts, may delay or inhibit our ability to complete such transactions. It is unclear whether our business would be deemed to be in an industry that raises "national defense and security" or "national security" concerns. However, MOFCOM or other government agencies may publish explanations in the future determining that our business is in an industry subject to the security review, in which case our future acquisitions in the PRC, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited. Our ability to expand our business or maintain or expand our market share through future acquisitions would as such be materially and adversely affected.

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, has promulgated regulations, including the Notice on Relevant Issues Relating to Domestic Residents' Investment and Financing and Round-Trip Investment through Special Purpose Vehicles, or SAFE Circular No. 37, effective on July 4, 2014, and its appendixes, that require PRC residents, including PRC institutions and individuals, to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular No. 37 as a "special purpose vehicle." SAFE Circular No. 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in their ability to contribute additional capital into its PRC subsidiary. Further, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for foreign exchange evasion, including (i) the requirement by SAFE to return the foreign exchange remitted overseas within a period specified by SAFE, with a fine of up to 30% of the total amount of foreign exchange remitted overseas and deemed to have been evasive and (ii) in circumstances involving serious violations, a fine of no less than 30% of and up to the total amount of remitted foreign exchange deemed evasive. Furthermore, the persons-in-charge and other persons at our PRC subsidiaries who are held directly liable for the violations may be subject to criminal sanctions.

Our PRC resident shareholders, Mr. David Xueling Li 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, and had subsequently filed amendments to update their registrations reflecting shareholding changes in our company resulting from our initial public offering in March 2015. Since there remains uncertainty with respect to the interpretation and implementation of Circular No. 37, and we cannot predict how such SAFE regulations 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, including but not limited to any delay in subsequent filings, 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 are subject to these regulations, and are preparing to complete such SAFE registrations. 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 and 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 public offerings to make additional capital contributions or loans to our PRC subsidiaries.

We are an offshore holding company conducting our operations in China through our PRC subsidiaries and variable interest entities. We may make loans to our PRC subsidiaries and variable interest entities, or we may make additional capital contributions 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 our public offerings, 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.

In August 2008, SAFE issued the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises, or SAFE Circular 142, regulating the conversion by a foreign-invested enterprise of foreign currency-registered capital into RMB by restricting how the converted RMB may be used. In addition, SAFE promulgated Circular 45 on November 9, 2011 in order to clarify the application of SAFE Circular 142. Under SAFE Circular 142 and Circular 45, the RMB capital converted from foreign currency registered capital of a foreign-invested enterprise may only be used for purposes within the business scope approved by the applicable government authority and may not be used for equity investments within the PRC. In addition, SAFE strengthened its oversight of the flow and use of the RMB capital converted from foreign currency registered capital of foreign-invested enterprises. The use of such RMB capital may not be changed without SAFE's approval, and such RMB capital may not in any case be used to repay RMB loans if the proceeds of such loans have not been used.

Since SAFE Circular 142 has been in place for more than five years, in 2014, SAFE decided to further reform the foreign exchange administration system in order to satisfy and facilitate the business and capital operations of foreign invested enterprises, and issued the Circular on the Relevant Issues Concerning the Launch of Reforming Trial of the Administration Model of the Settlement of Foreign Currency Capital of Foreign-Invested Enterprises in Certain Areas on July 4, 2014, or SAFE Circular 36. SAFE Circular 36 suspends the application of SAFE Circular 142 in certain areas and allows a foreign-invested enterprise registered in such areas to use the RMB capital converted from foreign currency registered capital for equity investments within the scope of business, which will be regarded as the reinvestment of foreign-invested enterprise. On March 30, 2015, SAFE issued the Circular on the Reforming of the Management Method of the Settlement of Foreign Currency Capital of Foreign-Invested Enterprises, or SAFE Circular 19, took effect on June 1, 2015, and replaced SAFE Circular 142 and SAFE Circular 36. Under SAFE Circular 19, a foreign-invested enterprise, within the scope of business, may also choose to convert its registered capital from foreign currency to RMB on a discretionary basis, and the RMB capital so converted can be used for equity investments within PRC, which will be regarded as the reinvestment of foreign-invested enterprise.

The Notice of the SAFE on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account, promulgated by the SAFE and became effective on June 9, 2016 provides that discretionary foreign exchange settlement applies to foreign exchange capital, foreign debt offering proceeds and remitted foreign listing proceeds, and the corresponding RMB capital converted from foreign exchange are not restricted from extending loans to related parties or repaying the inter-company loans (including advances by third parties). On January 26, 2017, SAFE promulgated the Circular on Further Improving Reform of Foreign Exchange Administration and Optimizing Genuineness and Compliance Verification, or Circular 3, which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including (i) under the principle of genuine transaction, banks shall check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements; and (ii) domestic entities shall hold income to account for previous years' losses before remitting the profits. Moreover, pursuant to Circular 3, domestic entities shall make detailed explanations of the sources of capital and utilization arrangements, and provide board resolutions, contracts and other proof when completing the registration procedures in connection with an outbound investment.

In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, 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 after-tax profits upon satisfaction of relevant statutory condition and procedures, 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. As of December 31, 2017, appropriations to statutory reserves amounting to RMB62.7 million were made by eleven of our PRC consolidated affiliated entities. These reserves are not distributable as cash dividends. 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 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 changes in China's political and economic conditions and by China's foreign exchange policies, among other things. In July 2005, the PRC government changed its decades-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. Between July 2008 and June 2010, this appreciation halted and the exchange rate between the RMB and the U.S. dollar remained within a narrow band. Since June 2010, the RMB has fluctuated against the U.S. dollar, at times significantly and unpredictably. On November 30, 2015, the Executive Board of the International Monetary Fund (IMF) completed the regular five-year review of the basket of currencies that make up the Special Drawing Right, or the SDR, and decided that with effect from October 1, 2016, Renminbi is determined to be a freely usable currency and will be included in the SDR basket as a fifth currency, along with the U.S. dollar, the Euro, the Japanese yen and the British pound. In the fourth quarter of 2016, the RMB has depreciated significantly in the backdrop of a surging U.S. dollar and persistent capital outflows of China. With the development of the foreign exchange market and progress towards interest rate liberalization and Renminbi internationalisation, the PRC government may in the future announce further changes to the exchange rate system and we cannot assure you that the Renminbi will not appreciate or depreciate significantly in value against the U.S. dollar in the future. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the U.S. dollar in the future.

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. To the extent that we need to convert U.S. dollars into RMB for capital expenditures and working capital and other business purposes, appreciation of the RMB against the U.S. dollar would have an adverse effect on the RMB 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, and if we decide to convert RMB into U.S. dollars for the purpose of making payments for dividends on our common shares or ADSs, strategic acquisitions or investments or other business purposes, appreciation of the U.S. dollar against the RMB would have a negative effect on the U.S. dollar amount available to us.

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.

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.

The independent registered public accounting firm that issues the audit reports included in this annual report, as an auditor of companies that are traded publicly in the United States and a firm registered with 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. On May 24, 2013, PCAOB announced that it had entered into a Memorandum of Understanding on Enforcement Cooperation with the China Securities Regulatory Commission, or the CSRC, and the Ministry of Finance which establishes a cooperative framework between the parties for the production and exchange of audit documents relevant to investigations in the United States and China. PCAOB continues to be in discussions with the CSRC and the Ministry of Finance to permit joint inspections in the PRC of audit firms that are registered with PCAOB and audit Chinese companies that trade on U.S. exchanges.

Inspections of other firms that PCAOB has conducted outside of China have identified deficiencies in those firms' audit procedures and quality control procedures, and such deficiencies 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, and to the extent that such inspections might have facilitated improvements in our auditor's audit procedures and quality control procedures, investors may be deprived of such benefits.

Additional remedial measures could be imposed on certain PRC-based accounting firms, including our independent registered public accounting firm, in administrative proceedings instituted by the SEC, as a result of which our financial statements may be determined to not be in compliance with the requirements of the Exchange Act, if at all.

In December 2012, the SEC brought administrative proceedings against the PRC-based affiliates of the Big Four accounting firms, including our independent registered public accounting firm, alleging that they had violated U.S. securities laws by failing to provide audit work papers and other documents related to certain other PRC-based companies under investigation by the SEC. On January 22, 2014, an initial administrative law decision was issued, censuring and suspending these accounting firms from practicing before the SEC for a period of six months. The decision was neither final nor legally effective until reviewed and approved by the SEC, and on February 12, 2014, the PRC-based accounting firms appealed to the SEC against this decision. In February 2015, each of the four PRC-based accounting firms agreed to a censure and to pay a fine to the SEC to settle the dispute and avoid suspension of their ability to practice before the SEC. The settlement requires the firms to follow detailed procedures to seek to provide the SEC with access to such firms' audit documents via the CSRC. If the firms do not follow these procedures or if there is a failure in the process between the SEC and the CSRC, the SEC could impose penalties such as suspensions, or it could restart the administrative proceedings.

In the event that the SEC restarts the administrative proceedings, depending upon the final outcome, listed companies in the United States with major PRC operations may find it difficult or impossible to retain auditors in respect of their operations in the PRC, which could result in financial statements being determined to not be in compliance with the requirements of the Exchange Act, including possible delisting. Moreover, any negative news about the proceedings against these audit firms may cause investor uncertainty regarding PRC-based, United States-listed companies and the market price of our ADSs may be adversely affected.

If our independent registered public accounting firm were denied, even temporarily, the ability to practice before the SEC and we were unable to timely find another registered public accounting firm to audit and issue an opinion on our financial statements, our financial statements could be determined not to be in compliance with the requirements of the Exchange Act. Such a determination could ultimately lead to the delisting of our common shares from the Nasdaq Global Select Market or deregistration from the SEC, or both, which would substantially reduce or effectively terminate the trading of our ADSs in the United States.

Substantial uncertainties exist with respect to the enactment timetable, interpretation and implementation of the draft PRC Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.

The MOFCOM published a discussion draft of the proposed Foreign Investment Law in January 2015 aiming to, upon its enactment, replace the trio of existing laws regulating foreign investment in China, namely, *the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law* and *the Wholly Foreign-invested Enterprise Law*, together with their implementation rules and ancillary regulations. The draft Foreign Investment Law embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. The MOFCOM is currently soliciting comments on this draft and substantial uncertainties exist with respect to its enactment timetable, interpretation and implementation. The draft Foreign Investment Law, if enacted as proposed, may materially impact the viability of our current corporate structure, corporate governance and business operations in many aspects.

Among other things, the draft Foreign Investment Law expands the definition of foreign investment and introduces the principle of "actual control" in determining whether a company is considered a foreign-invested enterprise, or an FIE. The draft Foreign Investment Law specifically provides that entities established in China but "controlled" by foreign investors will be treated as FIEs, whereas an entity set up in a foreign jurisdiction would nonetheless be, upon market entry clearance by the Ministry of Commerce, treated as a PRC domestic investor provided that the entity is "controlled" by PRC entities and/or citizens. In this connection, "control" is broadly defined in the draft law to cover the following summarized categories: (i) holding 50% of more of the voting rights of the subject entity; (ii) holding less than 50% of the voting rights of the subject entity but having the power to secure at least 50% of the seats on the board or other equivalent decision making bodies, or having the voting power to exert material influence on the board, the shareholders' meeting or other equivalent decision making bodies; or (iii) having the power to exert decisive influence, via contractual or trust arrangements, over the subject entity's operations, financial matters or other key aspects of business operations. Once an entity is determined to be an FIE and its investment amount exceeds certain thresholds or its business operation falls within a "negative list," to be separately issued by the State Council in the future, market entry clearance by the MOFCOM or its local counterparts will be required. Otherwise, all foreign investors may make investments on the same terms as domestic investors without being subject to additional approval from the government authorities as mandated by the existing foreign investment legal regime.

The "variable interest entity" structure, or VIE structure, has been adopted by many PRC-based companies, including us, to obtain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions in China. See "—Risks Relating to Our Corporate Structure—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", "—Risks Relating to Our Corporate Structure—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 "Item 4. Information on the Company—C. Organizational Structure." Under the draft Foreign Investment Law, variable interest entities that are controlled via contractual arrangement would also be deemed as FIEs, if they are ultimately "controlled" by foreign investors. Therefore, for any companies with a VIE structure in an industry category that is on the "negative list," the VIE structure may be deemed legitimate only if the ultimate controlling person(s) is/are of PRC nationality (either PRC companies or PRC citizens). Conversely, if the actual controlling person(s) is/are of foreign nationalities, then the variable interest entities will be treated as FIEs and any operation in the industry category on the "negative list" without market entry clearance may be considered as illegal.

It is likely that we would be considered ultimately controlled by Chinese parties, as Mr. David Xueling Li, our co-founder, chairman and acting chief executive officer, and his respective affiliates, together held approximately 76.0% of the total voting power of our company as of March 31, 2018. However, the draft Foreign Investment Law has not taken a position on what actions shall be taken with respect to the existing companies with a VIE structure, whether or not these companies are controlled by Chinese parties, while it is soliciting comments from the public on this point. Moreover, it is uncertain whether the Internet content and other Internet value-added service industry, in which our variable interest entities operate, will be subject to the foreign investment restrictions or prohibitions set forth in the "negative list" to be issued. If the enacted version of the Foreign Investment Law and the final "negative list" mandate further actions, such as MOFCOM market entry clearance, to be completed by companies with existing VIE structure like us, we face uncertainties as to whether such clearance can be timely obtained, or at all, and our business and financial condition may be materially and adversely affected.

The draft Foreign Investment Law, if enacted as proposed, may also materially impact our corporate governance practice and increase our compliance costs. For instance, the draft Foreign Investment Law imposes stringent ad hoc and periodic information reporting requirements on foreign investors and the applicable FIEs. Aside from investment implementation report and investment amendment report that are required at each investment and alteration of investment specifics, an annual report is mandatory, and large foreign investors meeting certain criteria are required to report on a quarterly basis. Any company found to be non-compliant with these information reporting obligations may potentially be subject to fines and/or administrative or criminal liabilities, and the persons directly responsible may be subject to criminal liabilities.

Risks Related to Our ADSs

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

The daily closing trading prices of our ADSs ranged from US$38.10 to US$121.62 in 2017. The trading price of our ADSs is 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. Furthermore, securities markets may from time to time experience significant price and volume fluctuations that are not related to our operating performance, 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 due to specific factors, 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;
- detrimental negative publicity about us, our competitors or our industry; and
- potential litigation or regulatory proceedings or changes.

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

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, 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. Our ADSs are freely tradable by persons other than our affiliates 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. In addition, common shares subject to our outstanding share-based awards, including options, restricted shares and restricted share units, are eligible for sale in the public market to the extent permitted by the provisions of various vesting agreements, 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 and additional restricted shares and restricted share units which may vest. As of March 31, 2018, we had 965,928,668 Class A common shares and 297,982,976 Class B common shares outstanding. 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.

We may be classified as a passive foreign investment company, or PFIC, for United States federal income tax purposes, which could subject United States holders of 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" for United States federal income tax purposes for any taxable year, if 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. Although the law in this regard is unclear, we treat Guangzhou Huaduo, Beijing Tuda, Bilin Online and Guangzhou Huya 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 treated as owning Guangzhou Huaduo, Beijing Tuda, Bilin Online and Guangzhou Huya for United States federal income tax purposes, we do not believe that we were a PFIC for United States federal income tax purposes for the taxable year ended December 31, 2017, and do not anticipate becoming a PFIC in future taxable years. However, because PFIC status is a factual determination made annually after the close of each taxable year on the basis of the composition of our income and assets, there can be no assurance that we will not be a PFIC for the current taxable year or any future taxable year. The value of our assets for purposes of the PFIC test will generally be determined by reference to the market price of our ADSs. Accordingly, fluctuations in the market price of our ADSs may cause us to become a PFIC for the current taxable year or future taxable years. The determination of whether we will be or become a PFIC will also be affected by how, and how quickly, we use our liquid assets. Under circumstances where we determine not to deploy significant amounts of cash for active purposes our risk of being classified as a PFIC may substantially increase. It is also possible that the Internal Revenue Service 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 future taxable years. The determination of whether we will be or become a PFIC will also depend, in part, upon the nature of our income and assets over time, which are subject to change from year to year. There can be no assurance our business plans will not change in a manner that will affect our PFIC status.

If we are classified as a PFIC in any taxable year, a U.S. holder (as defined in "Item 10. Additional Information—E. Taxation—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. 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. Alternatively, U.S. holders of PFIC shares can sometimes avoid the rules described above by making certain elections, including a "mark-to-market" election or electing to treat a PFIC as a "qualified electing fund." However, U.S. holders will not be able to make an election to treat us as a "qualified electing fund" because, even if we were to be or become a PFIC, we do not intend to comply with the requirements necessary to permit U.S. holders to make such election. Each U.S. holder is urged to consult its tax advisor concerning the United States federal income tax considerations relating to the ownership and disposition of our ADSs or common shares if we are treated as a PFIC for our current taxable year ending December 31, 2018 or any future taxable year (including the possibility of making a "mark-to-market" election and the unavailability of an election to treat us as a qualified electing fund). For more information see "Item 10. Additional Information—E. Taxation— 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.

Our common shares are 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 requiring a shareholders' vote. 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 thereof to any person or entity that is not an affiliate of such holder, such Class B common shares will be automatically and immediately converted into an equal number of Class A common shares.

Due to the disparate voting powers attached to these two classes of common shares, as of March 31, 2018, Mr. David Xueling Li and his respective affiliates, held 76.0% of the total voting power of our company and 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. 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.

Our 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 ADSs 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 an exempted company incorporated under the laws of the Cayman Islands with limited liability. Our corporate affairs are governed by our amended and restated 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, shareholders of a Cayman Islands company 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. 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 gives 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 or dissentient rights must convert their ADSs into our Class A common shares by surrendering their ADSs to the depositary and paying the ADS depositary fee.

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.

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 substantially all of their assets 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 or our directors or officers judgments of courts of the United States based on certain civil liability provisions of U.S. securities laws; and

- impose liabilities against us or our directors or officers, 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 generally recognize and enforce a foreign money judgment of a foreign court of competent jurisdiction without reexamination of the merits of the underlying disputes provided that such judgment (i) imposes on the judgment debtor a liability to pay a liquidated sum for which the judgment has been given; (ii) is final; (iii) is not in respect of taxes, a fine or penalty; and (iv) was not obtained in a manner and is not of a kind the enforcement of which is contrary to natural justice or the public policy of the Cayman Islands.

We are a foreign private issuer within the meaning of the rules under the Exchange Act, and as such we are exempt from certain provisions applicable to United States domestic public companies.

Because we qualify as a foreign private issuer under the Exchange Act, we are exempt from certain provisions of the securities rules and regulations in the United States that are applicable to U.S. domestic issuers, including:

- the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q or current reports on Form 8-K;

- the sections of the Exchange Act regulating the solicitation of proxies, consents, or authorizations in respect of a security registered under the Exchange Act;

- the sections of the Exchange Act requiring insiders to file public reports of their share ownership and trading activities and liability for insiders who profit from trades made in a short period of time; and

- the selective disclosure rules by issuers of material nonpublic information under Regulation FD.

We are required to file an annual report on Form 20-F within four months of the end of each fiscal year. In addition, we publish our results on a quarterly basis as press releases, distributed pursuant to the rules and regulations of the NASDAQ Global Select Market. Press releases relating to financial results and material events are also be furnished to the SEC on Form 6-K. However, the information we are required to file with or furnish to the SEC are less extensive and less timely as compared to that required to be filed with the SEC by United States domestic issuers. As a Cayman Islands company listed on the NASDAQ Global Select Market, we are subject to the NASDAQ Global Select Market corporate governance requirements. However, the NASDAQ Global Select Market permit a foreign private issuer like us to follow certain corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the NASDAQ Global Select Market corporate governance requirements.

We relied on the exemption available to foreign private issuers to the requirement that each member of the compensation committee be an independent director. Currently, the chairman of our compensation committee, Mr. David Xueling Li, is not an independent director. We may also continue to rely on this and other exemptions available to foreign private issuers in the future, and to the extent that we choose to do so in the future, our shareholders may be afforded less protection than they otherwise would under the NASDAQ Global Select Market corporate governance requirements applicable to U.S. domestic issuers. As a result, you may not be afforded the same protections or information, which would be made available to you, were you investing in a United States domestic issuer.

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 from the depositary. Under our second amended and restated memorandum and articles of association, the minimum notice period required for convening a general meeting is at least ten clear 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.

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 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.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

We commenced operations in April 2005 with the establishment of 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 Co., Ltd., 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 Corporation, or Duowan BVI, in the BVI. In March 2008, we established Huanju Shidai Technology (Beijing) Co., Ltd., formerly known as Duowan Entertainment Information Technology (Beijing) Co., Ltd., 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) Co., Ltd., 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 Co., Ltd.

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, formerly known as Zhuhai Duowan Technology Co., Ltd., which is 100% directly owned by Duowan BVI.

Our current holding company, YY Inc., was incorporated in July 2011 as an exempted company with limited liability in the Cayman Islands. The corporate affairs of YY Inc. are governed by the 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. 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.

In October 2013, we established Guangzhou Juhui Information Technology Co., Ltd., which is 100% directly owned by Guangzhou Huaduo.

In April 2014, we established Guangzhou Huanju Media Co., Ltd., which is 100% directly owned by Guangzhou Huaduo.

In the fourth quarter of 2014, Guangzhou Huaduo acquired 100% of the equity interests in both Beijing Huanqiu Xingxue Technology Development Co., Ltd, or Beijing Xingxue, and Beijing Huanqiu Chuangzhi Software Co., Ltd., which operate the online education website Edu24oL.com, an online vocational training and language training platform. In addition, we acquired 100% of the equity interests in both Zhengrenqiang and His Partners Education Technology (Beijing) Co., Ltd., which was later renamed 100-Online Education Technology (Beijing) Co., Ltd., or 100-Online, a company specializing in providing preparation courses for the International English Language Testing System, or IELTS, which is an English language proficiency test, and Beijing Dubooker Culture Communication Co., Ltd., or Dubooker, a language education publisher. In the fourth quarter of 2016, we sold majority equity interests in Beijing Xingxue following which we hold 33.14% of equity interests in Beijing Xingxue. We dissolved Dubooker and 100-Online in October 2016 and January 2017, respectively.

In the first quarter of 2015, Guangzhou Huaduo acquired 70% of the equity interests in Shanghai Beifu Culture Communication Co., Ltd., or Shanghai Beifu, which principally engages in providing e-commerce platform to professional game teams and commentators. In June 2016, we entered into an agreement to dispose of 60% equity interest in Shanghai Beifu, following which we hold 10% equity interest in Shanghai Beifu.

In the first quarter of 2015, Duowan BVI established and became a limited partner holding 93.5% equity interests of, Engage Capital Partners I, L.P., which is a private equity fund registered in the Cayman Islands. In June 2015, as a limited partner holding 93.5% equity interests, Guangzhou Huaduo established Shanghai Yilian Equity Investment Partnership (LP), a private equity fund registered in China. In June 2017, Guangzhou Huaduo established and became a limited partner holding 99% equity interests of Guangzhou Yilian Yixing Equity Investment Partnership(LP), a private equity fund registered in the China.

In May 2015, we established Zhuhai Huanju Interactive Entertainment Technology Co., Ltd., which is 100% directly owned by Guangzhou Huaduo.

In July 2015, we established Guangzhou Huanju Electronic Commerce Co., Ltd., which aims to engage in e-commerce business as a wholly owned subsidiary of Guangzhou Huaduo.

In August 2015, Duowan BVI acquired 55.05% of the equity interests in BiLin Information Technology Co., Ltd., or BiLin Cayman, a company incorporated in the Cayman Islands that develops and operates instant voice chatting applications for mobile devices. BiLin Cayman is the sole shareholder of BiLin Information Technology Co., Limited, which is in turn the sole shareholder of Bilin Changxiang. Bilin Changxiang entered into a series of contractual arrangements with Bilin Online, and its shareholders, through which Bilin Changxiang exercises effective control over the operations of Bilin Online. In the first quarter of 2018, we acquired the minority equity interests in BiLin Cayman, and BiLin Cayman became a wholly owned subsidiary of Duowan BVI.

In January 2016, we established Guangzhou Huanju Microfinance Co., Ltd., which is 100% directly owned by Guangzhou Huaduo.

In April 2016, we established Guangzhou Sanrenxing 100-EducationTechnology Co., Ltd., which is 70% directly owned by Guangzhou Huaduo.

In August 2016, we established Guangzhou Huya, which is 100% directly owned by Guangzhou Huaduo. In 2017, Guangzhou Huaduo transferred 0.99% of the equity interest of Guangzhou Huya to Guangzhou Qinlv, which is wholly owned by Mr. Rongjie Dong, the CEO of HUYA Inc. In December 31, 2016, we completed transfer of all assets, including trademarks, domain names, business contracts and tangible assets, relating to our game live streaming business to Guangzhou Huya.

In December 2016, we established Guangzhou Wanhe Technology Co., Ltd., which is 100% directly owned by Guangzhou Huaduo.

In 2017, we established HUYA Inc., Huya Limited, a wholly owned subsidiary of HUYA Inc. in Hong Kong and Guangzhou Huya Technology Co., Ltd., or Huya Technology, wholly-owned by Huya Limited. In July 2017, Huya Technology, Guangzhou Huya and its shareholders, Guangzhou Huaduo and Guangzhou Qinlv, entered into a series of VIE agreements, through which Huya Technology exercises effective control over the operations of Guangzhou Huya. Guangzhou Huya has obtained the licenses to provide internet-related service in the PRC. On March 8, 2018, we and HUYA Inc., through our respective PRC affiliated entities, entered into a non-compete agreement. Pursuant to this non-compete agreement, we agree not to compete with HUYA Inc. in certain areas of its core business, for a term of four years from the date of this non-compete agreement. Please refer to the exhibit 4.38 for details of the non-compete agreement.

In July 2017, HUYA Inc. issued series A shares to a group of investors for an aggregate amount of US$75 million. In March 2018, HUYA Inc. issued 64,488,235 shares of Series B-2 redeemable convertible preferred shares at a price of approximately US$7.16 per share for a cash consideration of US$461.6 million to Linen Investment Limited, a wholly owned subsidiary of Tencent Holdings Limited. Pursuant to the agreements entered into in this series B financing transaction, Tencent has a right, exercisable between March 8, 2020 and March 8, 2021, to purchase at the then fair market price additional shares to reach 50.10% of the voting powers in HUYA Inc. As part of the Series B-2 financing transaction, Tencent and HUYA Inc., through their respective PRC affiliated entities, entered into a business cooperation agreement, which became effective on March 8, 2018. Pursuant to this business cooperation agreement, the parties agreed to establish strategic cooperation in various aspects regarding game live streaming business and other game related business. Currently, HUYA Inc. is in the process of completing its initial public offering and listing on the New York Stock Exchange. As of the date of this annual report, we hold more than 50% of voting power in HUYA Inc. and consolidate its results.

We currently own the domain names of YY.com, Huya.com, Zhiniu8.com, Duowan.com and 100.com.

YY Inc. completed an initial public offering of 7,800,000 ADSs, representing 156,000,000 Class A common shares, in November 2012. On November 21, 2012, our ADSs were listed on The NASDAQ Stock Market under the symbol “YY.” In December 2012, in connection with the initial public offering, we also completed the over-allotment offering of an additional 1,170,000 ADSs, representing 23,400,000 Class A common shares.

In March 2014, we issued an aggregate of US$400 million 2.25% convertible senior notes due in 2019. Proceeds from the sale of the notes are expected to be used for general corporate purposes, including working capital needs and potential acquisitions of complementary businesses. The notes were offered to qualified institutional buyers pursuant to Rule 144A under the Securities Act and certain non-U.S. persons in compliance with Regulation S under the Securities Act. The notes will be convertible into our ADSs based on an initial conversion rate of 9.0334 of our ADSs per $1,000 principal amount of notes (which is equivalent to an initial conversion price of approximately US$110.7 per ADS and represents an approximately 35% conversion premium over the closing trading price of our ADSs on March 18, 2014, which was US$82.00 per ADS). The conversion rate is subject to adjustment upon the occurrence of certain events. The notes bear interest at a rate of 2.25% per year, payable semiannually in arrears on April 1 and October 1 of each year, beginning on October 1, 2014. The notes will mature on April 1, 2019, unless earlier converted, redeemed for certain tax-related events or repurchased in accordance with their terms. On April 1, 2017, we purchased for cash the notes of an aggregate principal amount of US399.0 million. Following the settlement of the repurchase, US$1.0 million aggregate principal amount of the notes remain outstanding and will be due in 2019.

On March 5, 2015, our board of directors approved the 2015 Share Repurchase Plan, pursuant to which we may repurchase up to US$100 million in total of the our outstanding ADSs for a period not exceeding twelve (12) months from the date of approval by board of directors. The 2015 Share Repurchase Plan expired on March 5, 2016. On June 15, 2016, our board of directors approved another share repurchase plan, or the 2016 Share Repurchase Plan. Under the terms of the 2016 Share Repurchase Plan, we may repurchase up to US$200 million worth of our outstanding shares (including shares represented by ADSs) and our convertible senior notes due in 2019 from time to time for a period not to exceed twelve (12) months. Our 2016 Share Repurchase Plan expired on June 15, 2017. For the year ended December 31, 2017, no share was repurchased under the 2016 Share Repurchase Plan.

On July 9, 2015, our board of directors received a non-binding proposal letter from Mr. Jun Lei, and Mr. David Xueling Li, our chairman and director (together, the "Buyer Group"), proposing a "going-private" transaction to acquire all of our outstanding common shares not already beneficially owned by the Buyer Group for US$68.50 in cash per ADS. The proposed purchase price represents a premium of approximately 17.4% to the closing trading price of our ADS on July 8, 2015, the last trading day prior to the date of the going-private proposal. Our board of directors formed a special committee consisting of three independent and disinterested directors, Mr. Peter Andrew Schloss, Mr. David Tang and Mr. Peng Tsing Ong, to consider the "going-private" proposal. On June 15, 2016, our board of directors received a letter from the Buyer Group stating that the Buyer Group had determined not to proceed with the going-private proposal with immediate effect.

On August 21, 2017, we completed our registered follow-on public offering and over-allotment to the underwriters. We issued and sold a total of 6,612,500 ADSs in these transactions, representing 132,250,000 Class A common shares. We received the net proceeds of US$442.2 million, after deducting commissions and offering expenses.

Our principal executive offices locate at Building B-1, North Block of Wanda Plaza, No. 79 Wanbo Er Road, Nancun Town, Panyu District, Guangzhou 511442, the People's Republic of China. Our telephone number at this address is +(86 20) 8212 0000. Our registered office in the Cayman Islands is located at 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., 801 2nd Avenue, Suite 403, New York, NY 10017.

See "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Capital Expenditures" for a discussion of our capital expenditures and divestitures.

B. Business Overview

Overview

YY is the No. 1 live streaming social media platform in China, as ranked by QuestMobile based on monthly and daily active user , as well as total time spent of users that directly accessed the platforms of the relevant industry players, in December 2017. We operate YY Live and Huya platform, which are leading live streaming and game live streaming platforms in China, respectively. Our highly engaged users contribute to a vibrant social community by creating, sharing and enjoying a vast range of entertainment content and activities, including entertainment live streaming, game live streaming, games, e-learnings and etc. YY enables users to interact with each other in real-time through online live media, and offers users a uniquely engaging and immersive entertainment experience. Such experience in turn fuels further content creation, fostering a virtuous cycle that sustains our growth. We have a large and highly engaged user base. Our mobile products attracted 76.5 million average monthly active users in the fourth quarter of 2017, a 36.6% increase from the corresponding period in 2016.

Founded as an online game web portal in 2005, our company has transformed into a live streaming social media platform in the past decade. In July 2008, we launched our core product YY Client, a PC-based free software that allows users to create individual channels for any online live group activities that covers a broad range of interests and topics. To increase the accessibility and usage of YY Client, we introduced a mobile application, Mobile YY, in September 2010 and a browser-based version of our services in October 2012. To accelerate the monetization of our mobile platform, we introduced virtual item purchase functions on Mobile YY in October 2013. We also endeavor to diversify and expand the contents on our platform. For example, in February 2014, we launched a dedicated education platform, 100 Education, for our original education business. In the fourth quarter of 2014, we acquired two education businesses, focusing on online professional training and English language test preparation, respectively, to further expand our educational services offerings. Since the beginning of 2015, we have been operating our game live streaming business under a stand-alone brand, Huya, which includes Huya.com and its corresponding mobile application Huya APP. In August 2015, we launched a new brand, Zhiniu, with its own domain name Zhiniu8.com and mobile application Zhiniu Finance, for the finance related contents on our platforms. We also continue to innovate our products and services to attract younger generation users and to enhance user engagement and consumption on our live streaming social media platform. For example, with our YY Live 7.0, a milestone version of YY Live launched in the third quarter of 2017, we transformed the showcase-focused model of live streaming, where audiences watch the performance of the hosts in a more passive manner, to participant-focused live streaming, where audiences experience personalized interactions with their hosts and feel accompanied by their hosts in talent shows, exploration, sports events or games.

In addition to our continuous product innovation, the growth of our user base and increasing level of user engagement is also driven by the breadth of entertainment content and activities featured on our platform. We continuously expand our content categories to cover both traditional and popular genres such as music, dancing, talk shows and online games, as well as to feature emerging and long-tail categories such as outdoor, finance, sports and ACG (animations, comics and games). Our platform also features highly engaging activities to attract more users and to better engage them, including online dating shows, live performer battles, as well as trendy casual games collection platform *Happy Go*. Furthermore, we continued to increase user interaction and explore new monetization opportunities through innovative functionality. For example, in 2017, we embedded into our live showrooms a new functionality, *Happy Contest*¸ which enables live streaming hosts to connect and compete with each other across different showrooms.

Proprietary technology is the backbone of our services. YY's superior user experience is supported by our highly scalable infrastructure throughout China, as well as our proprietary algorithms, software and mobile devices tailored for optimal live broadcasting performance. Our technology enables low latency, low jitter and low loss rates in delivering voice and video data, even with weak internet connection.

We pioneered the prevalent live streaming business model among leading industry players in China today. Our business model optimizes the seamless integration of traffic generation, user engagement and monetization. While the basic use of our platforms is currently free to attract traffic, we monetize our user base mainly through sales of virtual gifts for live streaming. We believe that we will be able to capitalize on our large and highly engaged user base by exploring additional monetization opportunities and diversifying our revenue sources.

We also generate revenues through game token for online games, and our membership program whereby users pay a fixed fee to enjoy certain privileges and regular bonus packages. We primarily generate online advertising and promotion revenues from sales of various forms of advertising and provision of promotion campaigns on our live streaming platforms. In addition, we generated revenues from our online education platform through providing education services.

Our total net revenues were RMB5,897.2 million, RMB8,204.1 million and RMB11,594.8 million (US$1,782.1 million) in 2015, 2016 and 2017 respectively. We had a net income of RMB998.3 million, RMB1,511.6 million and RMB2,508.4 million (US$385.5 million) in 2015, 2016 and 2017, respectively.

Our Platforms

We currently offer live streaming services primarily through our YY Live platform and Huya platform.

YY Live

In June 2016, we revamped our online music and entertainment live streaming services to YY Live. With the increasing popularity of and growing contents in YY Live, it has been transformed into an interactive and comprehensive live streaming social media platform. Users of YY Live may enjoy the live streaming services on YY Live APP, YY Live website, or YY Client and stream the content in various channels, including, among others, music and dance show, talk show, outdoor activities, sports, anime and games.

Huya

In November 2014, we launched Huya broadcasting, with a focus on livestream of game playthroughs. After years of coverage expansion and user accumulation, Huya broadcasting has become a comprehensive live streaming platform covering online games, console games, mobile games, entertainments, sports and etc. Users of Huya broadcasting may access content on Huya through Huya APP, or Huya website, YY Client or Huya APP, Huya's dedicated mobile application.

Our Products

We offer our services primarily through our YY Live platform and Huya platform. Users of our services could stream the contents on those two platforms through (i) our mobile applications, including, among others, YY Live APP and Huya APP, (ii) our websites, YY.com, Huya.com, and other PC website and web-based products, (iii) our PC client, YY Client, and (iv) our online game center on YY Client.

Mobile Applications

We develop mobile applications to provide a variety of live streaming contents to our users through mobile operating systems and make live streaming services available at finger tips. While we continue to develop and upgrade our platforms, we rebranded Mobile YY, our first and main mobile application, into YY Live APP, which primarily provides users access to our live streaming content offered on our YY Live platform. To better accommodate the increasing demands of our users to access more content on our YY Live platform, we developed a number of additional mobile applications, each of which dedicates to a specific type of content or functions. Users can access contents on our YY Live platform through all these mobile applications, and retrieve contents most suitable to individual preferences and interests.

In 2017, we developed a series of new features and functionalities into YY Live to attract younger generation users and to enhance user engagement and consumption on our live streaming social media platform. For example, we launched *Accompany Me*, an on-demand live streaming service that allows long-tail hosts to offer more customized services to users, including singing, dancing, chatting and other various forms, similar to a live streaming version of taxi-hailing. We also launched *Happy Basketball*, a casual game embedded with an augmented-reality feature that user can control the basketball shootings through their face movement.

Meanwhile, we further explored opportunities in the field of casual games to satisfy increasing demand arose out of users' fragmented time. In the second quarter of 2017, we launched *Happy Werewolf Kill*, a small-room voice based online social game, which we further upgraded into a casual game collection platform *Happy Go* in the fourth quarter of 2017. We have introduced over 40 casual small games onto our *Happy Go* platform.

With the growth of users on our Huya platform, we launched Huya APP in 2014, for streaming comprehensive game live streaming contents and other entertainment live streaming contents operated under HUYA Inc.

We will continue to focus on developing enhanced features for our mobile applications going forward.

YY Client

Our core product, YY Client, enables users to engage in live streaming 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 internet-enabled systems, including PCs and mobile interfaces. 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, had voice-enabled features that allowed online game players to communicate with large groups of fellow gamers on a real-time basis. Game players typically organize various guilds for players to discuss gaming strategies and communicate with each other in a team setting. Such online 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. Gradually, we further developed and tailored YY Client in response to the market need for a platform enabling large groups to gather, meet and socialize in real time online, and turned it into the rich communication social platform that it is today. We introduced live video-enabled channels beginning in late 2011 and have since applied video features to all our channels.

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 services are free to users up to a certain threshold. We currently earn revenues from YY Client through sales of services paid through online third party payment systems.

Game Center on YY Client

The game center on YY Client currently primarily consists of a game lobby and VIP game access. The game lobby enables users to access various online games without downloading any additional client software. The VIP game access provides our users with access to new games being developed or tested by third party game developers, and afford game developers an opportunity to promote their games among our users as well as solicit user feedback on new games.

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.

Websites

We develop and operate YY.com and Huya.com, two of our major PC websites. In addition, we also operate a series of other PC websites such as Zhiniu8.com, 100.com, Duowan.com and etc. Websites enable users to conduct real-time interactions and watch live streaming content through web browsers on both PC and mobile, without requiring any downloads or installations. Websites optimize YY technology for the web, transcending the limitations of operational systems and enabling real-time communications and live streaming on the web by simply clicking on a link.

Contents on Our Platforms

We offer various contents on our live streaming platforms, which cover a broad range of interests and topics. Through our mobile applications, websites and PC clients, users can stream the below contents on our live streaming platforms, YY Live and Huya platform.

- ***Music, Dancing and Talk Shows.*** Users can watch music, dancing and talk shows on our live streaming platforms. Currently, music, dancing and talk shows related content is the largest contributor to our total revenues.

- ***Game live streaming.*** Users livestream play-throughs of online games in a casual environment or during competitions. Professional game teams and commentators often attract more viewers, who may show support and appreciation by purchasing and giving virtual items to the commentators.

- ***Dating Shows.*** Users host, participate or live stream dating shows through live video and audio communication, during which the participants and the audience can purchase and give virtual gifts to the host or other participants. The format of our online dating is based on a popular dating TV show in China.

- ***Finance.*** Users interested in finance and investment can stream finance shows hosted by financial experts, which cover investment-related topics, including stock market trends and investment basics.

- ***Outdoor Activities and Sports.*** Users can livestream outdoor activity shows, such as camping, hiking, travel and tourism, as well as professional sports shows such as basketballs, footballs and snookers.

- ***ACG.*** Users can livestream activities related to the ACG (animations, comics and games) topics and themes. ACG live streaming contents are especially popular among younger generation of users.

Branding and Marketing

Branding Strategy

We consider the branding of our products and services a crucial task. We use YY as the general brand for our company and for our core product. At the same time, we also set up stand-alone brands for those products and services which have good potential in their vertical area. Each of our stand-alone brands, such as YY Live, Huya, and Zhiniu, has its dedicated branding team to promote the brand in a way most suitable to the related business.

Marketing Activities

Historically, we have incurred minimal marketing expenses for our platforms and have built a large community of users primarily through viral marketing, with word of mouth referrals and repeat user visits ultimately driven by user experience. Nowadays, we employ a variety of marketing activities to further promote our platforms, including advertising on news and social network media, search engines and web portals, cooperating with application distributors and hardware manufacturers, as well as participating and sponsoring offline exhibitions and industry summits. In 2017, we continued to explore innovative ways to enhance our user acquisition through various marketing activities, such as TV program, online entertainment variety show and drama, and offline channels.

Seasonality

Our results of operations of various products and services are subject to seasonal fluctuations. However, seasonal fluctuations have not posed material operational and financial challenges to us, as such periods tend to be brief and predictable.

Competition

We face competition in several major aspects of our business, particularly from companies that provide online live streaming businesses in terms of user traffic and user time spent. Our competitors primarily include Kuaishou, Momo, Douyin, Douyu and other live streaming platforms in China.

Technology and User Privacy Safety

Proprietary technology is the backbone of our services. We believe we are an industry leader in providing large-scale 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. YY's superior user experience is supported by our highly scalable infrastructure throughout China, as well as our proprietary algorithms, software and mobile devices tailored for optimal live broadcasting performance. Our technology enables low latency, low jitter and low loss rates in delivering voice and video data, even with weak internet connection.

Meanwhile, we dedicate significant resources to the goal of strengthening our live streaming communities through developing and implementing programs designed to protect user privacy, promote a safe environment, and ensure the security of user data. Specifically, we provide users with adequate notice as to what data are being collected. We undertake to manage and use the data collected in accordance with applicable laws and make reasonable efforts to prevent the unauthorized use, loss or leak of user data. In addition, we use a variety of technologies to protect the data with which we are entrusted and have a team of privacy professionals dedicated to the ongoing review and monitoring of data security practices. For example, we store all user data in encrypted format and strictly limit the number of personnel who can access those servers that store user data. For our external interfaces, we also utilize firewalls to protect against potential attacks or unauthorized access.

Features and Advantages

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 but not limited to 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 better 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 over 26,000 servers which are hosted in the data centers we lease from third parties throughout the country as of December 31, 2017. Our cloud-based network infrastructure provides quality data delivery and allows multiple users to interact online from anywhere in China with ease and speed.

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 user numbers.

Content management and monitoring

Our live streaming platforms 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 platforms and the data being conveyed in our system for sensitive key words or questionable materials. Content that contains certain keywords are automatically filtered by our program and cannot be successfully posted on our platforms. Thus we are able to minimize offending materials on our platforms and to remove such materials promptly after they are discovered. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our Business—We may be held liable for information or content displayed on, retrieved from or linked to our platforms, 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 platforms."

Accumulated experience and data for a proprietary technology platform

Significant time and efforts are required to build and operate an infrastructure such as ours. 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. Over the years, 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, having gained significant knowledge from building and maintaining our platforms over time.

Research and Development Team

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. As of December 31, 2017, our research and development team consisted of 1,734 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.

Our research and development team currently works on both back-end and front-end development of our products and services, including (a) the continuous improvement of our core audio and video data processing and streaming technologies, (b) the enhancement of network and server structures, data distribution and transfer technologies to achieve lower latency and reduce interruptions, and (c) the creation of new features and functions to meet the demand of our users in various business lines, including but not limited to PC-desktop, web and mobile applications, channel templates and virtual items.

Operation and Maintenance Team

As of December 31, 2017, approximately 141 technicians are dedicated to monitoring and maintaining our network infrastructure 24 hours a day, seven days a week. Our operation and maintenance team checks the voice and video data quality received by various users, the quality of user experience on our platforms 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 more diversified and complex products and services for an increasing number of users, we raised new challenges to our operation and maintenance team, and rely on them to continue to provide live streaming services and online real-time interactions to our 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. As of December 31, 2017, we had registered 246 domain names, including YY.com, Huya.com, Zhiniu8.com, Duowan.com, 100.com and Chinaduo.com, 427 software copyrights and other copyrights, 233 patents and 752 trademarks and service marks in China and overseas. In addition, as of December 31, 2017, we had filed 1,028 patent applications covering certain of our proprietary technologies and 567 trademark applications in China and overseas.

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;
- State Administration of Press, Publication, Radio, Film and Television of the People's Republic of China, or the SAPPRFT;
- 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 "D. Risk Factors—Risks Related 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." 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 and have been subsequently amended respectively on July 29, 2014 and February 6, 2016, 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 (2015 Amendment), implemented on March 1, 2016 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 and Guangzhou Huya, our PRC consolidated affiliated entities, hold ICP licenses, 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, which were last updated on February 1, 2018 and March 21, 2018, respectively.

The Regulations for the Administration of Foreign-Invested Telecommunications Enterprises, or the FITE Regulations, which took effect on January 1, 2002 and were amended respectively on September 10, 2008 and February 6, 2016, 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 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 is owned by Mr. David Xueling Li. Guangzhou Huaduo and Beijing Tuda are both controlled by Beijing Huanju Shidai through a series of contractual arrangements. Similarly, we operate our Bilin business through contractual arrangement among Bilin Changxiang, Bilin Online and its shareholder. See “Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Contractual Arrangements.” Moreover, Guangzhou Huaduo is the registered holder of a majority of the domain names, trademarks and facilities necessary for daily operations in compliance with the MIIT Circular 2006. Based on our PRC legal counsel Fangda Partners’ 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. Both Guangzhou Huaduo and Guangzhou Huya, presently hold the ICP licenses on internet and mobile network information services issued by the Guangdong branch of the MIIT, which were last updated on February 1, 2018 and March 21, 2018 respectively.

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.

Since the Internet Publication Measures has been in place for more than thirteen years, on February 4, 2016, the SAPPRFT and the MIIT decided to further regulate order in network publication services management, and issued the Measures for Network Publication Service Administration, or Network Publication Measures, which took effect on March 10, 2016 and replaced the Internet Publication Measures. According to the Network Publication Measures, engagement in network publication services must be approved by the competent administrative department for publications and a Network Publication Services Permit must be obtained. Pursuant to the Network Publication Measures, network publication services refer to the use of information networks to provide the public with network publications, and network publications refer to digital works provided to the public through the use of information networks that have characteristics of publication such as editing, creation, or processing. In addition, before online games are published to the public, an application must be put forward with the competent administrative departments for publication, and upon verification and consent, such online games are to be reported to the State Administration of Press, Publication, Radio, Film and Television.

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, which was last updated in November 2016. 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 August 2016.

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 July 11, 2013, the General Office of the State Council promulgated the Provisions on the Main Responsibilities, Internal Institutions and Staffing of SAPPRFT, or the Three-Decision Provisions, which reiterates the restrictions stipulated in the Regulation on Three Provisions. On November 7, 2011, Guangzhou Huaduo obtained an Internet Publishing License for the publication of online games and mobile phone games, which was last updated in November 2016. The online games we currently offer are domestically produced games, and are published by third parties qualified to publish online games. As of March 31, 2018, approximately 99.2% of the online games available on YY Client were filed with the GAPP as electronic publications, and the others were 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 "D. Risk Factors—Risks Related to Our Corporate Structure and Our 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 July 1, 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. The Notice on Regulating Online Game Operation and Strengthening Concurrent and Ex-Post Supervision implemented by the MOC from May 1, 2017, further stipulates that the entity engaging in online games operations shall require online game users to register their real names by using valid identity documents. In addition, pursuant to the Provisions on Administration over the Internet User Public Account Information Services, which was promulgated by the State Internet Information Office on September 7, 2017 and became effective on October 8, 2017, the network platforms providing the services of registration of the Internet user accounts shall conduct real identity verification over the registered users and require providing the identity information and mobile phone number. If a user fails to provide real identity information, the network platforms shall not provide the information release services to such user.

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 "D. 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 platforms.

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 online music and entertainment, 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. On December 1, 2016, MOC released the Notice on Regulating Online Game Operation and Strengthening Concurrent and Ex-Post Supervision, to be implemented from May 1, 2017, restate and introduce a series of regulatory requirements governing the online game operation, including clarifications on online game operation and operators, virtual items rules, random-event rules, user protection measures, and reiteration of MOC's approval and filing requirements.

Online Music and Entertainment

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 October 23, 2015, the MOC promulgated the Notice on Further Strengthening and Improving the Content Management of Online Music, which stipulated that operating entities shall carry out self-examination in respect of the content management of online music, which shall be regulated by the cultural administration departments in process or afterwards.

Guangzhou Huaduo holds a valid Internet Culture Operation License covering our provision of online music. Most of the music offered on our websites is sung by grassroots performers along with recorded music. If any music provided through our platforms 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 "D. Risk Factors —Risks Related 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 platforms by third parties may expose us to the risk of administrative penalties and intellectual property infringement lawsuits. See "D. Risk Factors—Risks Related to Our Business—We may be held liable for information or content displayed on, retrieved from or linked to our platforms, 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 platforms" and "PRC Regulation—Intellectual Property Rights—Copyright Law."

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 platforms any online music products that may fall into the scope of those prohibited online music products thereunder.

Online Transmission of Audio-Visual Programs

The Administrative Provisions on Private Network and Targeted Publication of Audio-Visual Programs Services, or the Audio-Visual Provisions was promulgated by the SAPPRFT on April 25, 2016 and put into effect on June 1, 2016. The Audio-Visual Provisions applies to the radio and TV program and other audio-visual program services with targeted audience through the targeted transmission channels, such as local area network, virtual private network, Internet and other information networks, and using TV and handheld electronic equipment as terminal recipients. Under the Audio-Visual Provisions, to engage in the transmission and distribution of audio-visual programs, a License for the Online Transmission of Audio-Visual Programs is required. Foreign invested enterprises are not allowed to carry out such business.

In addition, the State Internet Information Office promulgated the Administrative Provisions on Internet Live-Streaming Services, or Internet Live-Streaming Services Provisions, on November 4, 2016, which came into effect on December 1, 2016. According to the Internet Live-Streaming Services Provisions, an Internet live-streaming service provider shall (a) establish a live-streaming content review platform; (b) conduct authentication registration of Internet live-streaming issuers based on their identity certificates, business licenses and organization code certificates, etc.; and (c) enter into a service agreement with Internet live-streaming services user to specify both parties' rights and obligations.

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 and subsequently amended on August 28, 2015. 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.

The Internet Audio-visual Program Services Categories (Provisional), or the Provisional Categories issued by the SARFT on March 17, 2010 and subsequently revised on March 10, 2017 classified internet audio-visual program services into four categories. In addition, the Notice concerning Strengthening the Administration of the Broadcasting Service on Online Audio-Visual Programs promulgated by the SAPPRFT on September 2, 2016 emphasizes that, unless a specific license is granted, audio-visual programs service provider is forbidden from engaging in online live broadcasting on major political, military, economic, social, cultural and sports events.

Administrative Measures for the Business Activities of Online Performances, or Online Performance Measures, was promulgated by the MOC on December 2, 2016 and became effective on January 1, 2017, the entity engaging in the operation of online performances shall establish content review system, and be staffed with qualified reviewers for self-censorship. Pursuant to Online Performance Measures, online performances shall not contain any of the following elements:(a) the forms of performance being horrific, cruel, violent or vulgar, devastating the performers' physical and mental health; (b) by taking advantage of bodily defects and demonstrating bodily variation; (c) infringing the legitimate rights and interests of others by means of photo-taking and videotaping in secret; (d) being cruelty to animals; or (e) displaying the online game skills through the online game product which failed to obtain the content review approval issued by cultural administrative departments. Once the online performances in in violation of laws are found, the entity engaging in the operation of online performances shall immediately suspends the provision of such performance, and report relevant information to the authorized governmental departments.

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, 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 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 amended on April 24, 2015 and effective since September 1, 2015;

- Administrative Regulations for Advertising, promulgated by the State Council on October 26, 1987 and effective since December 1, 1987.

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.

On July 4, 2016, the SAIC issued the Interim Measures for the Administration of Internet Advertising, or the Internet Advertising Measures, which become effective on September 1, 2016. According to the Internet Advertising Measures, Internet Advertising refers to the commercial advertising for direct or indirect marketing goods or services in the form of text, image, audio, video, or others means through websites, webpages, Internet applications, or other Internet media. The Internet Advertising Measures specifically sets out the following requirements: (a) advertisements must be identifiable and marked with the word "advertisement" enabling consumers to distinguish them from non-advertisement information; (b) sponsored search results must be clearly distinguished from organic search results; (c) it is forbidden to send advertisements or advertisement links by email without the recipient's permission or induce Internet users to click on an advertisement in a deceptive manner; and (d) Internet information service providers who do not participate in the business activities of Internet advertising are required to stop publishing illegal advertisement only if they know or should have known the advertising is illegal.

Intellectual Property Rights

Software Registration

The State Council and the NCA have promulgated various rules and regulations 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. For the number of software programs for which we had registered rights as of December 31, 2017, see "Item 4. Information on the Company—B. Business Overview—Intellectual Property."

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. For the number of patents we had and the number of patent applications we made as of December 31, 2017, see "Item 4. Information on the Company—B. Business Overview—Intellectual Property."

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 2002 and amended in 2013, 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 further clarify some key internet copyright issues, on December 27, 2012, the PRC Supreme People's Court promulgated the Regulation on Several Issues Concerning Applicable Laws on Trial of Civil Disputes over the Infringement of Information Network Transmission Right, or the 2013 Regulation. The 2013 Regulation took effect on January 1, 2013, and replaced the Interpretations on Some Issues Concerning Applicable Laws for Trial of Disputes over Internet Copyright that was initially adopted in 2000 and subsequently amended in 2004 and 2006. Under the 2013 Regulation, where an internet information service provider work in cooperation with others to jointly provide works, performances, audio and video products of which the right holders have information network transmission right, such behavior will constitute joint infringement of third parties' information network transmission right, and the PRC court shall order such internet information service provider to assume join liability for such infringement. If an internet information service provider can prove that it has only provided network services through automatic access, automatic transmission, data storage space, search functions, links, document sharing technology, etc., and thereby argues that it has not been involved in any alleged joint infringement, the PRC court shall find in favor of such internet information service provider. If an internet information service provider fails to delete, block, disconnect or take other necessary measures, or if it provides technological support or other aid when it knows or should have known of the network user's infringement on the information network transmission right, the PRC court shall find that such aid constitutes contributory infringement. The PRC court shall determine whether an internet information service provider is liable for abetting or contributory infringement according to its findings on the degree of fault of the internet information service provider. The fault of the internet information service provider is determined according to various criteria, including situations where such provider knew or should have known of the network user's infringement against third party's information network transmission right. If an internet information service provider can prove it has adopted fairly reasonable and effective technological measures, and yet still finds it difficult to discover infringement against information network transmission conducted by the network user, the PRC court shall find such provider to be not at fault. Where an internet information service provider promotes popular video and films through setting up a list, directory, index, descriptive paragraph, briefing or other means of recommendation, and the public can download, browse or acquire them through other methods directly from the internet information service provider's webpage, the PRC court may find that such provider knew of the network user's infringement on the information network transmission right of others.

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 and amended on January 30, 2013. 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.

We have adopted measures to mitigate copyright infringement risks. For instance, we have established a routine reporting and registration system that is updated on a monthly basis, and we require performers, channel owners and users to acknowledge and agree that (a) they would not perform or upload copyrighted content without proper authorization and (b) that they will indemnify us for any relevant copyright infringement claims in relation to their activities on our platforms.

If, despite these precautions, such procedures fail to effectively prevent unauthorized posting or use of copyrighted content or the infringement of other third party rights on our platforms, and the PRC courts find that certain safe harbor exemptions under PRC laws are not applicable to us because, for instance, a court finds that we knew or should have known about such infringement or that we have directly derived economic benefits from allowing such infringement activities on our platforms, we may be held jointly and severally liable with the performers, channel owners or other infringement parties in lawsuits initiated by the relevant third party copyright holders or authorized users. Moreover, we may be held directly liable for the infringement activities of such performers or channel owners on our platforms, if the PRC courts view them as our employees or agents, deem us to have control over their activities on our platforms and the content they upload or otherwise make available on our platforms, and determine that we have knowingly uploaded such infringing contents on our platforms. See “D. Risk Factors—Risks Related to Our Business—We may be subject to intellectual property infringement claims or other allegations, which could result in our payment of substantial damages, penalties and fines, removal of relevant content from our website or seeking license arrangements which may not be available on commercially reasonable terms.”

Domain Name

In September 2002, the CNNIC issued the Implementing Rules for Domain Name Registration setting forth detailed rules for registration of domain names, which was amended on May 29, 2012. On September 1, 2014, 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. The Measures for Administration of Domain Names, or the Domain Name Measures, was promulgated by the MIIT on August 24, 2017 and became effective on November 1, 2017. The MIIT is the major regulatory authority responsible for the administration of the PRC Internet domain names. The registration of domain names in PRC is on a “first-apply-first-registration” basis. A domain name applicant will become the domain name holder upon the completion of the application procedure. For the number of domain names we registered as of December 31, 2017, see “Item 4. Information on the Company—B. Business Overview—Intellectual Property.”

Trademark

The PRC Trademark Law, adopted in 1982 and amended in 1993, 2001 and 2013, with its implementation rules adopted in 2014, 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. For the number of trademarks we had and trademark applications we had made as of December 31, 2017, see "Item 4. Information on the Company—B. Business Overview—Intellectual Property."

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, 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. Internet companies in China are required to complete security filing procedures and regularly update information security and censorship systems for their websites with local public security bureau. The PRC Law on Preservation of State Secrets, which became effective on October 1, 2010 requires an internet information services providers to discontinue disseminating any information that may be deemed to be leaked state secrets and to report such incidents in a timely manner to the state security and public security authorities. Failure to do so in a timely and adequate manner may subject the internet information services providers to liability and certain penalties given by the Ministry of State Security, the Ministry of Public Security and/or the MIIT or their respective local branches.

On December 13, 2005, the Ministry of Public Security promulgated Provisions on Technological Measures for Internet Security Protection, or the Internet Protection Measures, which took effect on March 1, 2006. The Internet Protection Measures requires all internet information services operators to take proper measures including anti-virus, data back-up and other related measures, and keep records of certain information about their users (including user registration information, log-in and log-out time, IP address, content and time of posts by users) for at least 60 days and submit the above information as required by laws and regulations.

The National People's Congress, China's national legislative body, enacted the Decisions on the Maintenance of Internet Security on December 28, 2000 and subsequently amended on August 27, 2009, 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. The Internet Security Law of the People's Republic of China, issued by the Standing Committee of the National People's Congress on November 7, 2016 and became effective on June 1, 2017, further emphasizes the implementation of classified protection with respect to Internet security. According to the Internet Security Law, Internet operators shall fulfill relevant mandatory security protection obligations.

The Administration Measures on the Security Protection of Computer Information Network with Internationally Connections, which was issued by the Ministry of Public Security in December 1997, and amended on January 8, 2011, prohibits 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.

On December 28, 2012, the Standing Committee of the National People's Congress reiterated relevant rules on the protection of internet information by issuing the Decision on Strengthening the Protection of Network Information, or the 2012 Decision. The 2012 Decision distinctly clarified certain relevant obligations of the internet information service provider. For example, the 2012 Decision specifies that the internet information service provider should take relevant technical measures and other necessary actions to prevent the leakage, damage or loss of each user's personal information collected in the internet information service provider's operation activities, and shall take remedial measures when the leakage, damage or loss of the citizen's personal information occurs or may possibly occur. Once it discovers any transmission or disclosure of information prohibited by the relevant laws and regulations, the internet information service provider shall stop transmission of such information, take measures such as elimination, keeping relevant record, and reporting to relevant authorities.

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 platforms 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 platforms, 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

Pursuant to the Decision on Strengthening the Protection of Online Information issued by the Standing Committee of the National People's Congress on December 28, 2012 and the Order for the Protection of Telecommunication and Internet User Personal Information issued by the MIIT on July 16, 2013 and became effective on September 1, 2013, any collection and use of user personal information must be subject to the consent of the user, abide by the principles of legality, rationality and necessity and be within the specified purposes, methods and scopes. An Internet information service provider must also keep such information strictly confidential, and is further prohibited from divulging, tampering or destroying any such information, or selling or providing such information to other parties. An Internet information service provider is required to take technical and other measures to prevent the collected personal information from any unauthorized disclosure, damage or loss. Any violation of these laws and regulations may subject the Internet information service provider to warnings, fines, confiscation of illegal gains, revocation of licenses, cancellation of filings, closedown of websites or even criminal liabilities.

Pursuant to the Interpretation of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues regarding Legal Application in Criminal Cases Infringing upon the Personal Information of Citizens, which was issued on May 8, 2017 and took effect on June 1, 2017, the following activities may constitute the crime of infringing upon a citizen's personal information: (i) providing a citizen's personal information to specified persons or releasing a citizen's personal information online or through other methods in violation of relevant national provisions; (ii) providing legitimately collected information relating to a citizen to others without such citizen's consent (unless the information is processed, not traceable to a specific person and not recoverable); (iii) collecting a citizen's personal information in violation of applicable rules and regulations when performing a duty or providing services; or (iv) collecting a citizen's personal information by purchasing, accepting or exchanging such information in violation of applicable rules and regulations.

In addition, according to the General Provisions of the Civil Law of the People's Republic of China promulgated on March 15, 2017, which became effective on October 1, 2017, the personal information of a natural person shall be protected. Any organization or individual needing to obtain the personal information of others shall legally obtain and ensure the security of such information, and shall not illegally collect, use, process, or transmit the personal information of other persons, nor illegally buy, sell, provide, or publish the personal information of other persons.

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.

Since SAFE Circular 142 has been in place for more than five years, in 2014, SAFE decided to further reform the foreign exchange administration system in order to satisfy and facilitate the business and capital operations of foreign invested enterprises, and issued the Circular on the Relevant Issues Concerning the Launch of Reforming Trial of the Administration Model of the Settlement of Foreign Currency Capital of Foreign-Invested Enterprises in Certain Areas on July 4, 2014, or SAFE Circular 36. SAFE Circular 36 suspends the application of SAFE Circular 142 in certain areas and allows a foreign-invested enterprise registered in such areas to use the RMB capital converted from foreign currency registered capital for equity investments within the scope of business, which will be regarded as the reinvestment of foreign-invested enterprise. On March 30, 2015, SAFE issued the Circular on the Reforming of the Management Method of the Settlement of Foreign Currency Capital of Foreign-Invested Enterprises, or SAFE Circular 19, which took effect on June 1, 2015, and replaced SAFE Circular 142 and SAFE Circular 36. Under SAFE Circular 19, a foreign-invested enterprise, within the scope of business, may also choose to convert its registered capital from foreign currency to RMB on a discretionary basis, and the RMB capital so converted can be used for equity investments within PRC, which will be regarded as the reinvestment of foreign-invested enterprise.

SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account, or Circular 16, effective on June 9, 2016. Circular 16 provides that discretionary foreign exchange settlement applies to foreign exchange capital, foreign debt offering proceeds and remitted foreign listing proceeds, and the corresponding RMB capital converted from foreign exchange are not restricted from extending loans to related parties or repaying the inter-company loans (including advances by third parties).

On January 26, 2017, SAFE promulgated the Circular on Further Improving Reform of Foreign Exchange Administration and Optimizing Genuineness and Compliance Verification, or Circular 3, which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including (i) under the principle of genuine transaction, banks shall check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements; and (ii) domestic entities shall hold income to account for previous years' losses before remitting the profits. Moreover, pursuant to Circular 3, domestic entities shall make detailed explanations of the sources of capital and utilization arrangements, and provide board resolutions, contracts and other proof when completing the registration procedures in connection with an outbound investment.

Dividend Distribution. The Foreign Investment Enterprise Law, promulgated in 1986 and amended in 2000 and 2016, and the Administrative Rules under the Foreign Investment Enterprise Law, promulgated in 2001 and 2014, 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 37. Pursuant to SAFE's Notice on Relevant Issues Relating to Domestic Residents' Investment and Financing and Round-Trip Investment through Special Purpose Vehicles, or SAFE Circular 37, issued and effective on July 4, 2014, and its appendixes, PRC residents, including PRC institutions and individuals, must register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interest in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a "special purpose vehicle." SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. SAFE promulgated the Notice on Further Simplifying and Improving the Administration of the Foreign Exchange Concerning Direct Investment in February 2015, which took effect on June 1, 2015, which amended SAFE Circular 37 requiring PRC residents or entities to register with qualified banks rather than SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing.

In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making distributions of profit to the offshore parent and from carrying out subsequent cross-border foreign exchange activities and the special purpose vehicle may be restricted in their ability to contribute additional capital into its PRC subsidiary. Further, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for foreign exchange evasion. These regulations apply to our direct and indirect shareholders who are PRC residents and may apply to any offshore acquisitions and share transfer that we make in the future if our shares are issued to PRC residents. See "Item 3. Key Information—D. Risk Factors—Risks Related 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."

We have completed the foreign exchange registration of PRC resident shareholders of Guangzhou Huaduo, as required by SAFE Circular 37, for our financings that were completed before the end of 2010. The SAFE Circular 37 registration in relation to the issuance of common shares to Tiger Global Six YY Holdings was completed on February 6, 2012. Our PRC resident shareholders further updated their SAFE Circular 37 registrations in March 2015 to reflect shareholding changes in our company resulting from our initial public offering.

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 and amended on May 29, 2016. 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, are subject to the Stock Option Rules. 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 "D. Risk Factors—Risks Related 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 and subsequently amended on February 24, 2017. 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. Though the implementation rules of the EIT Law define "de facto management bodies" as "establishments that carry out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. of an enterprise," the main guidance currently available for the definition of "de facto management body" as well as the determination of offshore incorporated PRC tax resident status and its administration are set forth in 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 Circular 82, and the Administrative Measures for Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial) or SAT Bulletin No. 45, both issued by the SAT, which provide main guidance on the administration as well as determination of the tax residency status of a Chinese-controlled offshore-incorporated enterprise, defined as an enterprise that is incorporated under the law of a foreign country or territory and that has a PRC company or PRC corporate group as its primary controlling shareholder.

According to Circular 82, a Chinese-controlled offshore-incorporated enterprise will be regarded as a PRC tax resident by virtue of having its "de facto management body" in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions set forth in Circular 82 are met:

- the primary location of the day-to-day operational management is in the PRC;
- decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC;
- the enterprise's primary assets, accounting books and records, company seals and board and shareholder resolutions are located or maintained in the PRC; and
- 50% or more of voting board members or senior executives habitually reside in the PRC.

In addition, Bulletin No. 45 provides clarification on the resident status determination, post-determination administration, and competent tax authorities. It also specifies that when provided with a copy of PRC resident determination certificate from a resident Chinese-controlled offshore-incorporated enterprise, the payer should not withhold 10% income tax when paying certain PRC-sourced income such as dividends, interest and royalties to the Chinese-controlled offshore-incorporated enterprise.

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 "D. Risk Factors—Risks Related 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.

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, and the Notice on Several Issues Concerning Enterprise Income Tax for Indirect Share Transfer by Non-PRC Resident Enterprises, issued by the PRC State Administration of Taxation on February 3, 2015, or SAT Circular 7, an "indirect transfer" of assets of a PRC resident enterprise, including equity interests in a PRC resident enterprise, by non-PRC resident enterprises may be re-characterized and treated as a direct transfer of PRC taxable properties, if such transaction arrangement lacks of reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax, and tax filing or withholding obligations may be triggered, depending on the nature of the PRC taxable properties being transferred. According to SAT Circular 7, "PRC taxable properties" include assets of a PRC establishment or place of business, real properties in the PRC, and equity investments in PRC resident enterprises, in respect of which gains from their transfer by a direct holder, being a non-PRC resident enterprise, would be subject to PRC enterprise income taxes. When determining if there is a "reasonable commercial purpose" of the transaction arrangement, features to be taken into consideration include: whether the main value of the equity interest of the relevant offshore enterprise derives from PRC taxable properties; whether the assets of the relevant offshore enterprise mainly consists of direct or indirect investment in China or if its income mainly derives from China; whether the offshore enterprise and its subsidiaries directly or indirectly holding PRC taxable properties have real commercial nature which is evidenced by their actual function and risk exposure; the duration of existence of the business model and organizational structure; the replicability of the transaction by direct transfer of PRC taxable properties; and the tax situation of such indirect transfer and applicable tax treaties or similar arrangements. In respect of an indirect offshore transfer of assets of a PRC establishment or place of business of a foreign enterprise, the resulting gain is to be included with the annual enterprise filing of the PRC establishment or place of business being transferred, and would consequently be subject to PRC enterprise income tax at a rate of 25%. Where the underlying transfer relates to PRC real properties or to equity investments in a PRC resident enterprise, which is not related to a PRC establishment or place of business of a non-resident enterprise, a PRC enterprise income tax at 10% would apply, subject to available preferential tax treatment under applicable tax treaties or similar arrangements, and the party who is obligated to make the transfer payments has the withholding obligation. Where the payor fails to withhold any or sufficient tax, the transferor shall declare and pay such tax to the competent tax authority by itself within the statutory time limit. Late payment of applicable tax will subject the transferor to default interest. Currently, neither SAT Circular 698 nor SAT Circular 7 applies to transactions of sale of shares by investors through a public stock exchange where such shares were acquired from a transaction through a public stock exchange.

We cannot assure you that the PRC tax authorities will not, at their discretion, adjust any capital gains and impose tax return filing and withholding or tax payment obligations on the transferors and transferees, while our PRC subsidiaries may be requested to assist in the filing. Any PRC tax imposed on a transfer of our shares or any adjustment of such gains would cause us to incur additional costs and may have a negative impact on the value of your investment in us.

Value Added Tax

On January 1, 2012, the State Administration of Taxation officially launched a pilot VAT reform program ("Pilot Program"), applicable to businesses in selected industries. Taxable income derived from the businesses in the Pilot Program is subject to VAT in lieu of business tax. The Pilot Program initially applied only to transportation industry and "modern service industries" ("Pilot Industries") in Shanghai in 2011 and expanded to eight trial regions (including Beijing and Guangdong province) and nationwide progressively from August to December 2012. 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 launched it on November 1, 2012. In addition, the Supplementary Notice on Several Tax Policies in Relation to the Scope of VAT-able and Other Matters in the Transportation and Selected Modern Service Sectors under the VAT Reform Pilot Program, Caishui [2012] No. 86, or Circular 86, which was issued in December 2012, further defines the application scope of relevant industries and specifies that, starting from December 1, 2012, website operation services provided by website owners for non-self-owned online games are taxed as "Information System Services," and therefore would also be subject to the VAT tax rate as 6%. Going forward, in Guangdong province, we will pay the pilot VAT instead of business taxes for our advertising activities, operating services for online games not owned by us and for any other parts of our business that are deemed by the competent state tax authorities to be in the scope of the Pilot Industries.

On December 12, 2013, the Ministry of Finance and the SAT issued the Circular on Including the Railway Transportation and Postal Industries in the Pilot Program of Replacing Business Tax with Value-Added Tax, or the Pilot Collection Circular. The scope of certain modern services industries under the Pilot Collection Circular is expanded to cover research and development and technical services, cultural and creative services, and radio, film and television services. In addition, according to the Notice on Including the Telecommunications Industry in the Pilot Program of Levying Value-added Tax in Lieu of Business Tax, which became effective on June 1, 2014, the scope of certain modern services industries under the Pilot Collection Circular is further expanded to cover the telecommunications industry. On March 23, 2016, the Ministry of Finance and the SAT issued the Notice of Taxation on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner, pursuant to which the pilot plan for the replacement of business tax with VAT was expanded to all regions and industries as of May 1, 2016. Live streaming revenues and membership revenues became subject to VAT from June 1, 2014, at a rate of 6%. Online games revenues and other revenues, are subject to VAT for the years ended December 31, 2015, 2016 and 2017.

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 VAT after the VAT reform program.

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%, 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 holding enterprises are incorporated.

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 "D. Risk Factors—Risks Related 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 amended on December 28, 2012.

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, and amended on June 22, 2009. 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.

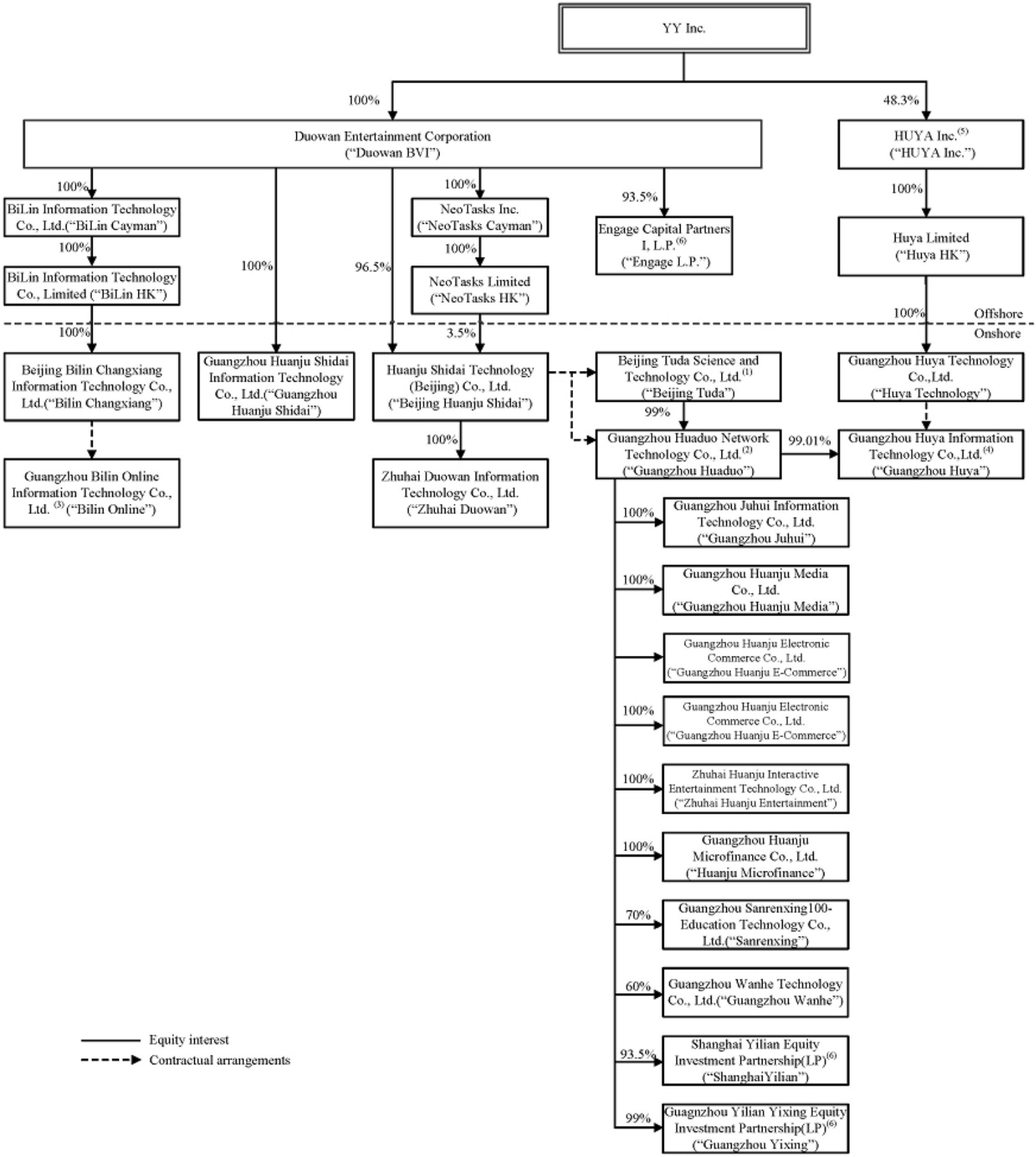
The application of the M&A Rules remains unclear. Based on the understanding on the current PRC laws, rules and regulations and the M&A Rules of our PRC Legal Counsel, Fangda Partners, prior approval from the CSRC is not required under the M&A Rules for the listing and trading of our ADSs on the Nasdaq Global Select 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, we are also advised by our PRC legal counsel that 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 Fangda Partners, 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.

C. Organizational Structure

Corporate Structure

The following diagram illustrates our corporate structure as of the date of this annual report, including our principal subsidiaries and our variable interest entities and their principal subsidiaries:



(1) Beijing Tuda is our PRC consolidated affiliated entity. Mr. David Xueling Li, our co-founder, chairman and acting chief executive officer and director, owns 97.7% of Beijing Tuda's equity interests, as of the date of this annual report. For a detailed description of the contractual arrangements, see "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Contractual Arrangements with Beijing Tuda."

(2) Guangzhou Huaduo is our PRC consolidated affiliated entity. Mr. David Xueling Li and Beijing Tuda own approximately 0.5% and 99.0% of Guangzhou Huaduo's equity interests, respectively, as of the date of this annual report. For a detailed description of the contractual arrangements, see "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Contractual Arrangements with Guangzhou Huaduo."

(3) Bilin Online is our PRC consolidated affiliated entity. Mr. David Xueling Li owns 99.0% of Bilin Online's equity interests, as of the date of this annual report. For a detailed description of the contractual arrangements, see "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Contractual Arrangements with Bilin Online."

(4) Guangzhou Huya is our PRC consolidated affiliated entity. Guangzhou Huaduo owns 99.01% of Guangzhou Huya's equity interests, as of the date of this annual report. For a detailed description of the contractual arrangements, see "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Contractual Arrangements with Guangzhou Huya."

(5) We own more than 50% voting power in HUYA Inc. and remain control over HUYA Inc. as of the date of this annual report. The financial results of HUYA Inc. remain consolidated with our company.

(6) Duowan BVI and Guangzhou Huaduo is the limited partner of Engage L.P., Shanghai Yilian and, Guangzhou Yixing respectively.

D. Property, Equipment and Land Use Right

In November 2015, our principal executive offices were relocated to our previously purchased commercial premises in Panyu District, Guangzhou, China, which comprise approximately 37,548 square meters. We acquired a building in Zhuhai in October 2017 as branch office, which comprises approximately 27,206 square meters. 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 these relatively small premises under lease agreements from unrelated third parties, and we plan to renew these leases from time to time as needed.

In August 2015, we acquired the use right of a parcel of land located at Pazhou, Haizhu District, Guangzhou, China. This land and its adjacent areas are designated by the Guangzhou municipal government to be a new center for e-commerce companies. We expect to use this land to support future development of our company.

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.

See Notes 12 and 13 to our financial statements for further information about our property and equipment and land use right.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements and the related notes included elsewhere in this annual report. 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 "Item 3. Key Information—D. Risk Factors" and elsewhere in this annual report.

A. Operating Results

Overview

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 extending our services into mobile devices in September 2010 and onto web browsers in October 2012. Our business has also expanded from focusing on providing voice communication services to becoming a live streaming platform. We offer a variety of live streaming content on our platforms, such as online music shows, live game playthrough streaming, online dating shows and online financial news and shows, which give our users a more diverse, immersive, engaging and enriching experience.

We derive our revenues primarily from live streaming services, online games and membership subscriptions. We derived 95.0%, 96.9% and 98.4% of our total net revenues from such services in 2015, 2016 and 2017, respectively, with online education revenue and online advertising and promotion revenue accounting for the remainder of our revenues. Revenues from live streaming are primarily generated through YY Live platform and Huya platform. Online game revenues are primarily generated from offering virtual items in online games by us. Membership revenues are primarily generated from our membership subscriptions. We have been exploring additional monetization opportunities and diversifying our revenue sources in order to capitalize on the large and highly engaged user base of our platforms.

An increasing number of users are accessing our platforms through mobile devices, and we consider the rise of mobile-based business to be a general trend. We have been taking measures to expand our success from PC-based products and services to the mobile platform. In 2010, we introduced Mobile YY, our music and entertainment mobile application. In the second half of 2016, along with our transition into a live streaming platform, we rebranded Mobile YY into YY Live APP, a mobile application for our YY Live platform. We also have introduced Huya APP, a mobile application for our Huya platform. We have also developed numerous mobile applications for other parts of our business. Our mobile applications in aggregate, have contributed 53.4% of the total revenue generated from our live streaming services in the fourth quarter of 2017, compared to 49.6% in the same period of 2016. An important element of our strategy is to continue to develop and enhance mobile applications to capture a greater share of the growing number of mobile users.

Our total net revenues increased from RMB5,897.2 million in 2015 to RMB8,204.1 million in 2016 and to RMB 11,594.8 million (US$1,782.1 million) in 2017. We had a net income of RMB998.3 million, RMB1,511.6 million and RMB2,508.4 million (US$385.5 million) in 2015, 2016 and 2017, respectively.

Discussion of Selected Statements of Operations Items

Revenues

In the years ended December 31, 2015, 2016 and 2017, we had derived our revenues from live streaming, online games and membership, and other revenues. Our live streaming revenues are primarily comprised of revenues from YY Live platform and Huya platform. Our online games revenues are primarily comprised of revenues from the online games developed by us or by third parties under revenue-sharing arrangements on our platforms. Our membership revenues are primarily comprised of revenues from our membership subscriptions. Other revenues, mainly include revenues from our online education platform, and online advertising and promotion revenues. We expect that in the future, as is the case in 2017, an increasing portion of our revenues will be derived from live streaming revenues, including revenues from in-channel virtual items sold on our platforms, such as virtual flowers and gifts for use in various channels, as well as other online products and services.

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,						
	2015		2016		2017		
	RMB	% of total net revenues	RMB	% of total net revenues	RMB	US$	% of total net revenues
	(in thousands, except for percentages)						
Total net revenues:[1][2]							
Live streaming	4,539,857	77.0	7,027,227	85.7	10,670,954	1,640,096	92.0
Online games	771,882	13.1	634,325	7.7	543,855	83,589	4.7
Membership	291,310	4.9	284,860	3.5	197,561	30,365	1.7
Others	294,200	5.0	257,638	3.1	182,422	28,038	1.6
Total	5,897,249	100.0	8,204,050	100.0	11,594,792	1,782,088	100.0

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

(2) For the year ended December 31, 2017, we presented our revenue in four segments categories — live streaming, online games, membership and others. We also have retrospectively changed the revenue presentation for the year ended December 31, 2015.

Live streaming revenues. We generate live streaming revenues from the sales of in-channel virtual items used on our live streaming platforms, including YY Live platform and Huya platform. Users access content on our platforms free of charge, but are charged for purchases of virtual items.

The most significant factors that directly affect our live streaming revenues include the increase in the number of our paying users and ARPU:

- *The number of paying users.* We had approximately 5.8 million, 11.0 million and 16.6 million paying users in 2015, 2016 and 2017, respectively for our live streaming services. 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 our live streaming platform at least once during the relevant period. We were able to achieve an increase in the number of paying users primarily due to a larger active user base and a higher conversion ratio of active users to paying users, and 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.

- *ARPU.* Our ARPU for live streaming was approximately RMB780.5, RMB637.8 and RMB643.2 (US$98.9) in 2015, 2016 and 2017, respectively. ARPU is calculated by dividing our total revenues from live streaming during a given period by the number of paying users for our live streaming services for that period. As we begin to generate revenues from an increasing variety of live streaming services, our ARPU may fluctuate from period to period due to the mix of live streaming services purchased by our paying users.

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

- our ability to increase our popularity by offering new and attractive contents, products and services that allow us to monetize our live streaming platform;

- our ability to attract and retain a large and engaged user base; and

- our ability to attract and retain certain popular performers, channel owners, professional game playing team and commentators.

We expect that the portion of our revenues from live streaming derived from the sales of virtual items and services will continue to increase as we capitalize on monetization opportunities. We create and offer to users virtual items that can be used on various 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 and entertainment channels.

Online games revenues. We generate online games revenues from the sales of in-game virtual items used for games developed by us or by third parties under revenue-sharing arrangements on our platforms. Users play online games free of charge, but are charged for purchases of virtual items.

The most significant factors that directly affect our online games revenues include the number of our paying users and ARPU:

- *The number of paying users.* We had approximately 1.2 million, 1.2 million and 1.1 million paying users in 2015, 2016 and 2017, respectively, for our online games. 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 in our online games at least once during the relevant period. We expect that the number of our paying users will fluctuate from period to period due to the mix of online games offered by us.

- *ARPU.* Our ARPU for online games was approximately RMB635.8, RMB533.6 and RMB474.1 (US$72.9) in 2015, 2016 and 2017, respectively. ARPU is calculated by dividing our total revenues from online games during a given period by the number of paying users for online games for that period. We expect that our ARPU may fluctuate from period to period due to the mix of online games offered by us.

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

- our ability to increase our popularity by offering new and attractive online games that allow us to monetize our platforms;

- our ability to attract and retain a large and engaged player base; and

- our ability to attract and retain third party game developers, third party licensee operators and service providers.

The online games we currently offer are primarily web games that can be run from an internet browser and require an internet connection to play. We have historically derived a significant portion of our revenues from a number of popular online games, primarily through selling in-game virtual items for these games. 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. We derive an increasingly lower percentage of our revenues from online games as a whole, as we expect to monetize other non-game aspects of the YY Live platform and Huya platform.

Membership revenues. We generated membership revenues from the membership subscription fees paid by our users. 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.

Other revenues. We generated other revenues from our online education platform and online advertising and promotion revenues. Online education services consisted of vocational training courses, language training courses and K-12 afterschool education courses. Revenue is recognized over the period the online course is available to the students, which generally is from the enrolment date to the completion of the relevant professional examination date. We enter into advertising contracts with both advertisers and advertising agencies. In 2015, 2016 and 2017, a vast majority of our online advertising and promotion 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 as well as promotion campaigns conducted by relevant channel owners.

Cost of Revenues

Cost of revenues consists primarily of (i) revenue sharing fees and content costs including payments to various channel owners and performers, and content providers, (ii) bandwidth costs, (iii) salary and welfare, (iv) depreciation and amortization expense for servers, other equipment and intangibles directly related to operating the platform, (v) payment handling costs, (vi) business tax and surcharges, (vii) share-based compensation, and (viii) other costs. We anticipate that revenue sharing fees and content costs paid to performers, channel owners and content providers will increasingly contribute 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.

Revenue sharing fees and content costs. Our revenue sharing fees and content costs paid to performers, channel owners and content providers increased from RMB2,343.2 million in 2015 to RMB3,790.6 million in 2016 and further increased to RMB5,727.1 million (US$880.2 million) in 2017. We expect our revenue sharing fees and content costs to continue to increase as we continue to expand our live streaming offerings, our user engagement and spending levels increase, as well as our investments in expanding the amount of new and innovative content provided to users.

Bandwidth costs. Our bandwidth costs increased from RMB570.2 million in 2015, to RMB651.7 million in 2016 and further increased to RMB695.8 million (US$106.9 million) in 2017. We expect bandwidth costs to continue to increase as of the continued user base expansion and video quality improvements, but be partially offset by our improved efficiency and pricing terms.

Salary and welfare. Our salary and welfare costs increased from RMB198.2 million in 2015 to RMB232.5 million in 2016, and further increased to RMB237.1 million (US$36.4million) in 2017. We expect our salary and welfare costs to increase as we continue to hire additional employees in line with the expansion of our business.

Depreciation and amortization. Our depreciation and amortization increased from RMB145.1 million in 2015 to RMB173.0 million in 2016, but decreased to RMB128.6 million (US$19.8 million) in 2017 because we purchased more content delivery network, or CDN services in 2017 which demanded less servers. However, 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 platforms and business.

Payment handling costs. Our payment handling costs decreased from RMB104.8 million in 2015 to RMB67.5 million in 2016, and increased to RMB73.0 million (US$11.2 million) in 2017. We expect payment handling costs to increase as we continue to grow our paying users base and expand our paid service offerings.

Business tax and surcharges. Our business tax and surcharges increased from RMB27.8 million in 2015 to RMB44.7 million in 2016, and increased to RMB48.4 million (US$7.4 million) in 2017. We expect the payment of surcharges to increase due to the expansion of our business.

Share-based compensation. Our share-based compensation allocated to the cost of revenues decreased from RMB24.0 million in 2015 to RMB15.9 million in 2016 and increased to RMB42.8 million (US$6.6 million) in 2017.

Operating Expenses

Our operating expenses consist of (i) research and development expenses, (ii) sales and marketing expenses, (iii) general and administrative expenses, (iv) goodwill impairment, and (v) fair value change of contingent consideration. The following table sets forth the components of our operating expenses for the years indicated, both in absolute amounts and as percentages of our total net revenues. We expect our operating expenses to generally increase in absolute amount and decrease as percentage of total net revenues in the near future.

	For the Year Ended December 31,						
	2015		2016		2017		
	RMB	% 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	548,799	9.3	675,230	8.2	781,886	120,174	6.7
Sales and marketing expenses	312,870	5.3	387,268	4.7	691,281	106,248	6.0
General and administrative expenses	358,474	6.1	482,437	5.9	544,641	83,710	4.7
Goodwill impairment	310,124	5.3	17,665	0.2	2,527	388	0.0
Fair value change of contingent consideration	(292,471)	(5.0)	—	—	—	—	—
Total operating expenses	1,237,796	21.0	1,562,600	19.0	2,020,335	310,520	17.4

Research and Development Expenses

Research and development expenses consist primarily of salaries and benefits and share-based compensation expenses for research and development personnel and rental expenses and depreciation of office premises and servers utilized by the research and development personnel. Research and development expenses generally increased in the past three years ended December 31, 2017, due to the need for additional research and development personnel to accommodate the growth of our business. We expect our research and development expenses in both absolute amount and as percentage of total net revenues 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 platforms, improve technology infrastructure to further enhance user experience, and further develop enhanced features for mobile devices to reach more users. However, we also expect to be able to leverage on the expertise of our established research and development team and achieve better efficiency.

Sales and Marketing Expenses

Sales and marketing expenses consist primarily of (i) advertising and promotion expenses, and (ii) salary and welfare for sales and marketing personnel. Our sales and marketing expenses generally increased over the past three years ended December 31, 2017, primarily reflecting increased marketing and promotional activities. We expect that our sales and marketing expenses will increase in both absolute amount and as percentage of total net revenues as we expect to increase our spending on promotional activities, particularly relating to mobile applications and new business initiatives.

General and Administrative Expenses

General and administrative expenses consist primarily of (i) salary and welfare for general and administrative personnel, (ii) share based compensation for management and administrative personnel, and (iii) professional service fees. Our general and administrative expenses generally increased over the past three years ended December 31, 2017 as our business expanded, primarily due to the general growth of our business and an increase in the share based compensation. We expect our general and administrative expenses generally increase in absolute amount and decrease as percentage of total net revenues in the near future as our business grows.

Goodwill Impairment and Fair Value Change of Contingent Consideration

We have noted further impairment indicator for 100 Online as well as impairment indicator for Bilin Online in 2016. Based on the result of the impairment assessment, impairment charges of RMB17.7 million were recognized in 2016. In December 2017, we have identified impairment indicator for a subsidiary. Based on the results of the impairment assessment, an impairment charge of RMB2.5 million (US$0.4 million) for the subsidiary was recognized.

Share-based Compensation Expenses

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

	For the Year Ended December 31,			
	2015	2016	2017	
	RMB	RMB	RMB	US$
	(in thousands, except for percentages)			
Research and development expenses	70,951	78,816	122,348	18,805
Sales and marketing expenses	3,283	3,107	4,417	679
General and administrative expenses	87,175	59,469	88,137	13,546
Total	161,409	141,392	214,902	33,030

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 forfeitures, 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.

Operating Income

Gain on deconsolidation and disposal of subsidiaries

In June 2016, we disposed 60% of the equity interest in Shanghai Beifu for a consideration of RMB3.5 million, and recognized a loss of RMB23.5 million. After the disposal, we retained 10% of the equity interest in Shanghai Beifu. In December 2016, we disposed 33.86% of the equity interest in Beijing Xingxue for a consideration of RMB118.5 million, and recognized an income of RMB127.4 million. After the disposal, we retained 31.14% of the equity interest in Beijing Xingxue. In February 2017, we disposed 46% the equity interest in Beijing Yunke Online, and recognized an income of RMB 38.0 million.

Other income

Other income primarily consists of government grants in connection with our contributions to technology development, tax refund and investments in local business districts. These grants may not be recurring in nature.

Taxation

Cayman Islands

According to our Cayman Islands counsel, Maples and Calder (Hong Kong) LLP, the Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciations 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.

The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

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 appreciations 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 (i) on or in respect of our shares, debentures or other obligations, or (ii) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (1999 Revision).

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

British Virgin Islands

Duowan BVI is our wholly owned subsidiary.

As Duowan BVI is a BVI business company subject to the provisions of the BVI Business Companies Act 2004 (as amended), 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 Duowan BVI to persons who are not persons resident in the BVI).

Capital gains realized with respect to any shares, debt obligations or other securities of Duowan BVI 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 Duowan BVI, save for interest payable to or for the benefit of an individual resident in the European Union.

Hong Kong

Our subsidiary registered in Hong Kong is subject to Hong Kong Profits Tax on the taxable income as reported in its respective statutory financial statements adjusted in accordance with relevant Hong Kong tax laws. The applicable tax rate is 16.5% in Hong Kong.

PRC

Current taxation primarily represented the provision for a state and local corporate income tax, or EIT, for subsidiaries and consolidated affiliated entities 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 periods reported as a result of its qualification as a high and new technology enterprise. Furthermore, Guangzhou Huanju Shidai has been qualified as a software enterprise since 2013, and is entitled to a two-year exemption from EIT followed by three years at 50% tax reduction starting from 2014, the first profit-making year.

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. Certain subsidiaries and VIEs have claimed such Super Deduction for the period reported.

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 is 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 our PRC subsidiaries and consolidated affiliated entities to us and our subsidiaries outside the PRC. In 2017, the Company determined to cause one of its PRC subsidiaries, Guangzhou Huanju Shidai, to declare and distribute a cash dividend of part of its stand-alone 2014-2016 earnings, amounted to US$15 million, to its direct oversea parent company, Duowan BVI. As a result, Guangzhou Huanju Shidai paid for the withholding tax in the amount of US$1.5 million in 2017. 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 further WHT has been accrued.

Our PRC subsidiaries and PRC consolidated affiliated entities are subject to value added tax and related surcharges. Our live streaming revenues became subject to VAT from June 1, 2014, at a rate of 6%, while they were subject to business taxes at a rate of 3% prior to June 1, 2014. Online games revenues and other revenues are subject to VAT for the year ended December 31, 2015, 2016 and 2017. Surcharges are calculated based on 12% of the monthly business taxes and VAT payable for 2015, 2016 and 2017. Business taxes and related surcharges during 2015, 2016 and 2017 were RMB27.8 million, RMB44.7 million and RMB48.4 million (US$7.4 million), respectively.

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

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

For the year ended December 31, 2016 and onwards, we presented our revenue in four categories — live streaming, online games, membership and others to better reflect the way we generate revenues. The revenue for all previous financial years before 2016 presented in this annual report was also retrospectively changed to be consistent with the revenue for the year ended December 31, 2016 and 2017.

For previous financial years before 2016 presented in this annual report, before the changes mentioned above were made, revenues had been originally presented as internet value-added service, or IVAS, and other revenues. Under the category of IVAS, there were four sub-categories: online music and entertainment, online games, online dating and other IVAS. After the changes to our revenue presentation were made, revenues from online music and entertainment, online dating and other IVAS (excluding revenues from membership and certain minor revenue streams that do not meet the criteria of live streaming), which are generated from our YY Live platform and Huya platform, are categorized as live streaming revenues. Revenues from online games and membership are presented separately. Other revenues and those revenues streams previously categorized in other IVAS that do not meet the criteria of live streaming are categorized as “others”. The changes to our revenue presentation have no impact on the amount of our total net revenues.

We generate revenues from live streaming, online games, membership and others. Revenues from live streaming are generated from YY Live platform and Huya platform. Revenues from online games are generated from our online game platform and the online games that we host. Revenue from membership are generated from our membership subscription program which enhances user experience and provide certain privileges to users when they use YY Client. Other revenues mainly include online education revenue and advertising revenue. Online education services consist of vocational training and language training courses. Online advertising revenues are primarily generated from sales of different forms of advertising on our platforms. 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.

We have a recharge system for users to purchase our virtual currency. Users can recharge via various online payment platforms provided by third parties. Virtual currency is non-refundable and often consumed soon after it is purchased. Unconsumed virtual currency is recorded as deferred revenue. Virtual currencies used to purchase virtual items are recognized as revenue according to the prescribed revenue recognition policies of virtual items addressed below unless otherwise stated.

Live Streaming

We generate our live streaming revenue from sales of virtual items on our live streaming platforms, mainly YY Live platform and Huya platform. Our users can access the platforms and view the live streaming content for free.

We design, create and offer various virtual items for sales to users with pre-determined selling price. Sales proceeds are recorded as deferred revenue and recognized as revenue based on the consumption of the virtual items. Virtual items are categorized as consumable and time-based items. Consumable items are consumed upon purchase and use while time-based items could be used for a fixed period of time. Users can purchase and present consumable items to performers to show support for their favorite performers, or purchase time-based virtual items for one or multiple months for a monthly fee, which provide users with recognized status, such as priority speaking rights or special symbols over a period of time. Accordingly, live streaming revenue is recognized immediately when the consumable virtual item is used, or in the case of time-based virtual items, revenue is recognized ratably over the fixed period on a straight-line basis. We do not have further obligations to the user after the virtual items are consumed immediately or after the stated period of time for time-based items.

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 the separate units of accounting based on their relative selling price.

The following hierarchy has been followed when we determine 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 elements sold in a bundle based on similar products sold separately on the YY Live platform and Huya platform based on the TPE of the selling price and determines the fair values of elements without similar products sold separately on the YY Live platform and Huya 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 an estimated stand-alone pricing when the element has not previously been sold on a stand-alone basis.

Online game revenue

We generate revenues from offering virtual items in online games developed by third parties or our self-developed online games to game players. Historically, the majority of online games revenues for the three years ended December 31, 2015, 2016 and 2017 were derived from third party-developed games.

Users play games through our platforms 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' accounts over the life of the online games.

We recognize revenue when recognition criteria defined under US GAAP are satisfied. For purposes of determining when the service has been provided to the paying player, we have 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. Game players need to log on and access the games through our platforms because their game tokens, virtual items, and game history are specific to our 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 our platforms, which are convertible into game tokens based on a predetermined exchange rate agreed among the relevant game developers and us.

The proceeds from the sales of our virtual currency is recorded as "advances from customers", representing prepayments received from users in the form of our virtual currency not yet 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 the relevant game developer and us based on a predetermined contractual ratio. Game tokens are non-refundable and non-exchangeable among different games. Our portion, net of the game developer's entitled consideration, 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 plan to purchase in-game virtual items soon.

There are two types of third party-developed online games:

- Non-exclusive third party-developed games; and
- Exclusive third party-developed games

Under the non-exclusive arrangement, game developers license the games to various platforms and we are only one of the platforms. Game developers will receive only revenue shared from us pursuant to the mutually agreed sharing percentage.

Under the exclusive arrangement, game developers only license the game to us as the exclusive licensee. We can sub-license the games to other platforms and receive a portion of revenue shared from sub-licensees. In addition to the revenue shared to the game developers, we also pay an exclusive license fee to the game developers.

Non-exclusive third party-developed games

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

The third party-developed games under non-exclusive licensing contracts are maintained and updated by the game developers. We view the game developers to be our customers and consider our responsibilities under our 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 our platforms. 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 we are acting as the principal in offering services to the game players or as the agent in the transaction, and the specific requirement of each contract. We determined that for third party-developed games, the third party game developers are the principal given the game developers design and develop the online 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, we record online games revenue, net of the pre-agreed portion of sharing of the revenues with the game developers.

Given that third party-developed games under non-exclusive licensing contracts 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 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, we maintain historical data on timing of the conversion of its virtual currency into game specific tokens and the amount of purchases of game tokens. 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 period with us on a game-by-game basis, which is approximately one to six months for the periods presented. Future usage patterns may differ from historical usage patterns and therefore the estimated user relationship period with us may change in the future.

When we launch a new game, we estimate the user relationship period based on other similar types of games in the market until the new game establishes its own history. We consider the game's profile, attributes, target audience, and its appeal to players of different demographics 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 user relationship period, we maintain a system that captures the following information for each user: (a) the frequency that users log into each game via our platforms, and (b) the amount and the timing of when the users convert or charge his or her game tokens. We estimate the user relationship period for a particular game to be the date a player purchases or converts from virtual currency to a game token through the date we estimate the user plays the game for the last time. This computation is performed on a user by user basis. Then, the results for all analyzed users are averaged to determine an estimated end user relationship period for each game. Revenues from in-game payments of each month are recognized over the user relationship period estimated for that game.

The consideration of user relationship period 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 period for each game on a quarterly basis. Any adjustments arising from changes in the user relationship period 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.

Exclusive third party developed games

Under certain exclusive arrangements, we pay additional license fees to the game developers as we are entitled to an exclusive right to operate third party developed games in specified geographic areas. Based on ASC 350, we have adopted an accounting policy to recognize the exclusive license fee as an intangible asset upon the commercial launch of the related online games. This intangible asset is amortized on a straight-line basis over the shorter of the economic life or license period of the relevant online game.

Pursuant to the exclusive licensing contracts signed between the third party game developers and us, our responsibilities in operating the licensed games vary for each game. The determination of whether to record these revenues using gross or net method is based on an assessment of various factors, including but not limited to whether we (i) are the primary obligor in the arrangement; (ii) have latitude in establishing the selling price; (iii) change the product or performs part of the service, (iv) have involvement in the determination of product and service specifications.

For the game license arrangements under which we take primary responsibilities of game operation, including determining distribution and payment channels, providing customer services, hosting game servers, if needed, and controlling game and services specifications and pricing, we consider ourselves to be the principal in these arrangements. Accordingly, we record online games revenues from these third party licensed games on a gross basis. Commission fees paid to distribution channels and payment channels and content fees paid to third party game developers are recorded as cost of revenues.

For the game license arrangements under which our responsibilities are limited to publishing, providing payment solutions and game operating advice, we view the game developers to be our customers and consider ourselves to be the agent in the arrangements. Accordingly, we record online games revenues from these third party licensed games, net of fees paid to third parties upon the provision of service.

Pursuant to the terms and conditions of certain online game exclusive license agreements entered into between game developers and us, we, as the exclusive licensee, could sublicense a non-exclusive, non-transferable and limited license to any third party without the prior formal consent of game developers. Under the non-exclusive and non-transferable limited license, the sub-licensee cannot further license the game to other platforms. We received monthly revenue-based royalty payments from all sub-licensees. We view the third-party sub-licensees operators as our customers and recognize revenues on a net basis, as we do not have the primary responsibility for fulfillment and acceptability of the game services.

Similar to other online games, the exclusive third party developed games are free to play and players can pay for virtual items for better in-game experience. For exclusive third party games, the consumption details can be provided by third party developers or we have access to such data. Therefore, we recognize revenues based on item-based model: (1) for consumable items, the revenue is recognized immediately upon consumption; (2) for perpetual items, the revenue is recognized ratably over the user relationship period of a specific game as described. The determination of user relationship period is the same as what is described in “Non-exclusive third party developed games” above.

Self-developed games

Revenues derived from self-developed games are recorded on a gross basis as we act as a principal to fulfill all obligations. Considering that revenues derived from self-developed games were immaterial to us for the years presented, we do not maintain information on consumption details of in-game virtual items, and only maintains limited information related to the frequency of log-ons for our self-developed games. Given that certain historical data is not available, we use the user relationship period of third party games with similar popularity, gaming experience and sales to determine the estimated period of user relationship for our self-developed games.

Membership

We operate a membership subscription program where subscription members can have enhanced user privileges when using YY Client and live streaming channels. 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 when services are rendered. Unrecognized portion beyond 12 months from balance sheet date is classified as long-term deferred revenue.

Others

Other revenues mainly include advertising revenues and online education revenues.

Advertising revenues

Advertising revenues are derived principally from sales of various forms of advertising and provision of promotion campaigns on our live streaming platforms by way of advertisement display or integrated promotion activities in shows and programs on our live streaming platforms. Such formats generally include but are not limited to banners, text-links, videos, logos, and buttons. Advertisements on our platforms 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 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 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 the relative selling price method and recognize 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, we have 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. We recognize 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—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 as 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. Similar to transactions with third party advertising agencies, we recognize revenue ratably as the elements are delivered over the contract periods of display. The terms and conditions, including price, are fixed according to the contract between the advertisers and us. 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.

Online education revenues

Educational programs and services consist of vocational training and language training courses. The course fee is generally paid in advance and is initially recorded as deferred revenue. Revenue for regular courses is recognized proportionately as the classes are attended, and is reported net of scholarships and course fee refunds. Students are entitled to one trial class of the purchased course and course fee is fully refundable if a student decides not to take the remaining course after the trial class. No refund will be provided to a student who withdraws from a course after the trial period, and revenue is recognized for the amount collected. Course fee refunds were insignificant over the period presented.

In addition to regular courses, we also provide a package of several regular courses to students, which have individual fair value in the market. Pursuant to the applicable accounting guidance, we have accounted for these course packages as a multiple-element arrangement because each individual course qualifies as a single unit of accounting, and allocated the course fee from the course package to each individual course in the package based on its relative fair value. We recognize revenue equal to the fair value allocated to individual courses proportionately as the classes are delivered.

Students are granted a right to retake the courses at a substantial discount in the circumstances where the students fail to achieve certain score targets for some specific courses. The discount arrangement has a stand-alone value and qualifies as a separate unit of accounting under U.S. GAAP. Therefore, we have accounted for those courses as a multiple-element arrangement and allocated a portion of the initial course fee to the substantial discount based on a breakage rate. The breakage rate is determined based on our historical data. The amount allocated to the substantial discount is deferred and recognized as revenue upon the expiration of the retaking right, which is generally six months after the end of the initial course term.

We also sell pre-paid cards primarily to distributors. Pre-paid card sales represent prepaid service fees received from students for online courses. The prepaid service fee is recorded as deferred revenue upon receiving the upfront cash payment. Revenue is recognized on a gross basis based on the selling price of the distributors to the students and is recognized over the period upon the online course is delivered.

Advances from customers and deferred revenue

Advances from customers primarily consist of prepayments from users in the form of our 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, prepaid subscriptions under the membership program and unamortized revenue from virtual items in our various channels on our platforms, where there is still an implied obligation to be provided by us which will be recognized as revenue when all of the revenue recognition criteria are met.

Accounts receivable, net

Accounts receivable are presented net of allowance for doubtful accounts. We use 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 condition of its customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance would be required.

We maintain an allowance for doubtful accounts which reflects our best estimate of amounts that potentially will not be collected. We determine the allowance for doubtful accounts on an individual basis taking into consideration various factors, including, but not limited to, historical collection experience, credit-worthiness of the debtors and the age of the individual receivables balance. Additionally, we make specific bad debt provisions based on any specific knowledge we have acquired that might indicate that an account is uncollectible. The facts and circumstances of each account may require us to use substantial judgment in assessing its collectability.

Consolidation

Our consolidated financial statements include the financial statements of our company, our subsidiaries, variable interest entities, or VIEs, for which we or our subsidiaries are the primary beneficiaries. All transactions and balances among our company, subsidiaries and VIEs have been eliminated upon consolidation.

A subsidiary is an entity in which our company, directly or indirectly, controls more than one half of the voting power, has the power to appoint or remove the majority of the members of the board of directors or to cast a majority vote at each meeting of directors, or has the power to govern the financial and operating policies of the investee under a statute or agreement among the entity’s shareholders or equity holders.

A VIE is an entity in which our company, or our subsidiary, through contractual agreements, bears the risks of, and enjoys the rewards normally associated with ownership of the entity, and therefore our company or our subsidiary is the primary beneficiary of the entity. In determining whether our company or our subsidiaries are the primary beneficiary, we considered whether we have the power to direct activities that are significant to the VIE’s economic performance, and also our obligation to absorb losses of the VIE that could potentially be significant to the VIEs or the right to receive benefits from the VIEs that could potentially be significant to the VIEs. Beijing Huanju Shidai, Bilin Changxiang and Huya Technology and ultimately we hold all the variable interests of the VIEs and have been determined to be the primary beneficiary of the VIEs.

Foreign ownership of internet-based businesses is subject to significant restrictions under current PRC laws and regulations. We conduct our operations in China primarily through a series of contractual arrangements entered into among Beijing Huanju Shidai, our PRC subsidiary, Guangzhou Huaduo and Beijing Tuda, as well as Guangzhou Huaduo and Beijing Tuda's shareholders. Based on our evaluations of the relationships between us and Beijing Tuda and Guangzhou Huaduo, the economic benefit flow of contractual arrangements made with them, as well as the controls conferred to us through these contractual arrangements enacted, we consider, through Beijing Huanju Shidai, we exercise effective control over Guangzhou Huaduo and Beijing Tuda, receive substantially all of their economic benefits and residual returns, and absorb substantially all the risks and expected losses from these two companies as if we were their sole shareholder. We also have an exclusive option to purchase all of the equity interests in each of Beijing Tuda and Guangzhou Huaduo when and if PRC law permits so and also the exclusive right to require any nominee shareholder of Beijing Tuda or Guangzhou Huaduo to transfer its interest in them to any person designated by us. A similar mechanism exists among Bilin Changxiang, Bilin Online and its shareholder as well as Huya Technology, Guangzhou Huya and its shareholders. For a detailed description of these contractual arrangements, see "Item 7. Major Shareholders and Related Party Transactions—B. Related Party—Contractual Arrangements with Beijing Tuda." Based on our evaluation, we consider each of Beijing Tuda, Guangzhou Huaduo, Bilin Online and Guangzhou Huya to be our VIE. Beijing Huanju Shidai, our wholly owned subsidiary in China, is the primary beneficiary of our VIEs, Beijing Tuda and Guangzhou Huaduo, Bilin Changxiang is the primary beneficiary of Bilin Online and Huya Technology is the primary beneficiary of Guangzhou Huya; therefore, we consolidate the results of Beijing Tuda, Guangzhou Huaduo, Bilin Online and Guangzhou Huya in our consolidated financial statements under U.S. GAAP.

As advised by our PRC counsel, Fangda Partners, the contractual arrangements among Beijing Huanju Shidai and Beijing Tuda and its shareholders, the contractual arrangements among Beijing Huanju Shidai and Guangzhou Huaduo and its shareholders, the contractual arrangements among Huya Technology and Guangzhou Huya and its shareholder and Bilin Changxiang and Bilin Online and its shareholder, governed by PRC law, are valid, binding and enforceable, and do not violate PRC laws currently in effect. However, as advised by our PRC legal counsel, because of the substantial uncertainties involved, if such contracts are held to be unenforceable, or if there are changes in PRC laws and regulations that affect our ability to control Beijing Tuda, Guangzhou Huaduo, Guangzhou Huya and Bilin Online, we may be precluded from consolidating these companies in the future. See "Item 3. Key Information—D. Risk Factors—Substantial uncertainties exist with respect to the enactment timetable, interpretation and implementation of draft PRC Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations."

We established three funds entities, namely Engage L.P., Shanghai Yilian and Guangzhou Yilianyixing, or the Funds, collectively, in March 2015, June 2015 and September 2017, respectively. We hold 93.5% of interests in Engage L.P. and Shanghai Yilian, and 99% interests in Guangzhou Yilianyixing. We exercise effective controls over the Funds and are entitled to the various returns of the Funds and therefore the Funds have been accounted for as subsidiaries of and has been consolidated in our financial statements in accordance with ASC 810.

We deconsolidates our subsidiaries in accordance with ASC 810 as of the date we cease to have a controlling financial interest in our subsidiaries.

We account for the deconsolidation of our subsidiaries by recognizing a gain or loss in net income/loss attributable to us in accordance with ASC 810. This gain or loss is measured at the date our subsidiaries are deconsolidated as the difference between (a) the aggregate of the fair value of any consideration received, the fair value of any retained non-controlling interest in our subsidiaries being deconsolidated, and the carrying amount of any non-controlling interest in our subsidiaries being deconsolidated, including any accumulated other comprehensive income/loss attributable to the non-controlling interest, and (b) the carrying amount of the assets and liabilities of our subsidiaries being deconsolidated.

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 23 to our audited consolidated financial statements for the years ended December 31, 2015, 2016 and 2017, which are included elsewhere in this annual report on Form 20-F.

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. Upon the completion of the initial public offering, the share options granted to a non-employee were remeasured at the stock price of our common share. All share options granted to the non-employee were exercised in 2013.

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.

Grant Date	Restricted Shares Granted	Fair Value Per Common Share as of the Grant Date	Type/Methodology of Valuation
	(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.

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 2015, 2016 and 2017 with share and per share information.

Grant Date	Restricted Shares Granted	Fair Value Per Common Share as of the Grant Date	Type/Methodology of Valuation
	(US$)		
April 30,2015	455,400	3.1780	Contemporaneous/Stock price [1]
May 1, 2015	400,000	3.3665	Contemporaneous/Stock price [1]
June 30, 2015	829,200	3.4760	Contemporaneous/Stock price [1]
July 1, 2015	13,621,544	3.3515	Contemporaneous/Stock price [1]
August 6, 2015	90,000	3.0620	Contemporaneous/Stock price [1]
October 30, 2015	180,000	2.8470	Contemporaneous/Stock price [1]
November 7, 2015	292,500	2.9180	Contemporaneous/Stock price [1]
December 30, 2015	140,000	3.1465	Contemporaneous/Stock price [1]
January 1, 2016	192,000	3.0350	Contemporaneous/Stock price [1]
June 30, 2016	1,338,008	1.6935	Contemporaneous/Stock price [1]
March 22, 2017	985,000	2.3470	Contemporaneous/Stock price [1]
June 30, 2017	850,000	2.9350	Contemporaneous/Stock price [1]
July 1, 2017	266,756	2.9350	Contemporaneous/Stock price [1]
August 2, 2017	640,000	3.5600	Contemporaneous/Stock price [1]
October 19, 2017	160,000	4.6385	Contemporaneous/Stock price [1]
December 30, 2017	19,188,274	5.6530	Contemporaneous/Stock price [1]

Upon the completion of the initial public offering, the fair values of restricted share units are based on stock price of our company.

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.

In estimating the fair value of the contingent consideration recognized on the acquisition date, we consider the trinomial tree model. Under this model, we perform a scenario analysis and calculate the fair value of the contingent consideration based on the net present value of the total contingent payments under each scenario and the expected probability of each scenario.

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.

Estimating fair value is performed by utilizing various valuation techniques, with the primary technique being the discounted cash flow method. 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. RMB310.1 million, RMB17.7 million and RMB2.5 million (US$0.4 million) of impairment of goodwill were recognized for the year ended December 31, 2015, 2016 and 2017, respectively.

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 investment, long-lived assets and intangible assets

The carrying amounts of investment, 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. RMB6.0 million of impairment of an investment and RMB57.2 million of impairment of intangible assets were recognized for the year ended December 31, 2015. RMB80.1 million of impairment of investments, RMB43.0 million of impairment of prepayment to a game developer and RMB3.8 million of impairment of intangible assets were recognized for the year ended December 31, 2016. RMB43.2 million (US$6.6 million) of impairment of investments, was recognized for the year ended December 31, 2017.

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 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 statement of operations and comprehensive income 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.

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, 2015, 2016 and 2017, a total valuation allowance of RMB53.3 million, RMB80.7 million and RMB135.5 million (US$20.8 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, 2015, 2016 and 2017 was zero. As of December 31, 2015, 2016 and 2017, we had no significant unrecognized uncertain tax positions.

Foreign currency

We use Renminbi as our reporting currency. The functional currency of our company and our subsidiaries, incorporated in the Cayman Islands, British Virgin Islands and Hong Kong is U.S. dollars, while the functional currency of the other entities is Renminbi, which is their respective local currency. 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 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 operations 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 gains (losses), net in the consolidated statements of operations and comprehensive income.

Convertible Bonds

In accordance with ASC subtopic 470-20, the convertible debts are initially carried at the principal amount of the convertible debts. Related debts issuance cost, are subsequently amortized using effective interest method as adjustments to interest expense from the debt issuance date to its first put date. Convertible debts are classified as a current liability if they are or will be callable by us or puttable by the debt holders within one year from the balance sheet date, even though liquidation may not be expected within that period.

Results of Operations

The following table sets forth a summary of our consolidated results of operations for the years indicated. Our business has grown rapidly since our inception, and 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,						
	2015		2016		2017		
	RMB	% of total net revenues	RMB	% of total net revenues	RMB	US$	% of total net revenues
Total net revenues [1][2]	5,897,249	100.0	8,204,050	100.0	11,594,792	1,782,088	100.0
Live streaming	4,539,857	77.0	7,027,227	85.7	10,670,954	1,640,096	92.0
Online games	771,882	13.1	634,325	7.7	543,855	83,589	4.7
Membership	291,310	4.9	284,860	3.5	197,561	30,365	1.7
Others	294,200	5.0	257,638	3.1	182,422	28,038	1.6
Cost of revenues	(3,579,744)	(60.7)	(5,103,430)	(62.2)	(7,026,402)	(1,079,938)	(60.6)
Gross profit	2,317,505	39.3	3,100,620	37.8	4,568,390	702,150	39.4
Operating expenses							
Research and development expenses	(548,799)	(9.3)	(675,230)	(8.2)	(781,886)	(120,174)	(6.7)
Sales and marketing expenses	(312,870)	(5.3)	(387,268)	(4.7)	(691,281)	(106,248)	(6.0)
General and administrative expenses	(358,474)	(6.1)	(482,437)	(5.9)	(544,641)	(83,710)	(4.7)
Goodwill impairment	(310,124)	(5.3)	(17,665)	(0.2)	(2,527)	(388)	(0.0)
Fair value change of contingent consideration	292,471	5.0	—	—	—	—	—
Total operating expenses	(1,237,796)	(21.0)	(1,562,600)	(19.0)	(2,020,335)	(310,520)	(17.4)
Gain on deconsolidation and disposal of subsidiaries	—	—	103,960	1.3	37,989	5,839	0.3
Other income	82,300	1.4	129,504	1.6	113,187	17,397	1.0
Operating income	1,162,009	19.7	1,771,484	21.6	2,699,231	414,866	23.3
Other non-operating expense	(2,165)	0.0	—	—	—	—	—
Gain on partial disposal of investments	—	—	25,061	0.3	45,861	7,049	0.4
Foreign currency exchange (losses)/gains, net	(38,099)	(0.6)	1,158	0.0	(2,176)	(334)	(0.0)
Interest expense	(97,125)	(1.6)	(81,085)	(1.0)	(32,122)	(4,937)	(0.3)
Interest income	137,892	2.3	67,193	0.8	180,384	27,725	1.6
Income before income tax expenses	1,162,512	19.7	1,783,811	21.7	2,891,178	444,369	24.9
Income tax expenses	(178,327)	(3.0)	(280,514)	(3.4)	(415,811)	(63,909)	(3.6)
Income before share of income in equity method investments, net of income taxes	984,185	16.7	1,503,297	18.3	2,475,367	380,460	21.3
Share of income in equity method investments, net of income taxes	14,120	0.2	8,279	0.1	33,024	5,076	0.3
Net income	998,305	16.9	1,511,576	18.4	2,508,391	385,536	21.6
Less: Net (loss) income attributable to the non-controlling interest shareholders and the mezzanine equity classified non-controlling interest shareholders	(34,938)	(0.6)	(12,342)	(0.2)	15,156	2,329	0.1
Net income attributable to YY Inc.	1,033,243	17.5	1,523,918	18.6	2,493,235	383,207	21.5

(1) Net of rebates and discounts.

(2) Started from the year ended December 31, 2016, we presented our revenue in four categories - live streaming, online games, membership and others. We also have retrospectively changed the revenue presentation for the year ended December 31 2015.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Net Revenues. Our net revenues increased by 41.3% from RMB8,204.1 million in 2016 to RMB11,594.8 million (US$1,782.1 million) in 2017. This increase was primarily driven by the increase in live streaming revenues.

Live streaming revenues. Our live streaming revenues, which consisted of revenues from YY Live platform and Huya platform, increased by 51.9% from RMB7,027.2 million in 2016 to RMB10,671.0 million (US$1,640.1 million) in 2017. The overall increase was primarily caused by increases in the number of paying users from approximately 11.0 million in 2016 to 16.6 million in 2017 and ARPU from RMB637.8 to RMB643.2 (US$98.9) in 2017. The increase in paying users were primarily due to (a) our ability to offer new and attractive products and services that allow us to monetize our platforms; (b) our ability to attract and retain a large and engaged user base through hosting an increasing number of events and activities; and (c) our ability to attract certain popular performers and channel owners.

Online game revenues. Revenues from online games decreased by 14.3% from RMB634.3 million in 2016 to RMB543.9 million (US$83.6 million) in 2017. This decline was primarily a result of the decrease in paying users and ARPU, which reflects the continued weakness in China's web game market. Our paying users for online games decreased from approximately 1,189,000 for 2016 to 1,147,000 for 2017.

Membership revenues. Our membership revenues, which consisted of membership subscription fees, decreased by 30.6% from RMB284.9 million in 2016 to RMB197.6 million (US$30.4 million) in 2017.

Other Revenues. Other revenues, which mainly include revenues from our online advertising revenues and online education platform, decreased by 29.2% to RMB182.4 million (US$28.0 million) for 2017 from RMB257.6 million for 2016.

Cost of Revenues. Our cost of revenues increased by 37.7% from RMB5,103.4 million in 2016 to RMB7,026.4 million (US$1,079.9 million) in 2017. The increase in our cost of revenues was due in large part to an increase in our revenue sharing fees and content costs, which consist of the payments to performers, channel owners and content providers, which amounted to RMB5,727.1 million (US$880.2 million) in 2017, representing a 51.1% increase from RMB3,790.6 million in 2016. This increase in revenue sharing fees and content costs was in line with the increase in revenues and was primarily due to higher levels of user engagement and spending driven by promotional activities, as well as investments in expanding the amount of new and innovative content we provide to users. Bandwidth costs increased 6.8% from RMB651.7 million in 2016 to RMB695.8 million (US$106.9 million) in 2017, primarily reflecting the continued user base expansion and the video quality improvements, but largely offset by the Company's improved efficiency and pricing terms.

Operating Expenses. Our operating expenses increased by 29.3% from RMB1,562.6 million in 2016 to RMB2,020.3 million (US$310.5million) in 2017, primarily due to an increase in sales and marketing expenses, particularly in relation to mobile products promotion, and research and development expenses, which was associated with our commitment to research and development and the advancements in our technology development, as well as general and administrative expenses driven by our company's overall business expansion.

Research and development expenses. Our research and development expenses increased by 15.8% from RMB675.2 million in 2016 to RMB781.9 million (US$120.2 million) in 2017. This increase was primarily due to an increase in salary level and the number of our research and development staff, especially engineers, which accounts for approximately 52.0% of our total number of employees in 2017.

Sales and marketing expenses. Our sales and marketing expenses increased by 78.5% from RMB387.3 million in 2016 to RMB691.3 million (US$106.2 million) in 2017. This increase was primarily due to the promotion of mobile products.

General and administrative expenses. Our general and administrative expenses increased by 12.9% from RMB482.4 million in 2016 to RMB544.6 million (US$83.7 million) in 2017. This increase was associated with the general growth of our business and the decrease in investments impairment from RMB80.1 million in 2016 to RMB43.2 million in 2017.

Foreign Currency Exchange Gains (Losses). We had net foreign currency exchange losses of RMB2.2 million (US$0.3 million) in 2017, compared to a net foreign currency exchange gains of RMB1.2 million in 2016. Such losses were mainly due to the appreciation of U.S. dollars as we converted certain offshore Renminbi to U.S. dollars in 2017.

Interest Income. Our interest income increased from RMB67.2 million in 2016 to RMB180.4 million (US$27.7 million) in 2017. This increase was primarily due to the follow-on public offering in 2017 and the issuance of the Series A Preferred Shares of HUYA Inc. in 2017.

Income Tax Expenses. We recorded income tax expenses of RMB415.8 million (US$63.9 million) in 2017 compared to RMB280.5 million in 2016. This increase was primarily due to the higher income before income tax expenses recorded by certain of our PRC subsidiaries and consolidated affiliated entities.

Net Income. As a result of the foregoing, we had a net income attributable to YY Inc. of RMB2,493.2 million (US$383.2 million) in 2017 as compared to a net income of RMB1,523.9 million in 2016.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Net Revenues. Our net revenues increased by 39.1% from RMB5,897.2 million in 2015 to RMB8,204.1 million in 2016. This increase was primarily driven by the increase in live streaming revenues.

Live streaming revenues. Our live streaming revenues, which consisted of revenues from YY Live platform and Huya platform, increased by 54.8% from RMB4,539.9 million in 2015 to RMB7,027.2 million in 2016. The overall increase was primarily caused by an increase in the number of paying users from approximately 5.8 million in 2015 to 11.0 million in 2016, but was partially offset by ARPU decreased from RMB780.5 in 2015 to RMB637.8 in 2016. The increase in paying users were primarily due to (a) our ability to offer new and attractive products and services that allow us to monetize our platforms; (b) our ability to attract and retain a large and engaged user base through hosting an increasing number of events and activities; and (c) our ability to attract certain popular performers and channel owners.

Online game revenues. Revenues from online games decreased by 17.8% from RMB771.9 million in 2015 to RMB634.3 million in 2016. This decline was primarily a result of the decrease in paying users and ARPU, which reflects the continued weakness in China's web game market. Our paying users for online games decreased from approximately 1,214,000 for 2015 to 1,189,000 for 2016.

Membership revenues. Our membership revenues, which consisted of membership subscription fees, decreased by 2.2% from RMB291.3 million in 2015 to RMB284.9 million in 2016.

Other Revenues. Other revenues, which mainly include revenues from our online education platform and online advertising revenues, decreased by 12.4% to RMB257.6 million for 2016 from RMB294.2 million for 2015.

Cost of Revenues. Our cost of revenues increased by 42.6% from RMB3,579.7 million in 2015 to RMB5,103.4 million in 2016. The increase in our cost of revenues was due in large part to an increase in our revenue sharing fees and content costs, which consist of the payments to performers, channel owners and content providers, which amounted to RMB3,790.6 million in 2016, representing a 61.8% increase from RMB2,343.2 million in 2015. This increase in revenue sharing fees and content costs was in line with the increase in revenues and was primarily due to higher levels of user engagement and spending driven by promotional activities, as well as investments in expanding the amount of new and innovative content we provide to users. Bandwidth costs increased 14.3% from RMB570.2 million in 2015 to RMB651.7 million in 2016, primarily reflecting the continued user base expansion and the video quality improvements. In addition, salary and welfare costs increased 17.3% from RMB198.2 million in 2015 to RMB232.5 million in 2016, mainly due to our hiring of additional employees to serve our rapidly expanding user base as well as the raise of salary level.

Operating Expenses. Our operating expenses increased by 26.2% from RMB1,237.8 million in 2015 to RMB1,562.6million in 2016, primarily due to an increase in research and development expenses, which was associated with our commitment to research and development and the advancements in our technology development, and general and administrative expenses driven by our company's overall business expansion, as well as sales and marketing expenses, particularly in relation to mobile product promotion.

Research and development expenses. Our research and development expenses increased by 23.0% from RMB548.8 million in 2015 to RMB675.2 million in 2016. This increase was primarily due to an increase in salary level and the number of our research and development staff, especially engineers, which accounts for approximately 50.7% of our total number of employees in 2016.

Sales and marketing expenses. Our sales and marketing expenses increased by 23.8% from RMB312.9 million in 2015 to RMB387.3 million in 2016. This increase was primarily due to the promotion of mobile products.

General and administrative expenses. Our general and administrative expenses increased by 34.6% from RMB358.5 million in 2015 to RMB482.4 million in 2016. This increase was associated with the general growth of our business and the increase in investments impairment from RMB6.0 million in 2015 to RMB80.1 million in 2016.

Foreign Currency Exchange Gains (Losses). We had net foreign currency exchange gains of RMB1.2 million in 2016, compared to a net foreign currency exchange losses of RMB38.1 million in 2015. Such gains were mainly due to the appreciation of U.S. dollars as we converted certain offshore Renminbi to U.S. dollars in 2016.

Interest Income. Our interest income decreased from RMB137.9 million in 2015 to RMB67.2 million in 2016. This decrease was primarily due to lower levels of interest rate as official reductions of standard interest rates were announced by the PRC government.

Income Tax Expenses. We recorded income tax expenses of RMB280.5 million in 2016 compared to RMB178.3 million in 2015. This increase was primarily due to the higher income before income tax expenses recorded by certain of our PRC subsidiaries and consolidated affiliated entities.

Net Income. As a result of the foregoing, we had a net income attributable to YY Inc. of RMB1,523.9 million in 2016 as compared to a net income of RMB1,033.2 million in 2015.

Inflation

Since our inception, inflation in China has not materially affected our results of operations. According to the National Bureau of Statistics of China, the year-over-year percent changes in the consumer price index for December 2015, 2016 and 2017 were increases of 1.6%, 2.1% and 1.8%, respectively. Although we have not been materially affected by inflation in the past, we may be affected if China experiences higher rates of inflation in the future.

Recently Issued Accounting Pronouncements

The recently issued accounting pronouncements that are relevant to us are included in note 2(ll) to our audited consolidated financial statements, which are included in this annual report.

B. Liquidity and Capital Resources

Cash Flows and Working Capital

In recent years, we have financed our operations primarily through cash flows from operations, the proceeds from our initial public offering in November 2012, the proceeds from our convertible senior notes offering in March 2014 and the proceeds from our follow-on offering in August 2017. We expect to require cash to fund our ongoing operational needs, particularly our revenue sharing fees and content costs, salaries and benefits, bandwidth costs and potential acquisitions or strategic investments. We believe that our current cash and cash equivalents and the anticipated cash flow from operations will be sufficient to meet our anticipated working capital requirements and capital expenditures 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.

In March 2014, we issued an aggregate of US$400.0 million 2.25% convertible senior notes due in 2019. The net proceeds from the sale of the notes were US$390.8 million and will be used for general corporate purposes. The notes bear interest at a rate of 2.25% per year, payable semiannually in arrears on April 1 and October 1 of each year, and such notes will mature on April 1, 2019 unless earlier converted, redeem for certain tax-related events or repurchased in accordance with their terms. We are not subject to any financial covenants or other significant restrictions under the notes. We duly paid an interest of US$9.0 million and US$9.0 million on these convertible senior notes for 2015 and 2016, respectively, as such interest became due. On April 1, 2017, the Company repurchased for cash the notes of an aggregate principal amount of US399.0 million. Following the settlement of the repurchase, US$1.0 million aggregate principal amount of the notes remain outstanding as of December 31, 2017.

On May 5, 2015 and June 15, 2016, respectively, our board of directors approved two share repurchase plans, the 2015 Share Repurchase Plan and the 2016 Share Repurchase Plan, respectively, pursuant to which we may repurchase from time to time at management's discretion, at prevailing market prices in the open market in accordance with Rule 10b-18 under the Securities Exchange Act of 1934, up to US$100 million for each share repurchase plan in total, of our outstanding ADSs for a period not exceeding twelve (12) months from the date of approval by board of directors. The 2015 Share Repurchase Plan and 2016 Share Repurchase Plan expired on May 5, 2016 and June 15, 2017, respectively. For the year ended December 31, 2017, no share was repurchased under the 2016 Share Repurchase Plan.

On January 19, 2017, we entered into a loan agreement with a bank, pursuant to which we borrowed a loan with a principal amount of US$30 million. The annualized interest rate of the loan is 3-month LIBOR plus 1.5%, accruing from draw-down. The draw-down of US$30 million took place on March 8, 2017 and have been repaid on March 1, 2018. Term deposit of RMB500 million was pledged as collateral for the loan until March 13, 2018.

On February 17, 2017, we entered into a loan agreement with a bank, pursuant to which we borrowed a loan with a total principal amount of US$60 million. The annualized interest rate of the loan is 3-month LIBOR, accruing from draw-down. The first draw-down of US$45 million took place on March 21, 2017 and the second draw-down of US$15 million took place on March 30, 2017. The loan shall be repaid before February 9, 2018. Term deposit of RMB500 million was pledged as collateral for the loan until February 23, 2018. On February 9, 2018, we repaid the loan with a total amount of US$60 million.

On May 16, 2017, HUYA Inc. entered into a series A preferred shares subscription agreement with its series A investors and pursuant to which, HUYA Inc. issued 22,058,823 series A preferred shares of HUYA Inc. at a price of US$3.4 per share for an aggregate consideration of US$75 million (equivalent to RMB509.7 million as of the issuance date). The issuance of the series A preferred shares was completed on July 10, 2017.

On August 21, 2017, we completed a secondary offering and received approximately US$442.2 million in net proceeds, after deducting commissions and offering expenses.

On March 8, 2018, HUYA Inc. issued 64,488,235 shares of Series B-2 redeemable convertible preferred shares at a price of approximately US$7.16 per share for cash consideration of US$461.6 million to Linen Investment Limited, a wholly owned subsidiary of Tencent Holdings Limited.

As of December 31, 2015, 2016 and 2017, we had RMB928.9 million, RMB1,579.7 million and RMB2,617.4 million (US$402.3 million), respectively, in cash and cash equivalents.

As of December 31, 2017, our subsidiaries, VIEs, and VIE's subsidiaries located in the PRC held cash and cash equivalents in the amount of RMB1,622.9 million (US$249.4 million) Aggregate undistributed earnings and reserves of our subsidiaries, VIEs, and VIE's subsidiaries located in the PRC that are available for distribution to the Company as of December 31, 2017 are approximately RMB7,605.5 million (US$1,168.9 million). We would need to accrue and pay withholding taxes if we were to distribute funds from our subsidiaries in the PRC to our offshore subsidiaries. We do not intend to repatriate such funds in the foreseeable future, as we plan to use existing cash balance in the PRC for general corporate purposes.

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

	For the Year Ended December 31,			
	2015	2016	2017	
	RMB	RMB	RMB	US$
	(in thousands)			
Net cash provided by operating activities	1,823,442	2,421,135	3,718,452	571,517
Net cash used in investing activities	(1,048,022)	(1,783,138)	(4,037,516)	(620,556)
Net cash provided by/(used in) financing activities	(337,143)	10,651	1,392,525	214,027
Net (decrease)/increase in cash and cash equivalents	438,277	648,648	1,073,461	164,988
Cash and cash equivalents at the beginning of the year	475,028	928,934	1,579,743	242,802
Effect of exchange rates change on cash and cash equivalents	15,629	2,161	(35,772)	(5,498)
Cash and cash equivalents at the end of the year	928,934	1,579,743	2,617,432	402,292

Operating Activities

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

Net cash provided by operating activities amounted to RMB3,718.5 million (US$571.5 million) for the year ended December 31, 2017, primarily resulting from RMB13,502.2 million (US$2,075.3 million) of cash revenues we received, partially offset by our sales-related cash outflow of RMB6,920.1 million (US$1,063.6 million), which mainly consisted of the amounts due to third party game developers under revenue sharing arrangements, distributions under arrangements with certain performers and channel owners, payment collection costs and business taxes, our employee salaries and welfare payments of RMB928.0 million (US$142.6 million), our payments for the lease of bandwidth of RMB734.0 million (US$112.8 million) and our general operating costs of RMB1,201.6 million (US$184.7 million). The increasing cash provided by operating activities was mainly due to the expansion of business.

Net cash provided by operating activities amounted to RMB2,421.1 million for the year ended December 31, 2016, primarily resulting from RMB8,763.2 million of cash revenues we received, partially offset by our sales-related cash outflow of RMB4,052.2 million, which mainly consisted of the amounts due to third party game developers under revenue sharing arrangements, distributions under arrangements with certain performers and channel owners, payment collection costs and business taxes, our employee salaries and welfare payments of RMB863.7 million, our payments for the lease of bandwidth of RMB669.7 million and our general operating costs of RMB756.5 million. The increasing cash provided by operating activities was mainly due to the expansion of business.

Net cash provided by operating activities amounted to RMB1,823.4 million for the year ended December 31, 2015, primarily resulting from RMB6,355.8 million of cash revenues we received, partially offset by our sales-related cash outflow of RMB2,843.3 million, which mainly consisted of the amounts due to third party game developers under revenue sharing arrangements, distributions under arrangements with certain performers and channel owners, payment collection costs and business taxes, our employee salaries and welfare payments of RMB753.4 million, our payments for the lease of bandwidth of RMB543.3 million and our general operating costs of RMB392.4 million. The increasing cash provided by operating activities was mainly due to the expansion of business.

Investing Activities

Net cash used in investing activities largely reflects placements of short-term deposits, purchases of property and equipment and other non-current assets in connection with the expansion and upgrade of our technology infrastructure, and our acquisitions of and investments in certain companies.

Net cash used in investing activities amounted to RMB4,037.5 million (US$620.6 million) in the year ended December 31, 2017. Net cash used in investing activities primarily resulted from the placement of short-term deposits of RMB9,667.4 million (US$1,485.9 million), payments of RMB397.3 million (US$61.1 million) for the purchase of property and equipment, which mainly consisted of the purchase of servers, and cash paid for certain acquisitions and strategic investments of RMB329.7million (US$50.7 million), partially offset by the maturity of short-term deposits ,restricted short-term deposits and short-term investments in various banks in the amount of RMB7,426.2 million (US$1,141.4 million). The increase in cash used in investing activities was mainly due to the increase in investment in short-term deposit.

Net cash used in investing activities amounted to RMB1,783.1 million in the year ended December 31, 2016. Net cash used in investing activities primarily resulted from the placement of short-term deposits of RMB8,027.3 million, payments of RMB162.4 million for the purchase of property and equipment, which mainly consisted of the purchase of servers, and cash paid for certain acquisitions and strategic investments of RMB199.2 million, partially offset by the maturity of short-term deposits and restricted short-term deposits in various banks in the amount of RMB6,714.1 million. The increase in cash used in investing activities was mainly due to the increase in investment in short-term deposit.

Net cash used in investing activities amounted to RMB1,048.0 million in the year ended December 31, 2015. Net cash used in investing activities primarily resulted from the placement of short-term deposits and restricted short-term deposits of RMB3,362.6 million, payments of an aggregate RMB1,926.2 million for other non-current assets, mainly consisting of prepayments for purchasing land for future office space, payments of RMB219.8 million for the purchase of property and equipment, which mainly consisted of the purchase of servers, and cash paid for certain acquisitions and strategic investments of RMB358.4 million, partially offset by the maturity of short-term deposits and restricted short-term deposits in various banks in the amount of RMB4,780.6 million. The decrease in cash used in investing activities was mainly due to the decrease in investment in short-term deposit.

Financing Activities

Net cash provided by financing activities was RMB1,392.5 million (US$214.0 million) in 2017, primarily attributable to capital contributions from mezzanine equity amounting to RMB509.5 million (US$78.3 million), the proceeds of RMB621.1 million (US$95.5 million) from bank borrowings, the proceeds of RMB2,950.6 million (US$453.5 million) from issuance of common shares, net of issuance cost and RMB2,753.6 million (US$423.2 million) repayment of convertible bonds.

Net cash provided by financing activities was RMB10.7 million in 2016, primarily attributable to capital contributions from non-controlling interests.

Net cash used in financing activities was RMB337.1 million in 2015, primarily attributable to the share repurchase of 3.1 million ADS for RMB1,041.7 million, partially offset by net proceeds of RMB696.5 million from bank borrowings.

Capital Expenditures

We made capital expenditures of RMB2,197.0 million, RMB237.8 million and RMB497.7 million (US$76.5 million) in 2015, 2016 and 2017, respectively. Our capital expenditures are primarily used to purchase office space, computers, servers, office furniture, operating rights, domain names and other assets.

C. Research and Development, Patents and Licenses, Etc.

In order to support the kind of multi-user, real-time online voice and video communications on a scale necessary for our platforms, we build and develop our own network infrastructure. See "Item 4. Information on the Company—B. Business Overview—Research and Development" for a description of the research and development aspect of our business and "Item 4. Information on the Company—B. Business Overview—Intellectual Property" for a description of the protection of our intellectual property.

Research and development expenses consist primarily of salaries and benefits for research and development personnel and rental and depreciation of office premises and servers utilized by the research and development personnel. Research and development expenses greatly increased in the past three years ended December 31, 2017, 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 platforms, improve technology infrastructure to further enhance user experience, and further develop enhanced features for our mobile applications to reach more users. We incurred RMB548.8 million, RMB675.2 million and RMB781.9 million (US$120.2 million) of research and development expenses in 2015, 2016 and 2017, respectively.

D. Trend Information

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events since the beginning of our fiscal year 2017 that are reasonably likely to have a material effect on our net revenues, income from operations, profitability, liquidity or capital resources, or that would cause the disclosed financial information to be not necessarily indicative of future operating results or financial condition.

E. Off-Balance Sheet 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 shareholders' (deficit)/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 research and development services with us.

F. Tabular Disclosure of Contractual Obligations

The following table sets forth our contractual obligations as of December 31, 2017:

	Payment Due by Period				
	Total	Less than 1 year	1-2 years	3-5 years	More than 5 years
			(in thousands)		
Operating lease commitments [1] (in RMB)	51,780	34,002	10,030	7,440	308
Capital commitment [2] (in RMB)	111,966	77,090	19,831	12,605	2,440
Convertible senior notes[3] (in US$)	1,029	23	1,006	-	-

(1) Operating lease commitments refer to the lease of 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.

(2) Capital commitment refers to capital expenditure of properties.

(3) The convertible senior notes were redeemable at the holders' option on April 1, 2017. US$399,000,000 aggregate principal amount of the notes were redeemed on April 1, 2017. We has accepted the repurchase and has forwarded cash in payment of the repurchase price to the paying agent for distribution to the holders who had exercised the option. Following the repurchase, US$1,000,000 aggregate principal amount of the notes remains outstanding and will be due in 2019.

Our operating lease obligations decreased from December 31, 2016 to December 31, 2017 primarily because we gradually ceased to renew certain leases for office spaces when they expired as we have more self-owned office buildings available.

Other than the obligations set forth above, we did not have any significant operating lease obligations, purchase obligations or other long-term obligations as of December 31, 2017.

G. Safe Harbor

See "Forward-Looking Statements" on page 2 of this annual report.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

The following table sets forth information regarding our directors and executive officers as of the date of this annual report. There are no family relationships among any of the directors or executive officers of our company.

Directors and Executive Officers	Age	Position/Title
David Xueling Li	45	Chairman of the Board and Director, Acting Chief Executive Officer
Qin Liu	47	Director
Peter Andrew Schloss	57	Independent Director
Peng T. Ong	56	Independent Director
Richard Weidong Ji	52	Independent Director
David Tang	65	Independent Director
Rongjie Dong	43	Chief Executive Officer of HUYA Inc.
Bing Jin	41	Chief Financial Officer
Ting Li	34	Chief Operating Officer

Mr. David Xueling Li is our co-founder and has been our chairman since August 2016. Mr. Li served as our chief executive officer since our inception to August 2016. Currently, Mr. Li serves as our acting chief executive officer. Mr. Li focuses on our broader corporate strategy and the development of new and emerging applications and products. 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 the the controlling general partner of Morningside China TMT Fund I, L.P., Morningside China TMT Fund II, L.P., Morningside China TMT Top Up Fund, L.P., Morningside China TMT Fund III, L.P., Morningside China TMT Special Opportunity Fund, L.P., Morningside China TMT Fund III Co-investment, L.P., Morningside TMT Fund IV, L.P., Morningside China TMT Special Opportunity Fund II, L.P. and Morningside China TMT Fund IV Co-investment, L.P., or collectively, Morningside Funds. Mr. Liu has served as a director in Xunlei Limited, a Nasdaq-listed company since September 2005, and serves as director in several non-public portfolio companies of the Morningside Funds. 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. Peter Andrew Schloss has served as our independent director since November 2012. Mr. Schloss is managing director and CEO of CastleHill Partners and a partner at Phoenix Media Fund. Since February 2016, Mr. Schloss has been an independent director of Zhaopin Limited (NYSE: ZPIN). Previously Mr. Schloss was an independent director and audit committee chairman of Giant Interactive Group Inc., a NYSE-listed company, from 2007 to 2015. From 2008 to 2012, Mr. Schloss served as the chief executive officer of Allied Pacific Sports Network Limited, a leading internet and wireless provider of live and on-demand sports programs in Asia. Prior to joining Allied Pacific Sports Network Limited, Mr. Schloss worked at TOM Online Inc., serving as the chief financial officer from 2003 to 2005, as an executive director from 2004 to 2007 and as the chief legal officer from 2005 to 2007. Mr. Schloss received a bachelor's degree in political science and a juris doctor degree from Tulane University.

Mr. Peng T. Ong has served as our independent director since November 2012. Mr. Ong is a managing director of Monk's Hill Ventures. Prior to founding Monk's Hill Ventures, he was a partner at GSR Ventures. Mr. Ong is a director of the Info-communications Media Development Authority of Singapore. In addition, he is a trustee of the Singapore University of Technology and Design. Mr. Ong was an independent director of Singapore Telecommunications Limited through July 2013 and chairs SingTel's group enterprise advisory committee. He was an independent director of the National Research Foundation of Singapore from 2009 to 2013. He served as chairman of Infocomm Investments Pte Ltd, a venture capital fund in Singapore, from 2006 to 2013. Mr. Ong founded Interwoven Inc. (acquired by Autonomy Corporation plc., now part of Hewlett-Packard) and served as its president and chief executive officer from 1995 to 1997 and its chairman from 1995 to 2002. Mr. Ong also founded Encentuate Inc. which became the foundation of the IBM Singapore Software Lab after being acquired by IBM. In addition, Mr. Ong co-founded Match.com (now part of IAC/InterActiveCorp) and served in various engineering and management positions at Illustra Information Technologies, Inc. (now Informix Corporation, part of IBM), Sybase Inc. (now SAP America, Inc.) and Gensym Corporation. Mr. Ong Peng received a bachelor's degree in electrical engineering from University of Texas at Austin and a master's degree in computer science from University of Illinois at Urbana-Champaign.

Mr. Richard Weidong Ji has served as our independent director since May 2013. Mr. Ji is the cofounder and managing partner of All-Stars Investment Limited, which focuses on investing in Internet technology leaders and consumer brands that help enhance the lives of Chinese consumers. From 2005 to 2012, Mr. Ji served as managing director and head of Asia-Pacific Internet/media investment research at Morgan Stanley Asia Limited. During his time with Morgan Stanley, Mr. Ji was consistently rated as one of the top internet analysts covering the Chinese internet according to the Institutional Investor and Greenwich Associates' annual surveys. Over Mr. Ji's career, he has received many awards from reputable publications and research groups including the Financial Times, South China Morning Post, Asiamoney, Absolute Return & Alpha magazine and iResearch Consulting Group. Mr. Ji holds a doctor of sciences degree in biological science from Harvard University, an MBA from the Wharton School of Business at the University of Pennsylvania and a Bachelor of Science from Fudan University in China. He also serves as an independent director of 58.com.

Mr. David Tang has served as our independent director since May 2013. Mr. Tang currently serves as a managing director of Nokia Growth Partners, a global venture capital firm that specializes in investing in mobile technologies and mobile businesses. From 2011 to 2012, Mr. Tang was the vice president of the European Union Chamber of Commerce in China, vice chairman of the China Association of Enterprises with Foreign Investments, and vice chairman of the Beijing International Chamber of Commerce. Mr. Tang has spent nearly a decade with the Nokia group, having served as the vice chairman of Nokia (China) Investment Co., Ltd. and chairman of Nokia Telecommunications Ltd. where he was responsible for government relations, strategic partnerships, corporate development, and sustainability. Prior to serving in those roles, he was the vice chairman and vice president of sales for Nokia in the greater China region from 2005 to 2009. Mr. Tang has also held executive positions in other leading global technology firms such as Apple, AMD, 3Com, DEC, and AST. Mr. Tang received his bachelor's degree in Computer Science and Engineering from California State University at Long Beach and a master's degree in Business from California State University at Fullerton.

Mr. Rongjie Dong has been the president of the technology department of Guangzhou Huaduo since October 2006 and is currently the chief executive officer of HUYA Inc., one of our controlling subsidiary operating our Huya platform. He served as our executive vice president from April 2013 to August 2016. 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.

Mr. Bing Jin has been our chief financial officer since May 2017. Prior to joining us, Mr. Jin served as the Head of China Technology, Investment Banking and Capital Markets, Asia Pacific, at Credit Suisse. During his tenure at Credit Suisse, Mr. Jin worked with many U.S. listed and private Chinese technology companies for various financing and M&A transactions. From 2010 to 2014, Mr. Jin worked in Citi's China Investment Banking department. Before his investment banking career, Mr. Jin worked in government services, consulting, and corporate banking. Mr. Jin received an MBA from the Wharton School, a Master's degree in Pacific International Affairs from the University of California, San Diego, and a Bachelor's degree in English from the Beijing Foreign Studies University.

Ms. Ting Li has been our chief operating officer since 2016. Ms. Li has been focusing on our ecosystem development and the enrichment of our content and product offerings since she joined us in 2011. In 2017, Ms. Li was in charge of the updates and launch of YY Live 7.0, which for the first time in the industry observed and satisfied user demand for personalized interactions with live streaming hosts. Prior to joining us, Ms. Li served as product manager at Tencent from 2006 to 2011. Ms. Li received a Bachelor's degree from South China University of Technology in 2006.

B. Compensation of Directors and Executive Officers

For the fiscal year ended December 31, 2017, we paid an aggregate of RMB11.7 million (US$1.8 million) in cash, including salaries and bonuses, to our directors and executive officers. We also awarded an aggregate of 1,551,495 ordinary shares of HUYA Inc. to our directors and executive officers in October 2017. For details on the share incentive grants to our directors and officers, see "—Share Incentive Plans." For the fiscal year ended December 31, 2017, we made contributions for our directors and executive officers for their pension insurance, medical insurance, housing fund, unemployment and other statutory benefits as required by PRC laws in an aggregate amount of RMB0.2 million (US$0.03 million). We did not set aside or accrue any other pension or retirement benefits for our directors and executive officers for the fiscal year ended December 31, 2017.

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.

Share Incentive Plans

We have adopted two share incentive plans, namely, the 2009 Scheme and the 2011 Plan. In addition, our controlling subsidiary, HUYA Inc. adopted its 2017 share incentive plan, or HUYA Amended and Restated 2017 Plan, in July 2017 and amended and restated in March 2018. The purpose of these three share incentive plans is to attract and retain 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. As of March 31, 2018, options to purchase 154,535 common shares, 1,684,572 restricted shares and 39,168,468 restricted share units were outstanding under the 2009 Scheme and the 2011 Plan. As of March 31, 2018, options to purchase 17,529,555 HUYA Inc.'s class A ordinary shares and 3,655,084 HUYA Inc.'s restricted share units have been granted under the HUYA Amended and Restated 2017 Plan.

2009 Employee Equity Incentive Scheme

We adopted the 2009 Scheme in December 2009. In September 2011, YY Inc. assumed all the rights and obligations of Duowan Entertainment Corporation under all share-based compensation previously issued by Duowan Entertainment Corporation, including under the relevant award agreement and under the 2009 Scheme, if applicable, and undertook to issue its own common shares upon the exercise of any share-based compensation awards previously issued by Duowan Entertainment Corporation, 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 120,020,001.

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 common shares reserved for issuance under the plan is 43,000,000, plus an annual increase of 20,000,000 on the first day of each fiscal year, beginning in 2013, or such smaller number of common shares as determined by our board of directors.

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, restricted shares or restricted shares units 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 grant shall not exceed 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, restricted shares or restricted share units 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.

HUYA Amended and Restated 2017 Plan

The following paragraphs describe the principal terms of the Amended and Restated 2017 Plan.

Type of awards. The Amended and Restated 2017 Plan permits the awards of options, restricted share units or any other type of awards approved by the committee or the board of directors of HUYA Inc.

Plan administration. The Amended and Restated 2017 Plan is administered by the board of directors of HUYA Inc. or by a committee of one or more members of the board of directors of HUYA Inc. to whom the board shall delegate the authority to grant or amend awards to any eligible persons other than any of members of the committee serving as the plan administrator. The plan administrator has the power and authority to determine the persons who are eligible to receive awards, as well as other terms and conditions of awards. Any grant or amendment of awards to any committee member serving as the plan administrator shall then require an affirmative vote of a majority of the board members who are not on the committee serving as the plan administrator.

Award agreement. Any award granted under the Amended and Restated 2017 Plan is evidenced by an award agreement that sets forth terms, conditions and limitations for such award, which may include the number of shares subject to the award awarded, the exercise price, the provisions applicable in the event of the grantee's employment or service terminates, among other provisions. The plan administrator may amend the terms of any award, prospectively or retroactively; provided that no such amendment shall impair the rights of any participant without his or her consent.

Eligibility. HUYA Inc. may grant awards to directors, officers, employees and consultants of us, HUYA Inc. or any of HUYA Inc.'s subsidiaries.

Vesting schedule. In general, the plan administrator determines the vesting schedule, which is specified in the relevant award agreement.

Exercise of options. Once all the preconditions provided in the relevant award agreements are met, a participant may exercise options in whole or in part by giving written notice of exercise to us specifying information such as the number of shares to be purchased, as well as making full payment of the aggregate exercise price of the shares so purchased.

Term of options. The plan administrator determines the term of each option and provides it in the relevant award agreement, but no option shall be exercisable more than five years after the grant date.

Transfer restrictions. Except under the laws of descent and distribution or otherwise permitted by the plan administrator, the participant will not be permitted to sell, transfer, pledge or assign any awards. In principle, all awards shall be exercisable only by the participants. However, a participant may also transfer one or more awards to a trust controlled by him or her for estate planning purposes.

Termination and amendment of the Amended and Restated 2017 Plan. The board of directors of HUYA Inc. may amend, alter or discontinue the Amended and Restated 2017 Plan, but no amendment, alteration or discontinuation shall be made if such amendment, alteration or discontinuation would impair the rights of a participant under any award without such participant's consent.

The following table summarizes, as of March 31, 2018, 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
Other Individuals as a Group	154,535	0.006735	January 1, 2009	December 31, 2018
Total	154,535			

* The aggregate number of common shares underlying the outstanding options held by this individual is less than 1% of our total outstanding shares.

We granted options of HUYA Inc. on August 9, 2017 and March 15, 2018, with an exercise price of US$2.55, which will expire on August 9, 2027 and March 15, 2028, respectively. As of March 31, 2018, a total of 17,529,555 options of HUYA Inc. were granted and outstanding. Among the grantees, David Xueling Li, our co-founder, chairman and acting chief executive officer was awarded options to receive 5,882,353 Class A ordinary shares of HUYA Inc. on March 15, 2018, and such options will expire on March 15, 2028. In addition, Rongjie Dong, chief executive officer of HUYA Inc., was awarded options to receive 5,647,700 Class A ordinary shares of HUYA Inc. on August 9, 2017, and such options will expire on August 9, 2027.

The following table summarizes, as of March 31, 2018, the outstanding restricted shares granted to our executive officers, directors and other individuals as a group.

Name	Restricted Shares Granted	Date of Grant
Other Individuals as a Group	385,238	January 1, 2010
	425,734	February 1, 2010
	606,400	July 1, 2010
	267,200	January 1, 2011
Total	1,684,572	

* 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.

The following table summarizes, as of March 31, 2018, 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
David Xueling Li	*	April 30, 2013
	*	June 20, 2014
Peter Andrew Schloss	*	November 7, 2012
	*	June 16, 2014
	*	November 7, 2015
Peng T. Ong	*	November 7, 2012
	*	June 16, 2014
	*	November 7, 2015
Richard Weidong Ji	*	May 23, 2013
	*	June 16, 2014
David Tang	*	May 23, 2013
	*	June 16, 2014

Name	Common Shares Underlying Restricted Share Units Granted	Date of Grant
Rongjie Dong	*	April 30, 2013
	*	July 19, 2013
	*	June 20, 2014
	*	June 30, 2015
Qin Liu	*	August 6, 2015
Ting Li	*	April 30, 2013
	*	June 20, 2014
	*	July 1, 2015
Bing Jin	*	August 2, 2017
Other Individuals as a Group	3,800	January 1, 2011
	403,010	September 16, 2011
	50,000	January 1, 2012
	30,419	March 31, 2012
	14,440	July 15, 2012
	1, 024,620	September 1, 2012
	48,250	March 31, 2013
	89	April 18, 2013
	2,781,940	April 30, 2013
	521,000	July 19, 2013
	5,360	October 1, 2013
	60,000	February 1, 2014
	60,000	April 1, 2014
	32,000	April 30, 2014
	50,000	May 1, 2014
	811,365	June 20, 2014
	168,553	October 30, 2014
	70,260	April 30, 2015
	4,299,407	July 1, 2015
	56,600	October 30, 2015
	17,600	December 30, 2015
	94,260	January 1, 2016
	816,237	June 30, 2016
	615,000	March 22,2017
	792,240	June 30, 2017
	196,756	July 1, 2017
	160,000	October 19, 2017
	19,138,274	December 30, 2017
Total	39,168,468	

* 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.

We granted 3,655,084 restricted share units of HUYA Inc. on March 31, 2018, which will expire on March 31, 2028. As of March 31, 2018, a total of 3,655,084 restricted share units of HUYA Inc. were granted and outstanding. Among the grantees, Rongjie Dong, the chief executive officer of HUYA Inc., was granted a certain amount of the restricted share units that are outstanding, which represent less than 1% of our total outstanding shares.

C. Board Practices

Our board of directors currently consists of six directors. 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. See "Item 6. Directors, Senior Management and Employees—B. Compensation of Directors and Executive Officers" for a description of the employment agreements we have entered into with our senior executive officers.

Committees of the Board of Directors

We have established an audit committee, a compensation committee and a corporate governance and nominating committee under the board of directors. We have adopted a charter for each of the three committees. Each committee's members and functions are described below.

Audit Committee. Our audit committee consists of Mr. Peter Andrew Schloss, Mr. Peng T. Ong and Mr. Richard Weidong Ji, and is chaired by Mr. Schloss. We have determined that each of Mr. Schloss, Mr. Ong and Mr. Ji satisfies the "independence" requirements of Rule 5605(c)(2) of the Listing Rules of the Nasdaq Global Select Market and meet the independence standards under Rule 10A-3 under the Securities Exchange Act of 1934, as amended. We have determined that Mr. Schloss qualifies as an "audit committee financial expert." The audit committee oversees our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee is 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 consists of Mr. David Xueling Li and Mr. David Tang, and is chaired by Mr. David Xueling Li. We have determined that Mr. Tang satisfies the "independence" requirements of Rule 5605(c)(2) of the Listing Rules of the Nasdaq Global Select Market. The compensation committee assists 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 is 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;
- 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; and
- selecting compensation consultant, legal counsel or other adviser only after taking into consideration all factors relevant to that person's independence from management.

Corporate Governance and Nominating Committee. Our nominating committee consists of Mr. Peng T. Ong, Mr. Qin Liu and Mr. Peter Andrew Schloss, and is chaired by Mr. Ong. We have determined that each of Mr. Ong and Mr. Schloss satisfies the "independence" requirements of Rule 5605(c)(2) of the Listing Rules of the Nasdaq Global Select Market. The nominating committee assists the board in selecting individuals qualified to become our directors and in determining the composition of the board and its committees. The nominating committee is 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.

Investment Committee. Our investment committee consists of Mr. Xueling Li and Mr. Qin Liu. The investment committee is responsible for negotiating and determining the nature, timing, amount and other terms of an investment if such investment amount ranges from US$50 million to US$200 million.

Independent Committee. In July 2015, our board of directors formed a special committee of independent directors consisting of Mr. Peter Andrew Schloss, David Tang, and Peng Tsing Ong in response to a preliminary non-binding proposal letter from the Buyer Group notifying our board of directors of their interest in acquiring all of our outstanding shares not already beneficially owned by them in a proposed going private transaction.

Duties of Directors

Under Cayman Islands law, our directors owe fiduciary duties to our company including a duty of loyalty, a duty to act honestly, and a duty to act in what they consider in good faith to be in our best interests. Our directors also have a duty to exercise the care and diligence that a reasonably prudent person would exercise in comparable circumstances and a duty to exercise the skill they actually possess. It was previously considered that a director need not exhibit in the performance of his duties a greater degree of skill than may reasonably be expected from a person of his knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care and these authorities are likely to be followed in the Cayman Islands. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association and the class rights vested thereunder in the holders of the shares. Our company has the right to seek damages if a duty owed by our directors is breached. In limited exceptional circumstances, a shareholder may have the right to seek damages in our name if a duty owed by our directors is breached.

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 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.

D. Employees

The following table sets forth the numbers of our employees, categorized by function, as of December 31, 2017:

Functions	Number of Employees
Management	15
Customer services and operations	1,012
Engineering and maintenance	141
Research and development	1,734
Sales and marketing	170
General and administration	264
Total	3,336

We had a total of 3,317, 3,355 and 3,336 employees as of December 31, 2015, 2016 and 2017, respectively.

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 believe that we maintain a good working relationship with our employees and we have not experienced any significant labor disputes.

E. Share Ownership

Class A Common Shares

As of March 31, 2018, we had 965,928,668 Class A common shares outstanding. In addition, as of March 31, 2018, we have granted, and have outstanding, options to purchase a total of 154,535 Class A common shares, 1,684,572 restricted shares and 39,168,468 restricted share units to our directors, executive officers, other employees and consultants. For information regarding the Share Incentive Plans, see "Item 6.B. Compensation of Directors and Executive Officers."

Class B Common Shares

As of March 31, 2018, we had 297,982,976 Class B common shares outstanding.

Beneficial Ownership

The following table sets forth information concerning the beneficial ownership of our common shares as of March 31, 2018, by:

- each of our directors and executive officers; and
- each person known to us to beneficially own more than 5% of our common shares.

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 or that would become unrestricted shares within 60 days after March 31, 2018, the most recent practicable date, including through the exercise of any option, warrant, or other right or the conversion of any other security. These shares, however, are not included in the computation of the percentage ownership of any other person.

The calculations in the table below assume that there were 965,928,668 Class A common shares outstanding and 297,982,976 Class B common shares as of March 31, 2018.

	Class A Common Shares Beneficially Owned(1)		Class B Common Shares Beneficially Owned(2)		Total Common Shares Beneficially Owned		Total Voting Power(5)
	Number	%	Number	%	Number(3)	%(4)	%
Directors and Executive Officers:*							
David Xueling Li [6]	12,164,490	1.3	175,241,483	58.8	187,405,973	14.8	76.0
Rongjie Dong	**	**	-	-	**	**	**
Peter Andrew Schloss	**	**	-	-	**	**	**
Peng T. Ong	**	**	-	-	**	**	**
Richard Weidong Ji	**	**	-	-	**	**	**
David Tang	**	**	-	-	**	**	**
Qin Liu	**	**	-	-	**	**	**
Bing Jin	**	**	-	-	**	**	**
Ting Li	**	**	-	-	**	**	**
All directors and executive officers as a group	13,872,350	1.4	175,241,483	58.8	189,113,833	15.0	76.0
Principal Shareholders:							
Top Brand Holdings Limited [7]	10,000,000	1.0	122,741,483	41.2	132,741,483	10.5	-
YYME Limited [8]	8,000,010	0.8	175,241,483	58.8	183,241,493	14.4	44.6

Notes:

* Except for Mr. Peter Andrew Schloss, Mr. Peng T. Ong, Mr. Richard Weidong Ji, Mr. David Tang and Mr. Qin Liu, the business address of our directors and executive officers is c/o Building B-1, North Block of Wanda Plaza No. 79 Wanbo Er Road Nancun Town, Panyu District, Guangzhou, 511442, PRC.

** The aggregate number of common shares beneficially owned by each of these individuals is less than 1% of our total outstanding shares.

(1) 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 March 31, 2018, by the sum of (i) 965,928,668, which is the total number of Class A common shares outstanding as of March 31, 2018, and (ii) the number of Class A common shares that such person or group has the right to acquire within 60 days of March 31, 2018.

(2) For each person and group included in this column, percentage ownership is calculated by dividing the number of Class B common shares beneficially owned by such person or group by 297,982,976, being the total number of Class B common shares outstanding as of March 31, 2018.

(3) Represents the sum of Class A and Class B common shares beneficially owned by such person or group.

(4) For each person and group included in this column, percentage ownership is calculated by dividing the number of total common shares beneficially owned by such person or group, by the sum of the number of common shares outstanding and the number of common shares such person or group has the right to acquire upon exercise of the stock options or warrants within 60 days after March 31, 2017.

(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 (i) 10 Class A common shares and 170,921,803 Class B common shares held by YY One Limited, a British Virgin Islands company, (ii) 8,000,000 Class A common shares in the form of ADSs held by YYME Limited, a British Virgin Islands company, (iii) 4,319,680 Class B common shares held by New Wales Holdings Limited, a British Virgin Islands company, and (iv) 4,164,480 Class A common shares underlying options and restricted share units granted to Mr. David Xueling Li that have vested or will become vested within 60 days of March 31, 2018,. Mr. David Xueling Li is the sole owner and director of YYME Limited. Each of YY One Limited and New Wales Holdings Limited is wholly-owned by YYME Limited. In August 2016, Mr. Jun Lei, who beneficially owned 122,741,483 Class B common shares and 10,000,000 Class A common shares in the form of ADSs as of March 31, 2018, delegated the voting rights of such shares to Mr. David Xueling Li.

(7) Representing 122,741,483 Class B common shares and 10,000,000 Class A common shares represented by ADSs held by Top Brand Holdings Limited, a BVI company wholly owned and controlled by Mr. Jun Lei. The voting rights of such 122,741,483 Class B common shares and 10,000,000 Class A common shares represented by ADSs were delegated to Mr. David Xueling Li in August 2016. The business address of Top Brand Holdings Limited is c/o Jun Lei, 19E, Huating Jiayuan, No.6 of Middle Beisihuan Road, Chaoyang District, Beijing 100102, PRC.

(8) Representing (i) 10 Class A common shares and 170,921,803 Class B common shares held by YY One Limited, a British Virgin Islands company, (ii) 8,000,000 Class A common shares in the form of ADSs held by YYME Limited, a British Virgin Islands company, and (iii) 4,319,680 Class B common shares held by New Wales Holdings Limited, a British Virgin Islands company. Mr. David Xueling Li is the sole owner and director of YYME Limited. Each of YY One Limited and New Wales Holdings Limited is wholly owned by YYME Limited. The business address of YYME Limited is c/o David Xueling Li, Building B-1, North Block of Wanda Plaza No. 79 Wanbo Er Road Nancun Town, Panyu District, Guangzhou, 511442, PRC.

As of March 31, 2018, 1,263,911,644 of our common shares were issued and outstanding, including 297,982,976 Class B common shares and 965,928,668 Class A common shares. Based on a review of the register of members maintained by our Cayman Islands corporate administrator, we believe that as of March 31, 2018, 965,928,668 Class A common shares (excluding shares being held in reserve by our depositary for the exercise/vesting of the share incentive awards we issue) representing approximately 76.4% of our total outstanding shares were held by three record holders in the United States; all of the 965,928,668 Class A common shares were held of record by Deutsche Bank Trust Company Americas, the depositary of our ADS program. The number of beneficial owners of our ADSs in the United States is likely to be much larger than the number of record holders of our common shares in the United States. None of our existing shareholders have different voting rights from other shareholders in the same class. See "Item 6. Directors, Senior Management and Employees—B. Compensation of Directors and Executive Officers—Employee Agreements" for a description of the employment agreements we have entered into with our senior executive officers.

Our common shares are divided into Class A common shares and Class B common shares. Holders of Class A common shares are entitled to one vote per share, while holders of Class B common shares are entitled to ten votes per share. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

Please refer to "Item 6. Directors, Senior Management and Employees—E. Share Ownership."

B. Related Party Transactions

Contractual Arrangements

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 platforms. To comply with these restrictions, we conduct our operations primarily through Beijing Huanju Shidai's contractual arrangements with Beijing Tuda, Guangzhou Huaduo and their respective shareholders. As to Bilin business, there is also a similar contractual arrangement among Bilin Changxiang, Bilin Online and its shareholder. Similarly, we operate Huya platform through contractual arrangement among Huya Technology, Guangzhou Huya and its shareholder.

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

In 2017, we received service fees of RMB279.8 million (US$43.0 million) from 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 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 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.

Contractual Arrangements with Bilin Online

In August 2015, we acquired Bilin business, a mobile instant communication application and its relevant business line, by purchasing 55.05% of the equity interests in its holding company BiLin Cayman. The Bilin entities had a complete VIE structure. Upon the consummation of the acquisition, Bilin Changxiang, Bilin Online and its shareholder entered into a series of agreements, which is similar to the contractual arrangements with Beijing Tuda and Guangzhou Huaduo, to reestablish the VIE structure. The agreements and related instruments include an Exclusive Business Cooperation Agreement, a Powers of Attorney, an Exclusive Option Agreement, an Exclusive Assets Purchase Agreement, and an Equity Interest Pledge Agreement. This arrangement ensures the transfer of economic benefits to us, and our effective control over Bilin Online.

Contractual Arrangements with Guangzhou Huya

The following is a summary of the currently effective contracts among our subsidiary, Huya Technology, our PRC consolidated affiliated entity, Guangzhou Huya, and the shareholders of Guangzhou Huya.

Agreements that transfer economic benefits to us

Exclusive Business Cooperation Agreement

On July 10, 2017, Huya Technology, Guangzhou Huya, and the shareholders of Guangzhou Huya entered into an exclusive business cooperation agreement. Under the exclusive business cooperation agreement, Huya Technology has the exclusive right to provide Guangzhou Huya with technology support, business support and consulting services related to Guangzhou Huya's business, the scope of which is to be determined by Huya Technology from time to time. Huya Technology owns the exclusive intellectual property rights created as a result of the performance of this agreement. The timing and amount of the service fee payments shall be determined at the sole discretion of Huya Technology. The term of this agreement is ten years from the execution date of this agreement and will be automatically extended for another ten years, unless otherwise agreed upon by Huya Technology and Guangzhou Huya.

Agreements that provide us effective control over Guangzhou Huya

Shareholder Voting Rights Proxy Agreement

On July 10, 2017, Huya Technology, Guangzhou Huya, and the shareholders of Guangzhou Huya entered into a voting rights proxy agreement. Under the voting rights proxy agreement, each of the shareholders of Guangzhou Huya irrevocably executed a power of attorney and appointed Huya Technology as its attorney-in-fact to exercise such shareholders' rights in Guangzhou Huya, including, without limitation, the power to vote on its behalf on all matters of Guangzhou Huya requiring shareholder approval under PRC laws and regulations and the articles of association of Guangzhou Huya and rights to information relating to all business aspects of Guangzhou Huya. The term of this agreement is ten years from the execution date of this agreement and will be automatically extended for one more year indefinitely. Huya Technology has sole discretion to terminate the agreement at any time by providing 30 days' prior written notice to Guangzhou Huya.

Equity Interest Pledge Agreement

On July 10, 2017, Huya Technology, Guangzhou Huya and the shareholders of Guangzhou Huya entered into an equity interest pledge agreement. Pursuant to the equity interest pledge agreement, the shareholders of Guangzhou Huya have pledged all of their equity interests in Guangzhou Huya to Huya Technology to guarantee the performance by Guangzhou Huya and its shareholders' performance of their respective obligations under the exclusive business cooperation agreement, exclusive option agreement and voting rights proxy agreement. If Guangzhou Huya or its shareholders breach their contractual obligations under those agreements, Huya Technology, as the pledgee, will be entitled to certain rights, including the right to sell the pledged equity interests. This pledge will become effective on the date the pledged equity interests are registered with the competent administration for industry and commerce and will remain effective until the pledgors are no longer the shareholders of Guangzhou Huya. We registered the pledged equity interests with the competent administration for industry and commerce on August 25, 2017.

Agreement that provide us with the option to purchase the equity interests in Guangzhou Huya

Exclusive Option Agreement

On July 10, 2017, Huya Technology, Guangzhou Huya, and the shareholders of Guangzhou Huya entered into an exclusive option agreement. Under the exclusive option agreement, each of the shareholders irrevocably granted Huya Technology or its designated representatives an exclusive option to purchase, to the extent permitted under PRC law, all or part of his or its equity interests in Guangzhou Huya. Huya Technology or its designated representatives have sole discretion as to when to exercise such options, either in part or in full. Without Huya Technology's prior written consent, Guangzhou Huya's shareholders shall not sell, transfer, mortgage or otherwise dispose their equity interests in Guangzhou Huya. The term of this agreement is ten years and may be extended at Huya Technology's sole discretion.

Transactions with Affiliates

Guangzhou Huaduo holds 36% equity interest in Zhuhai Daren. Guangzhou Huaduo and Zhuhai Daren had entered into a series of cooperation agreements, under which Guangzhou Huaduo and Zhuhai Daren agreed to cooperate with respect to the operation of certain online games developed by Zhuhai Daren. In the years ended December 31, 2015, 2016 and 2017, the aggregate online game revenues shared from Zhuhai Daren was RMB25.5 million, RMB29.7 million and RMB30.5 million (US$4.7 million), respectively. In December 2015, Guangzhou Huaduo entered into an intangible assets purchasing agreement with Zhuhai Daren to acquire operating rights for licensed games from Zhuhai Daren for RMB5.7 million.

In 2010 and 2011, Guangzhou Huaduo and Guangzhou Sunhongs Corp., Ltd (formerly named as Guangzhou Shanghang Information Technical Co., Ltd.), or Guangzhou Sunhongs, entered into certain server co-location agreements, under which Guangzhou Sunhongs provides Guangzhou Huaduo with bandwidth and server co-location services in different cities in China. In addition, Guangzhou Huaduo and Guangzhou Sunhongs entered into two content delivery network acceleration service agreements, under which Guangzhou Shanghang provides content delivery network acceleration services to Guangzhou Huaduo. Guangzhou Sunhongs is 22.0% owned by Mr. Jun Lei, our major shareholder and 5.8% owned by Shanghai Yilian, respectively. In the years ended December 31, 2015, 2016 and 2017, the bandwidth service that Guangzhou Huaduo received from Guangzhou Sunhongs amounted to RMB74.7 million, RMB96.2 million and RMB92.1 million (US$14.2 million), respectively.

In November 2013 and March 2014, Guangzhou Huaduo invested RMB7.0 million and RMB15.0 million respectively, in Guangzhou Kuyou Information Technology Co., Ltd., or Guangzhou Kuyou, subsequent to which, Guangzhou Huaduo held 20% equity interest in Guangzhou Kuyou. In 2014, Guangzhou Huaduo and Guangzhou Kuyou entered into a series of cooperation agreements, under which Guangzhou Huaduo and Guangzhou Kuyou agreed to cooperate with respect to the exclusive operation of certain online games developed by Guangzhou Kuyou. The percentage of equity interest held by Guangzhou Huaduo in Guangzhou Kuyou was diluted to 16% and 11.3% in 2016 and 2017 respectively, due to the options granted by Guangzhou Kuyou to its management and employees and capital injection from an independent third party. The aggregate online game revenues shared from Guangzhou Kuyou was RMB134.5 million, RMB8.6 million and RMB1.4 million (US$0.2 million) in 2015, 2016 and 2017, respectively, and the purchase of operating rights for licensed games was RMB3.4 million, nil and nil in 2015, 2016 and 2017, respectively.

In March 2015, Guangzhou Huaduo and Shanghai Jiazuo Internet and Technology Co., Ltd., or Shanghai Jiazuo, which is the wholly owned subsidiary of Guangzhou Kuyou, entered into a series of cooperation agreements, under which Guangzhou Huaduo and Shanghai Jiazuo agreed to cooperate with respect to the operation of certain online games developed by Shanghai Jiazuo. The aggregate online game revenues shared from Shanghai Jiazuo was RMB20.9 million, RMB48.4 million and RMB24.2 million (US$3.7 million) in 2015, 2016 and 2017, respectively, and the purchase of operating rights for licensed games was RMB3.4 million, nil and nil in 2015, 2016 and 2017, respectively.

In October 2014, we entered into an agreement to inject our free voice-over IP service, Weihui, into Bigo Inc. or Bigo, a company set up and which was then controlled by Mr. David Xueling Li. Following two series of capital injection from other investors of Bigo in 2015 and 2017, including Mr. Li, we retained a 21.6% ownership stake in Bigo. We had paid daily operating expenses of RMB95.3 million, RMB53.6 million and 28.4 million (US$4.4 million) on behalf of Bigo in 2015, 2016 and 2017, respectively. Bigo borrowed RMB155.0 million and RMB25.0 million from Guangzhou Huaduo in 2015 and 2016, respectively. Bigo had repaid the abovementioned amount in full as of December 31, 2015 and 2016, respectively. In April 2015, Guangzhou Huaduo entered into a sale of equipment agreement with Bigo amounting to 12.1 million.

See Note 27 to our financial statements for further information about our related party transactions.

Registration Rights

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 May 20, 2013, upon a written request from the holders of at least 25% of the registrable securities held by our then 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 then 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 our initial public 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.

Employment Agreements

See "Item 6. Directors, Senior Management and Employees—B. Compensation of Directors and Executive Officers—Employee Agreements" for a description of the employment agreements we have entered into with our senior executive officers.

Share Incentives

See "Item 6. Directors, Senior Management and Employees—B. Compensation of Directors and Executive Officers" for a description of share-based compensation awards we have granted to our directors, officers and other individuals as a group.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

See "Item 18. Financial Statements."

Legal Proceedings

Guangzhou NetEase Computer System Co., Ltd. has initiated a lawsuit against us in Guangzhou in October 2014, claiming infringement of its rights of reproduction concerning the online game of *Fantasy Westward Journey* in an amount of RMB100 million. In 2017, Guangzhou Intellectual Property Court ordered us to compensate NetEase in an amount of RMB20.0 million. This judgment is not final and has been appealed to the appellate court. Although we believe that the claim is unjustified and commercially motivated, if the final outcome of the proceeding is unfavorable to us, we may suffer considerable damage to our financial position and reputation.

In April 2015, we initiated a litigation on antitrust and unfair competition against Guangzhou NetEase Computer System Co., Ltd. in the amount of RMB10 million. In September 2015, we initiated three actions against three game commentators who have breached their exclusive live broadcasting obligations owed to us, each in an amount of RMB15 million.

Apart from the aforesaid lawsuits, we are not currently a party to any pending material litigation or other material legal proceeding and are not aware of any pending or threatened litigation or other legal proceeding that may have a material adverse impact on our business or operations. However, we may be subject to various legal proceedings and claims that are incidental to our ordinary course of business. Regardless of the outcome, legal or administrative proceedings or claims may have an adverse impact on us because of defense and settlement costs, diversion of management attention and other factors.

Dividend Policy

We have not paid dividend in the past and do not have any present plan to pay any dividend in the foreseeable future. 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 may receive dividends from our PRC subsidiary for our cash requirements, including any payment of dividends to our shareholders. PRC regulations may restrict the ability of our PRC subsidiary to pay dividends to us. See "Item 3. Key information—D. Risk Factors—Risks Related 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 "Item 4. Information on the Company—B. Business Overview—PRC Regulation—Regulation of Foreign Currency Exchange and Dividend Distribution."

Our board of directors has complete discretion on whether to distribute dividends, subject to the approval of our shareholders. 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 "Item 12. Description of Securities Other than Equity Securities—D. American Depositary Shares." Cash dividends on our Class A common shares, if any, will be paid in U.S. dollars.

B. Significant Changes

Except as disclosed elsewhere in this annual report, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

ITEM 9. THE OFFER AND LISTING

A. Offering and Listing Details

See "—C. Markets" and "Item 12. Description of Securities other than Equity Securities—D. American Depositary Shares." We have a dual-class common share structure in which Class A common shares have different voting rights from Class B common shares. Class B common shares are each entitled to ten votes, whereas Class A common shares are each entitled to one vote. See "Item 3. Key Information—D. Risk Factors—Risks Related to Our ADSs—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."

B. Plan of Distribution

Not applicable.

C. Markets

Our ADSs, each representing twenty Class A common shares, have been listed on the Nasdaq Global Select Market since November 21, 2012 and trade under the symbol "YY". The following table provides the high and low trading prices for our ADSs on the NASDAQ Global Select Market for the periods indicated.

	Trading Price	
	High	Low
	US$	US$
Annual Highs and Lows		
Fiscal Year 2015	81.70	50.52
Fiscal Year 2016	63.96	31.07
Fiscal Year 2017	123.48	37.81
Quarterly Highs and Lows		
First Fiscal Quarter of 2015	73.04	50.52
Second Fiscal Quarter of 2015	81.70	54.16
Third Fiscal Quarter of 2015	69.68	51.02
Fourth Fiscal Quarter of 2015	65.53	53.34
First Fiscal Quarter of 2016	62.79	42.35
Second Fiscal Quarter of 2016	63.96	31.07
Third Fiscal Quarter of 2016	56.11	32.75
Fourth Fiscal Quarter of 2016	57.22	39.24
First Fiscal Quarter of 2017	51.84	37.81
Second Fiscal Quarter of 2017	61.52	42.90
Third Fiscal Quarter of 2017	89.37	55.83
Fourth Fiscal Quarter of 2017	123.48	84.07
Monthly Highs and Lows		
October 2017	97.59	84.07
November 2017	123.48	86.36
December 2017	119.09	98.50
January 2018	142.97	114.15
February 2018	139.58	109.06
March 2018	140.39	98.00
April 2018 (through April 25, 2018)	106.10	88.50

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

We are a Cayman Islands company and our affairs are governed by our memorandum and articles of association and the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, referred to as the Companies Law below. The following are summaries of certain provisions of our memorandum and articles of association in effect as of the date of this annual report insofar as they relate to the material terms of our common shares.

Registered Office and Objects

Our registered office in the Cayman Islands is located at Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KYI-1111, Cayman Islands. The memorandum of association provides, inter alia, that the liability of the members of our company is limited to the amount, if any, for the time being unpaid on the common shares. The objects for which our company is established are unrestricted (including acting as an investment company), and we shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of corporate benefit, as provided in Section 27(2) of the Companies Law and in view of the fact that we are an exempted Company, we will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of our business carried on outside the Cayman Islands.

Board of Directors

See “Item 6. Directors, Senior Management and Employees—C. Board Practices—Duties of Directors” and “—Terms of Directors and Officers.”

Common Shares

General

Our common shares are 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 underlying Class A common shares represented by ADSs in accordance with the non-discretionary written instructions of the holders of such ADSs.

All of our outstanding common shares are fully paid and non-assessable. 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.

Meetings

Shareholders' meetings may be convened by a majority of our board of directors or the chairman. Advance notice in writing 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 one or more shareholders present in person or by proxy, or (in the case of a shareholder being a corporation) by its duly authorized representative representing not less than one-third in nominal value of the total issued voting shares in our company present throughout the meeting.

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 having the right to attend and vote at the meeting, being a majority together 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 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 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. At any shareholders' meeting, on a show of hands, every shareholder 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 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, unless the Board otherwise determines, 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 a 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 the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person so authorized is entitled to exercise the same rights and 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 the clearing house or central depositary entity (or its nominee(s)) including the right to vote individually on 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 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 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.

Calls on Shares and Forfeiture of Shares

Subject to our memorandum and articles of association, 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 after it has become due and payable are subject to forfeiture.

Protection of Minority Shareholders

In principle, we will normally be the proper plaintiff to sue for a wrong done to us as a company because as a general rule 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, the Cayman Islands court can be expected to apply and follow the common law principles (namely the rule in Foss v. Harbottle and the exceptions thereto) which permit a minority shareholder to commence a class action against, or derivative actions in the name of, a company to challenge the following:

(i) an acts which is illegal or ultra vires and is therefore incapable of ratification by the shareholders;

(ii) an act which, although not ultra vires, could only be effected duly if authorized by a special or qualified majority vote that has not been obtained; and

(iii) an act which constitutes a fraud against, the minority where the wrongdoers are themselves in control of the company.

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 articles of association.

Pre-Emption Rights

There are no pre-emption rights applicable to the issue of new shares of our company under either Cayman Islands law or our memorandum and articles of association.

Liquidation Rights

Subject to any class or classes of shares or future shares which are issued with specific rights, privileges or restrictions as to the distribution of available surplus assets on liquidation, (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.

Variation of Rights

Alterations to our 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.

Subject to applicable laws and our memorandum and articles of association, all or any of the special rights for the time being attached to the shares or any class of shares may, unless otherwise provided by the terms of issue of the shares of that class, from time to time be varied, modified or abrogated by a special resolution passed at a separate general meeting of the holders of the shares of that class. All the provisions of our articles of association relating to general meetings shall, mutatis mutandis, apply, but so that:

- separate general meetings of the holders of a class or series of shares may be called only by (i) the chairman of our board of directors, or (ii) a majority of our board of directors (unless otherwise specifically provided by the terms of issue of the shares of such class or series). Our articles of association does not give any shareholder(s) the right to call a class or series meeting;

- the necessary quorum shall be a person or persons (or in the case of a shareholder being a corporation, its duly authorized representative) together holding or representing by proxy not less than one-third in nominal value of the issued shares of that class;

- every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him; and

- any holder of shares of the class present in person or by proxy or authorized representative may demand a poll.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied, modified or abrogated 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 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 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 our 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 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 Select 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 Select 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 Select 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 underlying Class A common shares represented by the ADSs. 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.

If the name of any person is incorrectly entered in or omitted from our register of members, or if there is any default or unnecessary delay in entering on the register the fact of any person having ceased to be a member of our company, the person or member aggrieved (or any member of our company or our company itself) may apply to the Grand Court of the Cayman Islands for an order that the register be rectified, and the Court may either refuse such application or it may, if satisfied of the justice of the case, make an order for the rectification of the register.

Share Repurchases

We are empowered by the Companies Law and our 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 memorandum and articles of association and to any applicable requirements imposed from time to time by the Nasdaq Global Select Market, the U.S. Securities and Exchange Commission, 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, but no dividend shall be declared in excess of the amount recommended by our board of directors. 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 no such sale shall be made unless:

- 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 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 Select Market, have given notice to, and 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 the date of 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.

C. Material Contracts

We have not entered into any material contracts other than in the ordinary course of business and other than those described elsewhere in "Item 4. Information on the Company—B. Business Overview," "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions," or elsewhere in this annual report.

D. Exchange Controls

See "Item 4. Information on the Company—B. Business Overview—PRC Regulation—Regulation of Foreign Currency Exchange and Dividend Distribution."

E. Taxation

Cayman Islands Taxation

See "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Discussion of Selected Statements of Operations Items—Taxation—Cayman Islands."

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, NeoTasks Cayman, BiLin Cayman and HUYA Inc. 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% (a further reduced WHT rate may be available according to the applicable double tax treaty or arrangement).

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 Related 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."

United States Federal Income Tax Considerations

The following is a summary of certain United States federal income tax considerations relating to the ownership and disposition of our ADSs or common shares by a U.S. holder (as defined below) that 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 holders in light of their particular circumstances, including holders subject to special tax rules (for example, banks and other financial institutions, insurance companies, broker-dealers, pension plans, cooperatives, real estate investment trusts, regulated investment companies, 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 stock, holders that 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, persons who acquired ADSs or common shares pursuant to the exercise of any employee share option or otherwise as compensation, or holders 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 state, local or non-United States tax considerations, Medicare tax, the alternative minimum tax or any non-income tax (such as the United States federal estate or gift tax) considerations. Each U.S. holder is urged to consult its tax advisor regarding the United States federal, state, local, and non-United States income and other tax considerations relating to the ownership and disposition of 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 the ownership and disposition of our ADSs or common shares.

It is generally expected that a holder of ADSs should be treated, for United States federal income tax purposes, as the beneficial owner of the underlying shares represented by the ADSs. The remainder of this discussion assumes that a holder of ADSs will be treated in this manner. Predicated upon such treatment, deposits or withdrawals of common shares 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, for any taxable year, if 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 and assets readily convertible into cash are categorized as passive assets and the company's unbooked intangibles are taken into account for determining the value of its 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, Beijing Tuda, Bilin Online and Guangzhou Huya 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 own Guangzhou Huaduo, Beijing Tuda, Bilin Online and Guangzhou Huya for United States federal income tax purposes, we do not believe that we were a PFIC, for United States federal income tax purposes, for the taxable year ended December 31, 2017, and do not anticipate becoming a PFIC in future taxable years. However, because PFIC status is a factual determination made annually after the close of each taxable year on the basis of the composition of our income and assets, there can be no assurance that we will not be a PFIC for the current taxable year or any future taxable year. The value of our assets, for purposes of the PFIC test, will generally be determined by reference to the market price of our ADSs and common shares. Accordingly, fluctuations in the market price of our ADSs and common shares may cause us to become a PFIC for the current taxable year or future taxable years. It is also possible that the Internal Revenue Service 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 future taxable years. The determination of whether we will be or become a PFIC will also depend, in part, upon the nature of our income and assets over time, which are subject to change from year to year. There can be no assurance our business plans will not change in a manner that will affect our PFIC status.

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 taxes withheld) 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. 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 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 or, in the event that the company is deemed to be a PRC resident under the PRC Enterprise Income Tax Law, the company is eligible for the benefits of the United States-PRC treaty. Although no assurances may be given, our ADSs are expected to be readily tradable on the Nasdaq Global Select Market, which is an established securities market in the United States. 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 the current taxable year or future taxable years.

Dividends received on the ADSs or common shares are not expected to be eligible for the dividends received deduction allowed to corporations. Each U.S. holder is advised to consult its tax advisor regarding the rate of tax that will apply to such holder with respect to dividend distributions, if any, received from us.

Dividends generally will be treated as income from foreign sources for United States foreign tax credit purposes and generally will constitute passive category income. 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 advisor 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 generally will 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. Each U.S. holder is advised to consult its tax advisor 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 and would be subject to the rules described above on certain distributions by a lower-tier PFIC and a disposition of shares of a lower-tier PFIC even though such U.S. holder would not receive the proceeds of those distributions or dispositions. Each U.S. holder is advised to consult its tax advisor 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" (as defined below) in a PFIC may make a mark-to-market election for such stock to elect out of the tax treatment discussed above. The mark-to-market election is available only for "marketable stock," which is stock that is traded in other than *de minimis* quantities on at least 15 days during each calendar quarter ("regularly traded") on a qualified exchange or other market, as defined in applicable United States Treasury regulations. Our ADSs are listed on the Nasdaq Global Select Market, which is a qualified exchange or market for these purposes. We anticipate that our ADSs should qualify as being regularly traded, but no assurances may be given in this regard. Because a mark-to-market election cannot be made for equity interests in any lower-tier PFICs that we own, a U.S. holder may continue to be subject to the PFIC rules with respect to its 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. 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

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.

An individual U.S. holder and certain entities may be required to submit to the United States Internal Revenue Service certain information with respect to his or her beneficial ownership of the ADSs or common shares, if such ADSs or common shares are not held on his or her behalf by a U.S. financial institution. This law also imposes penalties if an individual U.S. holder is required to submit such information to the United States Internal Revenue Service and fails to do so in a timely manner. Each U.S. holder is urged to consult its tax advisor as to any such reporting requirements.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We previously filed with the SEC a registration statement on Form F-1 under the Securities Act with respect to our initial public offering of our Class A common shares represented by ADSs.

We are subject to the periodic reporting and other informational requirements of the Securities Exchange Act of 1934 or the Exchange Act. Under the Exchange Act, we are required to file reports and other information with the SEC. Specifically, we are required to file annually a Form 20-F within four months after the end of each fiscal year which is December 31. The SEC maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system. Copies of reports and other information, when filed, may also be inspected without charge and may be obtained at prescribed rates at the public reference facilities maintained by the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. The public may obtain information regarding the Washington, D.C. Public Reference Room by calling the SEC at 1-800-SEC-0330. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

We will furnish Deutsche Bank Trust Company Americas, the depositary of our ADSs, with our annual reports, which will include a review of operations and annual audited consolidated financial statements prepared in conformity with U.S. GAAP, and all notices of shareholders' meetings and other reports and communications that are made generally available to our shareholders. The depositary will make such notices, reports and communications available to holders of ADSs and, upon our request, will mail to all record holders of ADSs the information contained in any notice of a shareholders' meeting received by the depositary from us.

I. Subsidiary Information

For a listing of our principal subsidiaries, see "Item 4. Information on the Company—C. Organizational Structure."

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES 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 RMB against the U.S. dollar and other currencies is affected by changes in China's political and economic conditions and by China's foreign exchange policies, among other things. In July 2005, the PRC government changed its decades-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. Between July 2008 and June 2010, this appreciation halted and the exchange rate between the RMB and the U.S. dollar remained within a narrow band. Since June 2010, the RMB has fluctuated against the U.S. dollar, at times significantly and unpredictably. On November 30, 2015, the Executive Board of the International Monetary Fund (IMF) completed the regular five-year review of the basket of currencies that make up the Special Drawing Right, or the SDR, and decided that with effect from October 1, 2016, Renminbi is determined to be a freely usable currency and will be included in the SDR basket as a fifth currency, along with the U.S. dollar, the Euro, the Japanese yen and the British pound. In the fourth quarter of 2016, the RMB has depreciated significantly in the backdrop of a surging U.S. dollar and persistent capital outflows of China. In 2017, the RMB has appreciated against the U.S. dollar. With the development of the foreign exchange market and progress towards interest rate liberalization and Renminbi internationalisation, the PRC government may in the future announce further changes to the exchange rate system and we cannot assure you that the Renminbi will not appreciate or depreciate significantly in value against the U.S. dollar in the future. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the U.S. dollar in the future. To the extent that we need to convert U.S. dollars we receive from our initial public 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 Rate 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. A hypothetical one percentage point decrease in interest rates would have resulted in a decrease of approximately US$7.1 million in our interest income for the year ended December 31, 2017.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Fees and Charges Our ADS holders May Have to Pay

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 $0.05 per ADS issued
· Cancellation of ADSs, including the case of termination of the deposit agreement	Up to $0.05 per ADS cancelled
· Distribution of cash dividends or other cash distributions	Up to $0.05 per ADS held
· Distribution of ADSs pursuant to share dividends, free share distributions or exercise of rights	Up to $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 $0.05 per ADS held on the applicable record date(s) established by the depositary bank
· Transfer of ADSs	$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.

Fees and Other Payments Made by the Depositary to Us

Deutsche Bank Trust Company Americas, as our depositary, has agreed to reimburse us for a portion of certain expenses we incur that are related to establishment and maintenance of the ADS 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. For the year ended December 31, 2017, we have received US$0.36 million from the depositary as reimbursement for our expenses incurred in connection with the establishment and maintenance of our ADS program.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

See "Item 10. Additional Information" for a description of the rights of securities holders, which remain unchanged.

The following "Use of Proceeds" information relates to the registration statement on Form F-1, as amended (File Number 333-184414) for our initial public offering of 8,970,000 ADSs, representing 179,400,000 Class A common shares, which registration statement was declared effective by the SEC on November 20, 2012. We received net proceeds of US$82.8 million from our initial public offering.

For the period from the effective date to December 31, 2017, all of the net proceeds received from our initial public offering were used to repurchase our convertible senior notes.

The following "Use of Proceeds" information relates to the registration statement on Form F-3, as amended (File Number 333-219961) for our public offering of 6,612,500 ADSs, representing 132,250,000 Class A common shares, which registration statement was effective immediately upon filing on August 14, 2017. We received net proceeds of US$442.2 million, after deducting commissions and offering expenses.

For the period from the effective date to December 31, 2017, we did not use a substantial portion of the net proceeds from our follow-on offering.

ITEM 15. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15(b) under the Exchange Act, our management, including our chief executive officer, and our chief financial officer, performed an evaluation of the effectiveness of our disclosure controls and procedures, as that term is defined in Rules 13a-15(e) of the Exchange Act, as of the end of the period covered by this annual report. Based on that evaluation, our management has concluded that our disclosure controls and procedures as of December 31, 2017, were effective in ensuring that the information required to be disclosed by us in the reports that we file and furnish under the Exchange Act was recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America and includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of our company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with GAAP, and that receipts and expenditures of our company are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of the unauthorized acquisition, use or disposition of our company's assets that could have a material effect on the consolidated financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management conducted an evaluation of the effectiveness of our company's internal control over financial reporting as of December 31, 2017 based on the framework in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2017.

PricewaterhouseCoopers Zhong Tian LLP, our independent registered public accounting firm, audited the effectiveness of our company's internal control over financial reporting as of December 31, 2017, as stated in its report, which appears on page F-2 of this Form 20-F.

Changes in Internal Control Over Financial Reporting

As required by Rule 13a-15(d), under the Exchange Act, our management, including our chief executive officer and our chief financial officer, also conducted an evaluation of our internal control over financial reporting to determine whether any changes occurred during the period covered by this report have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Based on that evaluation, it has been determined that there has been no such change during the period covered by this annual report.

ITEM 16. RESERVED

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has determined that Mr. Peter Andrew Schloss is our audit committee financial expert, who is an independent director under the standards set forth in Nasdaq Stock Market Rule 5605(a)(2) and Rule 10A-3 of the Exchange Act. Mr. Schloss is the chairman of our audit committee.

ITEM 16B. CODE OF ETHICS

Our board of directors has adopted a code of ethics that applies to our directors, officers, employees and agents, including certain provisions that specifically apply to our chief executive officers, chief financial officer, chief operating officer, vice presidents and any other persons who perform similar functions for us. We filed our code of business conduct and ethics as Exhibit 99.1 to our registration statement on Form F-1, as amended, which was originally filed with the SEC on October 15, 2012 and subsequently amended and filed with this annual report. We have posted a copy of our code of business conduct and ethics on our website at http://ir.yy.com/corporate-governance.cfm.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth the aggregate fees in connection with certain professional services rendered by PricewaterhouseCoopers Zhong Tian LLP, our independent registered public accounting firm, for the years indicated. We did not pay any other fees to our independent registered public accounting firm during the periods other than those indicated below.

	For the Year Ended December 31,	
	2016	2017
	(in RMB thousands)	
Audit fees (1)	10,523	10,317
Audit-related fees (2)	-	4,029
Tax fees(3)	51	-

(1) "Audit fees" means the aggregate fees billed for professional services rendered by our independent registered public accounting firm for the annual audit and the quarterly review of our consolidated financial statement. For 2016 and 2017, the audit refers to the audit of our annual consolidated financial statements and our internal controls over financial reporting.

(2) "Audit related fees" means aggregate fees billed for professional services rendered by our principal auditors for the assurance and related services rendered in connection with our follow-on equity offering in 2017.

(3) "Tax fees" means the aggregate fees billed in each of the fiscal years listed for professional services rendered by our principal auditors for tax service.

The policy of our audit committee is to pre-approve all audit and non-audit services provided by PricewaterhouseCoopers Zhong Tian LLP, including audit services, audit-related services, tax services and other services, other than those for *de minimis* services which are approved by the audit committee prior to the completion of the audit. Our audit committee has approved all of our audit and non-audit fees for the year ended December 31, 2017.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

None.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

As a Cayman Islands company listed on the NASDAQ Global Select Market, we are subject to the NASDAQ Global Select Market corporate governance requirements. However, NASDAQ Global Select Market rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the NASDAQ Global Select Market corporate governance requirements.

We relied on the exemption available to foreign private issuers to the requirement that each member of the compensation committee be an independent director. Currently, the chairman of our compensation committee, Mr. David Xueling Li, is not an independent director. If we continue to rely on this and other exemptions available to foreign private issuers in the future, our shareholders may be afforded less protection than they otherwise would under the NASDAQ Global Select Market corporate governance requirements applicable to U.S. domestic issuers. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Our ADSs—We are a foreign private issuer within the meaning of the rules under the Exchange Act, and as such we are exempt from certain provisions applicable to United States domestic public companies."

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

We have elected to provide financial statements pursuant to Item 18.

ITEM 18. FINANCIAL STATEMENTS

The consolidated financial statements of YY Inc. are included at the end of this annual report.

ITEM 19. EXHIBITS

Exhibit Number	Description of Document
1.1	Second Amended and Restated Memorandum and Articles of Association of the Registrant, as amended (incorporated herein by reference to Exhibit 1.2 from our annual report on Form 20-F (File No. 001-35729), filed with the Securities and Exchange Commission on April 20, 2017)
2.1	Registrant's Specimen American Depositary Receipt (incorporated herein by reference to Exhibit 4.1 to the registration statement on Form F-1, as amended (File No. 333-184414), initially filed with the Securities and Exchange Commission on October 15, 2012)
2.2	Registrant's Specimen Certificate for Common Shares (incorporated herein by reference to Exhibit 4.2 to the registration statement on Form F-1, as amended (File No. 333-184414), initially filed with the Securities and Exchange Commission on October 15, 2012)
2.3	Form of Deposit Agreement, among the Registrant, the depositary and holder of the American Depositary Receipts (incorporated herein by reference to Exhibit 4.3 to the registration statement on Form F-1, as amended (File No. 333-184414), initially filed with the Securities and Exchange Commission on October 15, 2012)
2.4	Investors' Rights Agreement dated September 6, 2011 among the Registrant and other parties named therein (incorporated herein by reference to Exhibit 4.4 to the registration statement on Form F-1, as amended (File No. 333-184414), initially filed with the Securities and Exchange Commission on October 15, 2012)
2.6	Share Exchange Agreement dated September 6, 2011, relating to Duowan Entertainment Corporation (incorporated herein by reference to Exhibit 4.6 to the registration statement on Form F-1, as amended (File No. 333-184414), initially filed with the Securities and Exchange Commission on October 15, 2012)
4.1	2009 Employee Equity Incentive Scheme of the Registrant, as amended and restated. (incorporated herein by reference to Exhibit 10.1 to the registration statement on Form F-1, as amended (File. No. 333-184414), initially filed with the Securities and Exchange Commission on October 15, 2012)
4.2	2011 Share Incentive Plan and Amendment No. 1 to the 2011 Share Incentive Plan of the Registrant (incorporated herein by reference to Exhibit 10.2 to the registration statement on Form F-1, as amended (File No. 333-184414), initially filed with the Securities and Exchange Commission on October 15, 2012)
4.3	Form of Indemnification Agreement with the Registrant's directors and officers (incorporated herein by reference to Exhibit 10.3 to the registration statement on Form F-1, as amended (File No. 333-184414), initially filed with the Securities and Exchange Commission on October 15, 2012)
4.4	Form of Employment Agreement between the Registrant and an executive officer of the Registrant (incorporated herein by reference to Exhibit 10.4 to the registration statement on Form F-1, as amended (File No. 333-184414), initially filed with the Securities and Exchange Commission on October 15, 2012)
4.5	English translation of Exclusive Business Cooperation Agreement dated August 12, 2008 between Huanju Shidai (formerly known as Duowan Entertainment Information Technology (Beijing) Co., Ltd.) and Guangzhou Huaduo (incorporated herein by reference to Exhibit 10.5 to the registration statement on Form F-1, as amended (File No. 333-184414), initially filed with the Securities and Exchange Commission on October 15, 2012)

Exhibit Number	Description of Document
4.6	English translation of Supplementary Agreement dated November 10, 2011 to Exclusive Business Cooperation Agreement between Huanju Shidai and Guangzhou Huaduo (incorporated herein by reference to Exhibit 10.6 to the registration statement on Form F-1, as amended (File No. 333-184414), initially filed with the Securities and Exchange Commission on October 15, 2012)
4.7	English translation of Confirmation Letter dated November 10, 2011 to Exclusive Business Cooperation Agreement between Huanju Shidai and Guangzhou Huaduo (incorporated herein by reference to Exhibit 10.7 to the registration statement on Form F-1, as amended (File No. 333-184414), initially filed with the Securities and Exchange Commission on October 15, 2012)
4.8	English translation of Exclusive Technology Support and Technology Services Agreement dated August 12, 2008 between Huanju Shidai and Guangzhou Huaduo (incorporated herein by reference to Exhibit 10.8 to the registration statement on Form F-1, as amended (File No. 333-184414), initially filed with the Securities and Exchange Commission on October 15, 2012)
4.9	English translation of Supplementary Agreement dated November 10, 2011 to Exclusive Technology Support and Technology Services Agreement between Huanju Shidai and Guangzhou Huaduo (incorporated herein by reference to Exhibit 10.9 to the registration statement on Form F-1, as amended (File No. 333-184414), initially filed with the Securities and Exchange Commission on October 15, 2012)
4.10	English translation of Confirmation letter dated November 10, 2011 to Exclusive Technology Support and Technology Services Agreement between Huanju Shidai and Guangzhou Huaduo (incorporated herein by reference to Exhibit 10.10 to the registration statement on Form F-1, as amended (File No. 333-184414), initially filed with the Securities and Exchange Commission on October 15, 2012)
4.11	English translation of Powers of Attorney dated September 16, 2011 issued to Huanju Shidai by each of the shareholders of Guangzhou Huaduo (incorporated herein by reference to Exhibit 10.11 to the registration statement on Form F-1, as amended (File No. 333-184414), initially filed with the Securities and Exchange Commission on October 15, 2012)
4.12	English translation of Exclusive Option Agreements dated September 16, 2011 among Huanju Shidai, Guangzhou Huaduo and each of the shareholders of Guangzhou Huaduo (incorporated herein by reference to Exhibit 10.12 to the registration statement on Form F-1, as amended (File No. 333-184414), initially filed with the Securities and Exchange Commission on October 15, 2012)
4.13	English translation of Equity Interest Pledge Agreements dated September 16, 2011 between Huanju Shidai and each of the shareholders of Guangzhou Huaduo (incorporated herein by reference to Exhibit 10.13 to the registration statement on Form F-1, as amended (File No. 333-184414), initially filed with the Securities and Exchange Commission on October 15, 2012)
4.14	English translation of Consent Letter dated November 10, 2011 issued by the shareholders of Guangzhou Huaduo (incorporated herein by reference to Exhibit 10.14 to the registration statement on Form F-1, as amended (File No. 333-184414), initially filed with the Securities and Exchange Commission on October 15, 2012)
4.15	English translation of Exclusive Business Cooperation Agreement dated December 3, 2009 between Huanju Shidai and Beijing Tuda (incorporated herein by reference to Exhibit 10.15 to the registration statement on Form F-1, as amended (File No. 333-184414), initially filed with the Securities and Exchange Commission on October 15, 2012)

Exhibit Number	Description of Document
4.16	English translation of Supplementary Agreement dated November 10, 2011 to Exclusive Business Cooperation Agreement between Huanju Shidai and Beijing Tuda (incorporated herein by reference to Exhibit 10.16 to the registration statement on Form F-1, as amended (File No. 333-184414), initially filed with the Securities and Exchange Commission on October 15, 2012)
4.17	English translation of Confirmation Letter dated November 10, 2011 to Exclusive Business Cooperation Agreement between Huanju Shidai and Beijing Tuda (incorporated herein by reference to Exhibit 10.17 to the registration statement on Form F-1, as amended (File No. 333-184414), initially filed with the Securities and Exchange Commission on October 15, 2012)
4.18	English translation of Exclusive Technology Support and Technology Services Agreement dated December 3, 2009 between Huanju Shidai and Beijing Tuda (incorporated herein by reference to Exhibit 10.18 to the registration statement on Form F-1, as amended (File No. 333-184414), initially filed with the Securities and Exchange Commission on October 15, 2012)
4.19	English translation of Supplementary Agreement dated November 10, 2011 to Exclusive Technology Support and Technology Services Agreement between Huanju Shidai and Beijing Tuda (incorporated herein by reference to Exhibit 10.19 to the registration statement on Form F-1, as amended (File No. 333-184414), initially filed with the Securities and Exchange Commission on October 15, 2012)
4.20	English translation of Confirmation Letter dated November 10, 2011 to Exclusive Technology Support and Technology Services Agreement between Huanju Shidai and Beijing Tuda (incorporated herein by reference to Exhibit 10.20 to the registration statement on Form F-1, as amended (File No. 333-184414), initially filed with the Securities and Exchange Commission on October 15, 2012)
4.21	English translation of Powers of Attorney dated May 27, 2011 issued to Huanju Shidai by each of the shareholders of Beijing Tuda (incorporated herein by reference to Exhibit 10.21 to the registration statement on Form F-1, as amended (File No. 333-184414), initially filed with the Securities and Exchange Commission on October 15, 2012)
4.22	English translation of Exclusive Option Agreements dated May 27, 2011 among Huanju Shidai, Beijing Tuda and each of the shareholders of Beijing Tuda (incorporated herein by reference to Exhibit 10.22 to the registration statement on Form F-1, as amended (File No. 333-184414), initially filed with the Securities and Exchange Commission on October 15, 2012)
4.23	English translation of Equity Interest Pledge Agreements dated July 1, 2011 between Huanju Shidai and each of the shareholders of Beijing Tuda (incorporated herein by reference to Exhibit 10.23 to the registration statement on Form F-1, as amended (File No. 333-184414), initially filed with the Securities and Exchange Commission on October 15, 2012)
4.24	English translation of Consent Letter dated November 10, 2011 issued by the shareholders of Beijing Tuda (incorporated herein by reference to Exhibit 10.24 to the registration statement on Form F-1, as amended (File No. 333-184414), initially filed with the Securities and Exchange Commission on October 15, 2012)
4.25	Indenture, dated March 24, 2014, constituting US$400 million 2.25% Convertible Senior Notes due 2019 (incorporated herein by reference to Exhibit 4.25 from our annual report on Form 20-F (File No. 001-35729), filed with the Securities and Exchange Commission on April 21, 2015)
4.26	English summary of Panyu Land Purchase Agreement, dated August 7, 2014, by and among Guangzhou Huanju Shidai Information Technology Co., Ltd. and Guangzhou Panyu Information Technology Investment Development Co., Ltd. (incorporated herein by reference to Exhibit 4.26 from our annual report on Form 20-F (File No. 001-35729), filed with the Securities and Exchange Commission on April 21, 2015)

Exhibit Number	Description of Document
4.27	English summary of Contract for State-owned Construction Land Use Rights Assignment, dated August 20, 2015, by and between Guangzhou Land Resources and Real Estate Administration Bureau and Guangzhou Huaduo (incorporated herein by reference to Exhibit 4.27 from our annual report on Form 20-F (File No. 001-35729), filed with the Securities and Exchange Commission on April 28, 2016)
4.28	English translation of Exclusive Business Cooperation Agreement dated August 25, 2015 between Bilin online and Bilin Changxiang (incorporated herein by reference to Exhibit 4.28 from our annual report on Form 20-F (File No. 001-35729), filed with the Securities and Exchange Commission on April 28, 2016)
4.29	English translation of Exclusive Option Agreement dated August 25, 2015 among David Xueling Li, Bilin Online and Bilin Changxiang (incorporated herein by reference to Exhibit 4.29 from our annual report on Form 20-F (File No. 001-35729), filed with the Securities and Exchange Commission on April 28, 2016)
4.30	English translation of Exclusive Assets Purchase Agreement dated August 25, 2015 among David Xueling Li, Bilin Online and Bilin Changxiang (incorporated herein by reference to Exhibit 4.30 from our annual report on Form 20-F (File No. 001-35729), filed with the Securities and Exchange Commission on April 28, 2016)
4.31	English translation of Equity Interest Pledge Agreement dated August 25, 2015 among David Xueling Li, Bilin Online and Bilin Changxiang (incorporated herein by reference to Exhibit 4.31 from our annual report on Form 20-F (File No. 001-35729), filed with the Securities and Exchange Commission on April 28, 2016)
4.32	English translation of Power of Attorney dated August 25, 2015 issued to Bilin Changxiang by David Xueling Li (incorporated herein by reference to Exhibit 4.32 from our annual report on Form 20-F (File No. 001-35729), filed with the Securities and Exchange Commission on April 28, 2016)
4.33	The loan agreement made on January 19, 2017 by the Company as the evidence for the Industrial and Commercial Bank of China (Thai) Public Company Limited (incorporated herein by reference to Exhibit (b) from our Amendment No. 1 to Schedule TO (File No. 005-87080), filed with the Securities and Exchange Commission on March 13, 2017)
4.34*	HUYA Amended and Restated 2017 Plan
4.35*	Series A Preferred Share Subscription Agreement among HUYA Inc., Huya Limited, Guangzhou Huya, Mr. Rongjie Dong, Mr. David Xueling Li, YY and eight subscribers dated May 16, 2017
4.36*	Series B-2 Preferred Share Subscription Agreement among HUYA Inc., Huya Limited, Guangzhou Huya, Huya Technology, YY, Mr. Rongjie Dong and his affiliates, and Linen Investment Limited dated March 8, 2018
4.37*	Amended and Restated Shareholders Agreement dated as of March 8, 2018 between HUYA Inc. and other parties thereto
4.38*	English translation of Non-Compete Agreement between Guangzhou Huaduo and Guangzhou Huya dated March 8, 2018
4.39*	English translation of Business Cooperation Agreement between Shenzhen Tencent Computer Systems Company Ltd. and Guangzhou Huya dated February 5, 2018

Exhibit Number	Description of Document
8.1*	List of Principal Subsidiaries and Consolidated Affiliated Entities
11.1	Amended Code of Business Conduct and Ethics of the Registrant (incorporated herein by reference to Exhibit 11.1 to the annual report on Form 20-F (File No. 001-35729) filed with the Securities and Exchange Commission on April 26, 2013)
12.1*	Certification by Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2*	Certification by Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1**	Certification by Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2**	Certification by Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1*	Consent of Maples and Calder (Hong Kong) LLP
15.2*	Consent of Fangda Partners
15.3*	Consent of Independent Registered Public Accounting Firm
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed with this annual report on Form 20-F

** Furnished with this annual report on Form 20-F

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Date: April 26, 2018

YY INC.

By: /s/ David Xueling Li
Name: David Xueling Li
Title: Director and Chairman of the Board

YY INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of YY Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of YY Inc. and its subsidiaries (the "Company") as of December 31, 2017 and 2016, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2017, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control over Financial Reporting appearing under Item 15 of Form 20-F. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers Zhong Tian LLP
Guangzhou, the People's Republic of China
April 26, 2018

We have served as the Company's auditor since 2011.

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2016 AND 2017
(All amounts in thousands, except share, ADS, per share and per ADS data)

	Notes	As of December 31,		
		2016	2017	2017
		RMB	RMB	US$ (Note2(e))
Assets				
Current assets				
Cash and cash equivalents	5	1,579,743	2,617,432	402,292
Short-term deposits	6	3,751,519	6,000,104	922,199
Restricted short-term deposits	7	-	1,000,000	153,697
Short-term investments	8	-	124,550	19,143
Accounts receivable, net	9	169,571	153,944	23,661
Inventory		2,266	315	48
Amounts due from related parties	27	135,245	11,190	1,720
Prepayments and other current assets	10	224,732	221,939	34,111
Total current assets		5,863,076	10,129,474	1,556,871
Non-current assets				
Deferred tax assets	22	117,811	113,017	17,370
Investments	11	918,602	1,153,019	177,216
Property and equipment, net	12	838,750	1,016,998	156,310
Land use right, net	13	1,872,394	1,832,739	281,687
Intangible assets, net	14	58,926	37,481	5,761
Goodwill	15	14,300	11,716	1,801
Amounts due from related parties	27	-	20,000	3,074
Other non-current assets		101,933	144,275	22,175
Total non-current assets		3,922,716	4,329,245	665,394
Total assets		9,785,792	14,458,719	2,222,265
Liabilities, mezzanine equity and shareholders' equity				
Current liabilities				
Convertible bonds (including convertible bonds of the consolidated variable interest entity without recourse to the Company of nil and nil as of December 31, 2016 and 2017, respectively)	19	2,768,469	-	-
Accounts payable (including accounts payable of the consolidated variable interest entity without recourse to the Company of RMB117,917 and RMB67,817 as of December 31, 2016 and 2017, respectively)		137,107	76,351	11,735
Deferred revenue (including deferred revenue of the consolidated variable interest entity without recourse to the Company of RMB429,883 and RMB757,244 as of December 31, 2016 and 2017, respectively)	16	430,683	758,044	116,509
Advances from customers (including advances from customers of the consolidated variable interest entity without recourse to the Company of RMB 56,108 and RMB80,406 as of December 31, 2016 and 2017, respectively)		56,152	80,406	12,358
Income taxes payable (including income taxes payable of the consolidated variable interest entity without recourse to the Company of RMB112,779 and RMB142,204 as of December 31, 2016 and 2017, respectively)		140,754	146,298	22,485
Accrued liabilities and other current liabilities (including accrued liabilities and other current liabilities of the consolidated variable interest entity without recourse to the Company of RMB988,911 and RMB1,404,877 as of December 31, 2016 and 2017, respectively)	17	1,066,038	1,465,963	225,314
Amounts due to related parties (including amounts due to related parties of the consolidated variable interest entity without recourse to the Company of RMB91,245 and RMB30,502 as of December 31, 2016 and 2017, respectively)	27	91,245	30,502	4,688
Short-term loans (including short-term loans of the consolidated variable interest entity without recourse to the Company of nil and nil as of December 31, 2016 and 2017, respectively)	18	-	588,235	90,410
Total current liabilities		4,690,448	3,145,799	483,499
Non-current liabilities				
Convertible bonds (including convertible bonds of the consolidated variable interest entity without recourse to the Company of nil and nil as of December 31, 2016 and 2017, respectively)	19	-	6,536	1,005
Deferred revenue(including deferred revenue of the consolidated variable interest entity without recourse to the Company of RMB19,125 and RMB52,185 as of December 31, 2016 and 2017, respectively)	16	25,459	57,718	8,871

Deferred tax liabilities (including deferred tax liabilities of the consolidated variable interest entity without recourse to the Company of RMB4,777 and RMB8,404 as of December 31, 2016 and 2017, respectively)	22	8,058	10,810	1,661
Total non-current liabilities		33,517	75,064	11,537
Total liabilities		4,723,965	3,220,863	495,036
Commitments and contingencies	29			

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2016 AND 2017 (CONTINUED)
(All amounts in thousands, except share, ADS, per share and per ADS data)

	Notes	As of December 31,		
		2016	2017	2017
		RMB	RMB	US$ (Note 2(e))
Mezzanine equity	23	9,272	524,997	80,691
Shareholders' equity				
Class A common shares (US$0.00001 par value; 10,000,000,000 shares authorized, 750,115,028 shares issued and outstanding as of December 31, 2016 and 945,245,908 shares issued and outstanding as of December 31, 2017)	24	44	57	9
Class B common shares (US$0.00001 par value; 1,000,000,000 shares authorized, 359,557,976 shares issued and outstanding as of December 31, 2016 and 317,982,976 shares issued and outstanding as of December 31, 2017)	24	26	23	4
Additional paid-in capital		2,165,766	5,339,844	820,719
Statutory reserves	2(ff)	58,857	62,718	9,640
Retained earnings		2,728,736	5,218,110	802,009
Accumulated other comprehensive income (loss)		93,066	(9,597)	(1,475)
Total YY Inc.'s shareholders' equity		5,046,495	10,611,155	1,630,906
Non-controlling interests		6,060	101,704	15,632
Total shareholders' equity		5,052,555	10,712,859	1,646,538
Total liabilities, mezzanine equity and shareholders' equity		9,785,792	14,458,719	2,222,265

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(All amounts in thousands, except share, ADS, per share and per ADS data)

	Note	For the year ended December 31,			
		2015	2016	2017	2017
		RMB	RMB	RMB	US$ (Note2(e))
Net revenues					
Live streaming		4,539,857	7,027,227	10,670,954	1,640,096
Online games		771,882	634,325	543,855	83,589
Membership		291,310	284,860	197,561	30,365
Others		294,200	257,638	182,422	28,038
Total net revenues		5,897,249	8,204,050	11,594,792	1,782,088
Cost of revenues [(1)]	20	(3,579,744)	(5,103,430)	(7,026,402)	(1,079,938)
Gross profit		2,317,505	3,100,620	4,568,390	702,150
Operating expenses [(1)]					
Research and development expenses		(548,799)	(675,230)	(781,886)	(120,174)
Sales and marketing expenses		(312,870)	(387,268)	(691,281)	(106,248)
General and administrative expenses		(358,474)	(482,437)	(544,641)	(83,710)
Goodwill impairment	15	(310,124)	(17,665)	(2,527)	(388)
Fair value change of contingent consideration		292,471	-	-	-
Total operating expenses		(1,237,796)	(1,562,600)	(2,020,335)	(310,520)
Gain on deconsolidation and disposal of subsidiaries		-	103,960	37,989	5,839
Other income	21	82,300	129,504	113,187	17,397
Operating income		1,162,009	1,771,484	2,699,231	414,866
Gain on partial disposal of investments		-	25,061	45,861	7,049
Interest expense		(97,125)	(81,085)	(32,122)	(4,937)
Interest income		137,892	67,193	180,384	27,725
Foreign currency exchange (losses) gains, net		(38,099)	1,158	(2,176)	(334)
Other non-operating expenses		(2,165)	-	-	-
Income before income tax expenses		1,162,512	1,783,811	2,891,178	444,369
Income tax expenses	22	(178,327)	(280,514)	(415,811)	(63,909)
Income before share of income in equity method investments, net of income taxes		984,185	1,503,297	2,475,367	380,460
Share of income in equity method investments, net of income taxes		14,120	8,279	33,024	5,076
Net income		998,305	1,511,576	2,508,391	385,536
Less: Net (loss) income attributable to the non-controlling interest shareholders and the mezzanine equity classified non-controlling interest shareholders		(34,938)	(12,342)	15,156	2,329
Net income attributable to YY Inc.		1,033,243	1,523,918	2,493,235	383,207
Other comprehensive income (loss):					
Unrealized gain (loss) of available-for-sale securities, net of nil tax		-	134,768	(41,150)	(6,325)
Foreign currency translation adjustments, net of nil tax		4,414	(5,317)	(61,513)	(9,454)
Comprehensive income attributable to YY Inc.		1,037,657	1,653,369	2,390,572	367,428

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017 (CONTINUED)
(All amounts in thousands, except share, ADS, per share and per ADS data)

	Note	For the year ended December 31,			
		2015	2016	2017	2017
		RMB	RMB	RMB	US$ (Note2(e))
Net income per ADS*					
—Basic	26	18.37	27.04	42.03	6.46
—Diluted	26	17.96	26.40	41.33	6.35
Weighted average number of ADS used in calculating net income per ADS					
—Basic	26	56,259,499	56,367,166	59,323,007	59,323,007
—Diluted	26	57,541,558	60,805,566	60,831,887	60,831,887
Net income per common share*					
—Basic	26	0.92	1.35	2.10	0.32
—Diluted	26	0.90	1.32	2.07	0.32
Weighted average number of common shares used in calculating net income per common share					
—Basic	26	1,125,189,978	1,127,343,312	1,186,460,144	1,186,460,144
—Diluted	26	1,150,831,163	1,216,111,329	1,216,637,741	1,216,637,741

*Each ADS represents 20 Class A common shares.

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

	Note	For the year ended December 31,			
		2015	2016	2017	2017
		RMB	RMB	RMB	US$ (Note2(e))
Cost of revenues		23,963	15,894	42,759	6,572
Research and development expenses		70,951	78,816	122,348	18,805
Sales and marketing expenses		3,283	3,107	4,417	679
General and administrative expenses		87,175	59,469	88,137	13,546

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017

(All amounts in thousands, except share, ADS, per share and per ADS data)

	Notes	Class A common shares		Class B common shares		Additional paid-in capital	Statutory reserves	Retained earnings	Accumulated other comprehensive loss	Total YY Inc.'s shareholders' equity	Non-controlling interests	Total shareholders' equity
		Number of shares	Amount RMB	Number of shares	Amount RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance as of December 31, 2014		706,173,568	43	427,352,696	30	2,900,458	56,469	173,963	(40,799)	3,090,164	-	3,090,164
Issuance of common shares for exercised share options	24	6,611,970	-	-	-	245	-	-	-	245	-	245
Issuance of common shares for vested restricted shares and restricted share units	24	19,498,710	1	-	-	(1)	-	-	-	-	-	-
Class B common shares converted to Class A common shares	24	57,794,720	3	(57,794,720)	(3)	-	-	-	-	-	-	-
Repurchase of Class A common shares	24	(61,851,120)	(4)	-	-	(1,041,682)	-	-	-	(1,041,686)	-	(1,041,686)
Share-based compensation	25	-	-	-	-	152,779	-	-	-	152,779	-	152,779
Appropriation to statutory reserves	2(ff)	-	-	-	-	-	38	(38)	-	-	-	-
Set-up subsidiaries with non-controlling interest shareholders		-	-	-	-	-	-	-	-	-	7,798	7,798
Components of comprehensive income												
Net income (loss) attributable to YY Inc. and non-controlling interest shareholders		-	-	-	-	-	-	1,033,243	-	1,033,243	(138)	1,033,105
Foreign currency translation adjustments, net of nil tax		-	-	-	-	-	-	-	4,414	4,414	-	4,414
Balance as of December 31, 2015		728,227,848	43	369,557,976	27	2,011,799	56,507	1,207,168	(36,385)	3,239,159	7,660	3,246,819

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017 (CONTINUED)

(All amounts in thousands, except share, ADS, per share and per ADS data)

	Notes	Class A common shares		Class B common shares		Additional paid-in capital	Statutory reserves	Retained earnings	Accumulated other comprehensive (loss) income	Total YY Inc.'s shareholders' equity	Non-controlling interests	Total shareholders' equity
		Number of shares	Amount	Number of shares	Amount							
			RMB		RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance as of December 31, 2015		728,227,848	43	369,557,976	27	2,011,799	56,507	1,207,168	(36,385)	3,239,159	7,660	3,246,819
Issuance of common shares for exercised share options	24	234,720	-	-	-	9	-	-	-	9	-	9
Issuance of common shares for vested restricted shares and restricted share units	24	11,652,460	-	-	-	-	-	-	-	-	-	-
Class B common shares converted to Class A common shares	24	10,000,000	1	(10,000,000)	(1)	-	-	-	-	-	-	-
Deemed disposal of partial interest in a subsidiary arising from conversion of liability		-	-	-	-	5,718	-	-	-	5,718	-	5,718
Share-based compensation	25	-	-	-	-	143,922	-	-	-	143,922	-	143,922
Other change in equity in an equity investment						4,800				4,800		4,800
Partial disposal of an equity investment		-	-	-	-	(482)	-	-	-	(482)	-	(482)
Appropriation to statutory reserves	2(ff)	-	-	-	-	-	2,350	(2,350)	-	-	-	-
Set-up of subsidiaries with non-controlling interest shareholders		-	-	-	-	-	-	-	-	-	6,500	6,500
Acquisition of subsidiaries with non-controlling interest shareholders		-	-	-	-	-	-	-	-	-	291	291
Capital injection in subsidiaries from non-controlling interest shareholders		-	-	-	-	-	-	-	-	-	4,142	4,142
Components of comprehensive income												
Net income (loss) attributable to YY Inc. and non-controlling interest shareholders		-	-	-	-	-	-	1,523,918	-	1,523,918	(12,533)	1,511,385
Unrealized gain of available-for-sale securities		-	-	-	-	-	-	-	134,768	134,768	-	134,768
Foreign currency translation adjustments, net of nil tax		-	-	-	-	-	-	-	(5,317)	(5,317)	-	(5,317)
Balance as of December 31, 2016		750,115,028	44	359,557,976	26	2,165,766	58,857	2,728,736	93,066	5,046,495	6,060	5,052,555

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017 (CONTINUED)

(All amounts in thousands, except share, ADS, per share and per ADS data)

	Notes	Class A common shares Number of shares	Class A common shares Amount	Class B common shares Number of shares	Class B common shares Amount	Additional paid-in capital	Statutory reserves	Retained earnings	Accumulated other comprehensive income (loss)	Total YY Inc.'s shareholders' equity	Non-controlling interests	Total shareholders' equity
			RMB		RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance as of December 31, 2016		750,115,028	44	359,557,976	26	2,165,766	58,857	2,728,736	93,066	5,046,495	6,060	5,052,555
Issuance of common shares for exercised share options	24	379,120	-	-	-	20	-	-	-	20	-	20
Issuance of common shares for vested restricted shares and restricted share units	24	20,926,760	1	-	-	(1)	-	-	-	-	-	-
Issuance of common share	24	132,250,000	9	-	-	2,946,125	-	-	-	2,946,134	-	2,946,134
Class B common shares converted to Class A common shares	24	41,575,000	3	(41,575,000)	(3)	-	-	-	-	-	-	-
Share-based compensation	25	-	-	-	-	229,435	-	-	-	229,435	28,226	257,661
Deemed disposal of partial interest in an equity investment	11	-	-	-	-	(1,501)	-	-	-	(1,501)	-	(1,501)
Appropriation to statutory reserves	2(ff)	-	-	-	-	-	3,861	(3,861)	-	-	-	-
Set-up of subsidiaries with non-controlling interest shareholders		-	-	-	-	-	-	-	-	-	20,816	20,816
Acquisition of subsidiaries with non-controlling interest shareholders		-	-	-	-	-	-	-	-	-	453	453
Capital injection in subsidiaries from non-controlling interest shareholders		-	-	-	-	-	-	-	-	-	44,059	44,059
Disposal of subsidiaries with non-controlling interest shareholders	4										12,833	12,833
Accretion of subsidiary's redeemable convertible preferred shares to redemption value for non-controlling interest shareholders		-	-	-	-	-	-	-	-	-	(154)	(154)
Components of comprehensive income												
Net income (loss) attributable to YY Inc. and non-controlling interest shareholders		-	-	-	-	-	-	2,493,235	-	2,493,235	(10,589)	2,482,646
Unrealized loss of available-for-sale securities		-	-	-	-	-	-	-	(41,150)	(41,150)	-	(41,150)
Foreign currency translation adjustments, net of nil tax		-	-	-	-	-	-	-	(61,513)	(61,513)	-	(61,513)
Balance as of December 31, 2017		945,245,908	57	317,982,976	23	5,339,844	62,718	5,218,110	(9,597)	10,611,155	101,704	10,712,859

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017
(All amounts in thousands)

	Note	For the year ended December 31,			
		2015	2016	2017	2017
		RMB	RMB	RMB	US$ (Note2(e))
Cash flows from operating activities					
Net income		998,305	1,511,576	2,508,391	385,536
Adjustments to reconcile net income to net cash provided by operating activities					
Depreciation of property and equipment	12	122,098	173,625	176,715	27,161
Amortization of acquired intangible assets and land use right	13,14	64,201	100,892	62,419	9,594
Allowance for doubtful accounts		4,167	45,914	15,106	2,322
Loss on disposal of property and equipment	12	3,759	891	17,620	2,708
Impairment of investments	11	6,000	80,104	43,205	6,640
Impairment of intangible assets	14	57,199	3,828	-	-
Impairment of goodwill	15	310,124	17,665	2,527	388
Fair value change of contingent consideration		(292,471)	-	-	-
Share-based compensation	25	185,372	157,286	257,661	39,602
Share of income in equity method investments, net of income taxes		(14,120)	(8,279)	(33,024)	(5,076)
Gain on partial disposal of investments	11	-	(25,061)	(45,861)	(7,049)
Gain on deconsolidation and disposal of subsidiaries	4	-	(103,960)	(37,989)	(5,839)
Deferred income taxes, net	22	(25,039)	(7,768)	3,919	602
Foreign currency exchange (gains) losses, net		38,099	(1,158)	2,176	334
Other non-operating expense		2,165	-	-	-
Changes in operating assets and liabilities, net of business acquisition and disposal of subsidiaries					
Accounts receivable, net		123,634	(34,293)	18,383	2,825
Prepayments and other assets		45,128	(97,888)	(48,277)	(7,420)
Amounts due from related parties		(1,323)	1,839	155	24
Inventory		(11,080)	680	1,434	220
Amounts due to related parties		(13,743)	66,328	(18,615)	(2,861)
Accounts payable		(22,654)	36,888	(39,060)	(6,003)
Deferred revenue		25,519	81,513	366,634	56,351
Advances from customers		20,959	10,783	24,254	3,728
Income taxes payable		18,242	33,351	5,544	852
Accrued liabilities and other current liabilities		178,901	376,379	435,135	66,878
Net cash provided by operating activities		1,823,442	2,421,135	3,718,452	571,517
Cash flows from investing activities					
Placements of short-term deposits		(1,869,789)	(8,027,325)	(9,667,447)	(1,485,861)
Maturities of short-term deposits		4,257,609	6,324,897	7,361,225	1,131,400
Placements of restricted short-term deposits		(1,492,799)	-	(1,000,000)	(153,697)
Maturities of restricted short-term deposits		522,981	389,221	-	-
Placement of short-term investments		-	-	(189,550)	(29,133)
Maturities of short-term investments		-	-	65,000	9,990
Purchase of property and equipment		(219,843)	(162,395)	(397,327)	(61,068)
Purchase of intangible assets and land use right		(50,931)	(70,029)	(17,749)	(2,728)
Purchase of other non-current assets		(1,926,224)	(5,403)	(82,645)	(12,702)
Cash paid for equity investments	11	(500)	(107,010)	(21,740)	(3,341)
Cash paid for cost investments	11	(351,800)	(90,234)	(301,848)	(46,393)
Acquisition of an available-for-sale security	11	(6,117)	-	(2,059)	(316)
Cash received from disposal of investments		-	22,608	86,714	13,327
Cash dividend received from an equity investee		2,400	6,720	-	-
Acquisition of businesses, net of cash and cash equivalents acquired		5,553	(1,946)	(6,161)	(947)
Deconsolidation and disposal of subsidiaries, net of cash disposed	4	-	(5,370)	117,005	17,983
Payment on behalf of related parties, net of repayment	27	60,870	(10,699)	23,116	3,553
Loans to related parties	27	(159,000)	(44,500)	(24,962)	(3,837)
Repayment of loans from related parties	27	160,000	-	35,462	5,450
Loans to employees and third parties		(6,037)	(6,605)	(20,550)	(3,158)
Repayment of loans from employees and third parties		13,237	4,751	4,641	713
Proceeds from disposal of property and equipment		12,368	181	1,359	209
Net cash used in investing activities		(1,048,022)	(1,783,138)	(4,037,516)	(620,556)

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017 (CONTINUED)
(All amounts in thousands)

	Note	For the year ended December 31,			
		2015	2016	2017	2017
		RMB	RMB	RMB	US$ (Note2(e))
Cash flows from financing activities					
Proceeds from exercise of vested share options		245	9	20	3
Repurchase of common shares	24	(1,041,686)	-	-	-
Capital contributions from the non-controlling interests		7,798	10,642	64,875	9,971
Capital contributions from mezzanine equity holders	23	-	-	509,535	78,314
Proceeds from bank borrowings		1,148,500	-	621,118	95,464
Repayment of bank borrowings		(452,000)	-	-	-
Proceeds from issuance of common shares, net of issuance cost		-	-	2,950,607	453,500
Repayment of convertible bonds		-	-	(2,753,630)	(423,225)
Net cash (used in) provided by financing activities		(337,143)	10,651	1,392,525	214,027
Net increase in cash and cash equivalents		438,277	648,648	1,073,461	164,988
Cash and cash equivalents at the beginning of the year		475,028	928,934	1,579,743	242,802
Effect of exchange rate changes on cash and cash equivalents		15,629	2,161	(35,772)	(5,498)
Cash and cash equivalents at the end of the year		928,934	1,579,743	2,617,432	402,292

	Note	For the year ended December 31,			
		2015	2016	2017	2017
		RMB	RMB	RMB	US$ (Note2(e))
Supplemental disclosure of cash flows information:					
—Cash paid for interest, net of amounts capitalized		(78,186)	(59,884)	(41,729)	(6,414)
—Acquisition of property and equipment in form of accounts payable		66,673	37,649	16,865	2,592
—Income taxes paid		(185,124)	(254,931)	(406,348)	(62,455)

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) Organization and principal activities

YY Inc. (the "Company"), through its subsidiaries, its variable interest entities ("VIEs", also refer to VIEs and their subsidiaries as a whole, where appropriate) (collectively, the "Group") is principally engaged in live streaming business in the People's Republic of China (the "PRC" or "China") through its two key platforms, namely YY Live and Huya, which are leading live streaming and live game broadcasting platforms.

(b) Initial Public Offering

The Company completed its initial public offering ("IPO") on November 21, 2012 on the NASDAQ Global Market.

(c) Principal subsidiaries and VIEs

The details of the principal subsidiaries and VIEs through which the Company conducts its business operations as of December 31, 2017 are set out below:

Name	Place of incorporation	Date of incorporation or acquisition	% of direct or indirect economic ownership	Principal activities
Principal subsidiaries				
Duowan Entertainment Corporation ("Duowan BVI")	British Virgin Islands ("BVI")	November 6, 2007	100%	Investment holding
Huanju Shidai Technology (Beijing) Co., Ltd. ("Beijing Huanju Shidai" or "Duowan Entertainment")	PRC	March 19, 2008	100%	Investment holding
Guangzhou Huanju Shidai Information Technology Co., Ltd. ("Guangzhou Huanju Shidai")	PRC	December 2, 2010	100%	Software development
Engage Capital Partners I, L.P. ("Engage L.P.")	Cayman Islands	March 23, 2015	93.5%	Investment
HUYA Inc. ("Huya")(*)	Cayman Islands	March 30, 2017	80.7%	Investment holding
Guangzhou Huya Technology Co., Ltd. ("Huya Technology")	PRC	June 16, 2017	80.7%	Software development
Principal VIEs				
Guangzhou Huaduo Network Technology Co., Ltd. ("Guangzhou Huaduo")	PRC	April 11, 2005	100%	Holder of internet content provider licenses and internet value added services
Zhuhai Huanju Interactive Entertainment Technology Co., Ltd.	PRC	May 4, 2015	100%	Software development
Shanghai Yilian Equity Investment Partnership (LP) ("Shanghai Yilian")	PRC	June 23, 2015	93.5%	Investment
Guangzhou Huya Information Technology Co., Ltd. ("Guangzhou Huya")	PRC	August 10, 2016	80.7%	Holder of internet content provider licenses and internet value added services
Guangzhou Wanhe Technology Co., Ltd. ("Guangzhou Wanhe")	PRC	December 8, 2016	60%	Online advertising and software development
Guangzhou Yilianyixing Investment Partnership (LP) ("Guangzhou Yilianyixing")	PRC	June 28, 2017	99%	Investment

1. Organization and principal activities (continued)

(c) Principal subsidiaries and VIEs (continued)

Note *: As disclosed in Note 30(b) and Note 30(d), Huya has issued Series B-2 redeemable convertible preferred shares on March 8, 2018 and YY has sold certain Class B Ordinanry Shares of Huya on March 20, 2018 and March 22, 2018, respectively. After these transactions, the Company's percentage of economic ownership over Huya is 48.3%.

(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 its operations primarily through its principal VIEs Guangzhou Huaduo and Guangzhou Huya, which hold the internet value-added service license and approvals to provide such internet services in the PRC.

(i) VIE agreements amongst Beijing Huanju Shidai, Guangzhou Huaduo and its nominee shareholders

The following is a summary of the contractual arrangements entered among Beijing Huanju Shidai, Guangzhou Huaduo and its nominee shareholders:

- 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 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 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.

1. Organization and principal activities (continued)

(d) Variable Interest Entities (continued)

(i) VIE agreements amongst Beijing Huanju Shidai, Guangzhou Huaduo and its nominee shareholders (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.

(ii) VIE agreements amongst Huya Technology, Guangzhou Huya and its nominee shareholders

In 2017, Huya undertook a reorganization (the "Huya Reorganization") through setting up Huya Technology, a wholly owned subsidiary, and entering into a series of VIE agreements with Guangzhou Huya and its nominee shareholders. The Huya Reorganization was completed on July 10, 2017.

The following is a summary of the contractual arrangements entered among Huya Technology, Guangzhou Huya and its nominee shareholders:

- Exclusive Business Cooperation Agreement

Huya Technology and Guangzhou Huya entered into exclusive business cooperation agreement under which Guangzhou Huya engages Huya Technology as its exclusive provider of technology support, business support and consulting services. Guangzhou Huya shall pay to Huya Technology service fees, which is determined by Huya Technology at its sole discretion. Huya Technology shall have exclusive and proprietary rights and interests in all rights, ownership, interests and intellectual properties arising from the performance of the agreement. During the term of the agreement, Guangzhou Huya shall not accept any consultations and/or services provided by any third party and shall not cooperate with any third party for the provision of identical or similar services without prior consent of Huya Technology. The term of this agreement is ten years and will be extended for ten years automatically after expiration, unless otherwise agreed by both parties in a written agreement. Huya Technology is entitled to terminate the agreement at any time by providing 30 days' prior written notice to Guangzhou Huya.

- Exclusive Purchase Option Agreement

Under the exclusive purchase option agreement, the nominee shareholders of Guangzhou Huya have granted Huya Technology or its designated representative(s) irrevocably an exclusive option to purchase, to the extent permitted under PRC law, all or part of their equity interests in Guangzhou Huya at the lowest price permitted by the laws of the PRC applicable at the time of exercise. Huya Technology or its designated representative(s) have sole discretion as to when to exercise such options, either in part or in full. Without Huya Technology's prior written consent, the nominee shareholders shall not sell, transfer, mortgage or otherwise dispose their equity interests in Guangzhou Huya. The term of this agreement is ten years and may be extended for another ten years at Huya Technology's sole discretion. Huya Technology is entitled to terminate the agreement at any time by providing 30 days' prior written notice to Guangzhou Huya.

1. Organization and principal activities (continued)

(d) Variable Interest Entities (continued)

(ii) VIE agreements amongst Huya Technology, Guangzhou Huya and its nominee shareholders (continued)

- Equity Pledge Agreement

Pursuant to the equity pledge agreement, the nominee shareholders of Guangzhou Huya have pledged all of their equity interests in Guangzhou Huya to Huya Technology to guarantee the performance by Guangzhou Huya and its nominee shareholders' performance of their respective obligations under the exclusive business cooperation agreement, exclusive purchase option agreement, and powers of attorney. The nominee shareholders shall not transfer or assign the equity interests, the rights and obligations in the equity pledge agreement or create or permit to create any pledges which may have an adverse effect on the rights or benefits of Huya Technology without Huya Technology's written consent. If Guangzhou Huya and/or its nominee shareholders breach their contractual obligations under those agreements, Huya Technology, as pledgee, will be entitled to certain rights, including the right to sell the pledged equity interests.

- Power of Attorney

Pursuant to the irrevocable power of attorney, Huya Technology is authorized by each of the nominee shareholders as its attorney-in-fact to exercise such nominee shareholders' rights in Guangzhou Huya, including, without limitation, the power to vote on its behalf on all matters of Guangzhou Huya requiring nominee shareholder approval under PRC laws and regulations and the articles of association of Guangzhou Huya and rights to information relating to all business aspects of Guangzhou Huya. The term of this agreement is ten years from the execution date of this agreement and will be automatically extended for one more year indefinitely. Huya Technology has sole discretion to terminate the agreement at any time by providing 30 days' prior written notice to Guangzhou Huya.

Through the aforementioned contractual agreements, Guangzhou Huaduo and Guangzhou Huya are considered VIEs in accordance with Generally Accepted Accounting Principles in the United States ("U.S. GAAP") because the Company, through Beijing Huanju Shidai and Huya Technology, respectively, has the ability to:

- exercise effective control over Guangzhou Huaduo and Guangzhou Huya;
- receive substantially all of the economic benefits and residual returns, and absorb substantially all the risks and expected losses from these VIEs as if it were their sole shareholder; and
- have an exclusive option to purchase all of the equity interests in these VIEs.

In addition to the aforementioned contractual agreements, Beijing Huanju Shidai also entered into similar contractual agreements with Beijing Tuda Science and Technology Co., Ltd. ("Beijing Tuda"). Beijing Bilin Changxiang Information Technology Co., Ltd. ("Bilin Changxiang"), a subsidiary of the Company, also entered into similar contractual agreements with Guangzhou Bilin Online Information Technology Co., Ltd. (formerly known as Bejing Bilin Online Information Technology Co., Ltd., "Bilin Online"). Through these contractual agreements, Beijing Tuda and Bilin Online are considered VIEs of the Group.

1. Organization and principal activities (continued)

(d) Variable Interest Entities (continued)

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 VIEs that can be used only to settle obligations of the VIEs, except for registered capital and PRC statutory reserves of the VIEs amounting to RMB3,213,143 as of December 31, 2017. As the 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 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.

Please refer to Note 3(a) for the consolidated financial information of the Group's VIEs as of December 31, 2017.

2. Principal accounting policies

(a) Basis of presentation

The consolidated financial statements of the Group have been prepared in accordance with the U.S. GAAP to reflect the financial position, results of operations and cash flows of the Group. Significant accounting policies followed by the Group in the preparation of the consolidated financial statements are summarized below.

(b) Consolidation

The Group's consolidated financial statements include the financial statements of the Company, its subsidiaries and VIEs for which the Company or its subsidiary is the primary beneficiary. All transactions and balances among the Company, its subsidiaries and VIEs have been eliminated upon consolidation.

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 VIEs that could potentially be significant to the VIEs or the right to receive benefits from the VIEs that could potentially be significant to the VIEs. Beijing Huanju Shidai, Bilin Changxiang, Huya Technology and ultimately the Company hold all the variable interests of the VIEs and have been determined to be the primary beneficiary of the VIEs.

2. Principal accounting policies (continued)

(b) Consolidation (continued)

The Company deconsolidates its subsidiaries in accordance with ASC 810 as of the date the Company ceased to have a controlling financial interest in the subsidiaries.

The Company accounts for the deconsolidation of its subsidiaries by recognizing a gain or loss in net income/loss attributable to the Company in accordance with ASC 810. This gain or loss is measured at the date the subsidiaries are deconsolidated as the difference between (a) the aggregate of the fair value of any consideration received, the fair value of any retained non-controlling interest in the subsidiaries being deconsolidated, and the carrying amount of any non-controlling interest in the subsidiaries being deconsolidated, including any accumulated other comprehensive income/loss attributable to the non-controlling interest, and (b) the carrying amount of the assets and liabilities of the subsidiaries being deconsolidated.

(c) Use of estimates

The preparation of the Company's consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, mezzanine equity 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 in the consolidated financial statements and accompanying notes. Actual results could differ materially from such estimates. The Company believes that the user relationship period related to online games revenue, assessment of whether the Group acts as a principal or an agent in different revenue streams, classification of perpetual items versus consumable items under item-based model, the determination of estimated selling prices of multiple element revenue contracts, income taxes, allowances for doubtful accounts, determination of share-based compensation expenses, impairment assessment of goodwill, long-lived assets and intangible assets, tax considerations for earnings retained in the Group's VIEs, assessment on the probability of performance condition affiliated in equity-classified award under ASC 718 that affect vesting, 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$"), while the functional currency of the other entities and VIEs in the Group is RMB, which is their respective local currency. In the consolidated financial statements, the financial information of the Company and its subsidiaries, which use US$ 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 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 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 comprehensive income.

(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$1.00 = RMB 6.5063 on December 29, 2017 as set forth in the H.10 statistical release of the U.S. Federal Reserve Board. No representation is made that the RMB amounts could have been, or could be, converted into US$ at such rate.

2. Principal accounting policies (continued)

(f) Cash and cash equivalents

Cash includes currency on hand and deposits held by financial institutions that can be added to or withdrawn without limitation. Cash equivalents represent short-term and highly liquid investments placed with banks, which have both of the following characteristics:

i) Readily convertible to known amounts of cash throughout the maturity period;

ii) So near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

(g) Short-term deposits

Short-term deposits represent time deposits placed with banks with original maturities of less than one year. Interest earned is recorded as interest income in the consolidated statements of comprehensive income during the periods presented.

(h) Short-term investments

For investments in financial instruments with a variable interest rate indexed to the performance of underlying assets, the Company elected the fair value method at the date of initial recognition and carried these investments subsequently at fair value. Changes in fair values are reflected in the consolidated statements of comprehensive income.

2. Principal accounting policies (continued)

(i) Accounts receivable

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.

The Company maintains an allowance for doubtful accounts which reflects its best estimate of amounts that potentially will not be collected. The Company determines the allowance for doubtful accounts on an individual basis taking into consideration various factors including but not limited to historical collection experience and credit-worthiness of the debtors as well as the age of the individual receivables balance. Additionally, the Company makes specific bad debt provisions based on any specific knowledge the Company has acquired that might indicate that an account is uncollectible. The facts and circumstances of each account may require the Company to use substantial judgment in assessing its collectability.

(j) Equity investment

The equity investment is comprised of investments in privately-held entities. 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 adjusts the carrying amount of the investment and recognizes investment income or loss for share of the earnings or loss of the investee after the date of investment. 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 entities, including current earnings trends and undiscounted cash flows, and other entity-specific information. The fair value determination, particularly for investment in privately-held entities, 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.

(k) Cost investment

The cost investment is comprised of investments in privately-held entities. 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 comprehensive income.

(l) Available-for-sale investment

The Group classifies its investments in debt and equity securities into one of three categories and accounts for these as follows: (i) debt securities that the Group has the positive intent and the ability to hold to maturity are classified as "held to maturity" and reported at amortized cost; (ii) debt and equity securities that are bought and held principally for the purpose of selling them in the near term are classified as "trading securities" with unrealized holding gains and losses included in earnings; (iii) debt and equity securities not classified as held to maturity or as trading securities are classified as "available-for-sale" and reported at fair value. The Group has designated its investments in redeemable preferred shares of two private companies and common shares of one listed company as available-for-sale securities in accordance with ASC 320 (Note 11). Unrealized gains and losses on available-for-sale securities are excluded from earnings and reported as accumulated other comprehensive income/loss, net of tax. Realized gains or losses upon disposal are charged to earnings during the period in which the gains or losses are realized. An impairment loss on the available-for-sale securities is recognized in the consolidated statements of comprehensive income when the decline in value is determined to be other-than-temporary.

2. Principal accounting policies (continued)

(m) 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 property and equipment at the end of the estimated useful lives as a percentage of the original cost.

	Estimated useful lives	Residual rate
Buildings	40 years	0%
Servers, computers and equipment	3 years	0%-5%
Leasehold improvements	Shorter of lease term or 5 years	0%
Decoration of buildings	10 years	0%
Motor vehicles	4 years	5%
Furniture, fixture and office equipment	5 years	0%-5%

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 comprehensive income.

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.

(n) Business combinations

Business combinations are recorded using the purchase method of accounting, and the cost of an acquisition is measured as the aggregate of the fair values at the date of exchange of the assets given, liabilities incurred, and equity instruments issued as well as the contingent considerations and all contractual contingencies as of the acquisition date. The costs directly attributable to the acquisition are expensed as incurred. Identifiable assets, liabilities and contingent liabilities acquired or assumed are measured separately at their fair value as of the acquisition date, irrespective of the extent of any non-controlling interests. The excess of (i) the total of consideration of acquisition, fair value of the non-controlling interests and acquisition date fair value of any previously held equity interest in the subsidiary acquired over (ii) the fair value of the identifiable net assets of the subsidiary acquired is recorded as goodwill. If the consideration of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statements of comprehensive income.

2. Principal accounting policies (continued)

(o) Intangible assets

Intangible assets mainly consist of brand names, operating rights, software, domain names and technology. 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 their estimated useful lives, which are as follows:

	Estimated useful lives
Brand names	1-15 years
Operating rights	Shorter of the economic life or contract terms
Software	3 -5 years
Domain names	15 years
Technology	5 years
Others	3-5 years

(p) Land use right

Land use right is carried at cost less accumulated amortization. Amortization of the land use right is made on straight-line basis over 40 years from the date when the Group first obtained the land use right certificate from the local authorities.

(q) Impairment of long-lived assets

For long-lived assets other than investments and goodwill whose impairment policy is discussed elsewhere in the financial statements, 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. The Group tests impairment of long-lived assets at the reporting unit level when impairment indicator appeared and recognizes impairment in the event that the carrying value exceeds the fair value of each reporting unit.

The impairment charges of intangible assets recorded in general and administrative expenses for the years ended December 31, 2015, 2016 and 2017 were amounting to RMB57,199, RMB3,828 and nil, respectively.

(r) 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.

2. Principal accounting policies (continued)

(s) 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.

(t) Convertible bonds

The Group determines the appropriate accounting treatment of its convertible bonds in accordance with the terms in relation to the conversion feature, call and put options, and beneficial conversion feature. After considering the impact of such features, the Group may account for such instrument as a liability in its entirety, or separate the instrument into debt and equity components following the respective guidance described under ASC 815 Derivatives and Hedging and ASC 470 Debt. The debt discount, if any, together with related issuance cost are subsequently amortized as interest expense, using the effective interest method, from the issuance date to the earliest conversion date. Interest expenses are recognized in the statement of comprehensive income in the period in which they are incurred.

(u) Mezzanine equity and non-controlling interest

Mezzanine equity

For the Company's majority-owned subsidiaries and consolidated VIEs, a non-controlling interest is recognized to reflect the portion of their equity which is not attributable, directly or indirectly, to the Company. When the non-controlling interest is contingently redeemable upon the occurrence of a conditional event, which is not solely within the control of the Company, the non-controlling interest is classified as mezzanine equity.

In accordance with ASC subtopic 480-10, the Group calculated, on an accumulative basis from the acquisition date, (i) the amount of accretion that would increase the balance of non-controlling interests to their estimated redemption value over the period from the date of acquisition to the earliest redemption date of the non-controlling interests and (ii) the amount of net (loss) profit attributable to non-controlling shareholders of certain subsidiaries based on their ownership percentage. The carrying value of the non-controlling interests as mezzanine equity was adjusted by an accumulative amount equal to the higher of (i) and (ii).

Each type of increase in carrying amount shall be recorded as charges against retained earnings or, in the absence of retained earnings, by charges against additional paid-in capital.

Non-controlling interest

Non-controlling interests are recognized to reflect the portion of the equity of majority-owned subsidiaries and VIEs which is not attributable, directly or indirectly, to the controlling shareholder.

2. Principal accounting policies (continued)

(v) Revenue recognition

The Group generates revenues from live streaming, online games, membership and others. Revenues from live streaming are generated from YY Live platform and Huya platform. Revenues from online games are generated from providing online game platform and access of the games for the game players. Membership subscription program enhanced user privileges when using the Group's platforms. Other revenues mainly include online education revenue and advertising revenue. Online education services consist of vocational training and language training courses. Online advertising revenues are primarily generated from sales of different forms of advertising on the Group's platforms. 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.

The Group has a recharge system for users to purchase the Group's virtual currency. Users can recharge via various online payment platforms provided by third parties. Virtual currency is non- refundable and often consumed soon after it is purchased. Unconsumed virtual currency is recorded as deferred revenue. Virtual currencies used to purchase virtual items are recognized as revenue according to the prescribed revenue recognition policies of virtual items addressed below unless otherwise stated.

(i) Live streaming

Live streaming mainly consists of YY Live platform and Huya platform. It generates revenue from sales of virtual items in the platforms. Users can access the platforms and view the live streaming content for free.

The Group designs, creates and offers various virtual items for sales to users with pre-determined selling price. Sales proceeds are recorded as deferred revenue and recognized as revenue based on the consumption of the virtual items. Virtual items are categorized as consumable and time-based items. Consumable items are consumed upon purchase and use while time-based items could be used for a fixed period of time. Users can purchase and present consumable items to performers to show support for their favorite performers, or purchase time-based virtual items for one or multiple months for a monthly fee, which provide users with recognized status, such as priority speaking rights or special symbols over a period of time. Accordingly, live streaming revenue is recognized immediately when the consumable virtual item is used, or in the case of time-based virtual items, revenue is recognized ratably over the fixed period on a straight-line basis. The Group does not have further obligations to the user after the virtual items are consumed immediately or after the stated period of time for time-based items.

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 elements sold in a bundle based on similar products sold separately on the YY Live platform and Huya platform based on the TPE of the selling price and determines the fair values of elements without similar products sold separately on the YY Live platform and Huya 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 an estimated stand-alone pricing when the element has not previously been sold on a stand-alone basis.

2. Principal accounting policies (continued)

(v) Revenue recognition (continued)

(ii) Online games 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 games revenues for the three years ended December 31, 2015, 2016 and 2017 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 games.

The Group recognizes revenue when recognition criteria defined under U.S. 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. 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 is convertible into game tokens based on a predetermined exchange rate agreed among the Group and the relevant game developers.

The proceeds from the sales of the Group's virtual currency is recorded as "Advances from customers", 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 entitled consideration, 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 plan to purchase in-game virtual items soon.

2. Principal accounting policies (continued)

(v) Revenue recognition (continued)

(ii) Online games revenue (continued)

There are two types of third party developed online games:

- Non-exclusive third party developed games
- Exclusive third party developed games

Under the non-exclusive arrangement, game developers license the games to various platforms and the Group is only one of the platforms. Game developers will receive only revenue shared from the Group pursuant to the mutually agreed sharing percentage.

Under the exclusive arrangement, game developers only license the game to the Group as the exclusive licensee. The Group can sub-license the games to other platforms and receive a portion of revenue sharing from sub-licensees. In addition to the revenue shared to the game developers, the Group should also pay an exclusive license fee to the game developers.

- *Non-exclusive third party developed games*

Pursuant to contracts signed between the Group and the respective game developers, revenues from the sale or conversion of game tokens 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 for one to two years.

The third party developed games under non-exclusive licensing contracts are 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 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 Group's platforms. 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 principals given the game developers design and develop the online 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 games revenue, net of the pre-agreed portion of sharing of the revenues with the game developers.

Given that third party developed games under non-exclusive licensing contracts 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 correspond 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 period with the Group on a game-by-game basis, which is approximately one to six months for the periods presented. Future usage patterns may differ from historical usage patterns and therefore the estimated user relationship period with the Group may change in the future.

2. Principal accounting policies (continued)

(v) Revenue recognition (continued)

(ii) Online games revenue (continued)

- *Non-exclusive third party developed games (continued)*

When the Group launches a new game, it estimates the user relationship period based on other similar types of games in the market until the new game establishes its own history. The Group considers the game's profile, attributes, target audience, and its appeal to players of different demographics 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 user relationship period, the Group maintains a 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 the date a player purchases or converts from virtual currency to a game token through the date the Group estimates the user plays the game for the last time. This computation is performed on a user by user basis. Then, the results for all analyzed users are averaged to determine an estimated end user relationship period for each game. Revenues from in-game payments of each month are recognized over the user relationship period estimated for that game.

The consideration of user relationship period 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 relationship period for each game on a quarterly basis. Any adjustments arising from changes in the user relationship period 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.

- *Exclusive third party developed games*

Under certain exclusive arrangements, the Group pays additional license fees to the game developers as the Group is entitled to an exclusive right to operate third party developed games in specified geographic areas. Based on ASC 350, the Group has adopted an accounting policy to recognize the exclusive license fee as an intangible asset upon the commercial launch of the related online games. This intangible asset is amortized on a straight-line basis over the shorter of the economic life or license period of the relevant online game.

Pursuant to the exclusive licensing contracts signed between the Group and the third party game developers, the Group's responsibilities in operating the licensed games vary for each game. The determination of whether to record these revenues using gross or net method is based on an assessment of various factors, including but not limited to whether the Group (i) is the primary obligor in the arrangement; (ii) has latitude in establishing the selling price; (iii) changes the product or performs part of the service, (iv) has involvement in the determination of product and service specifications.

For the game license arrangements under which the Group takes primary responsibilities of game operation, including determining distribution and payment channels, providing customer services, hosting game servers, if needed, and controlling game and services specifications and pricing, the Group considered itself to be the principal in these arrangements. Accordingly, the Group records online games revenues from these third party licensed games on a gross basis. Commission fees paid to distribution channels and payment channels and content fees paid to third party game developers are recorded as cost of revenues.

2. Principal accounting policies (continued)

(v) Revenue recognition (continued)

(ii) Online games revenue (continued)

- *Exclusive third party developed games (continued)*

For the game license arrangements under which the Group's responsibilities are limited to publishing, providing payment solutions and game operating advice, the Group views the game developers to be its customers and considers itself to be the agent in the arrangements. Accordingly, the Group records online games revenues from these third party licensed games, net of fees paid to third parties upon the provision of service.

Pursuant to the terms and conditions of certain online game exclusive license agreements entered into between game developers and the Group, the Group, as the exclusive licensee, could sublicense a non-exclusive, non-transferable and limited license to any third party without the prior formal consent of game developers. Under the non-exclusive and non-transferable limited license, the sub-licensee cannot further license the game to other platforms. The Group received monthly revenue-based royalty payments from all sub-licensees. The Group views the third-party sub-licensees operators as its customers and recognizes revenues on a net basis, as the Group does not have the primary responsibility for fulfillment and acceptability of the game services.

Similar to other online games, the exclusive third party developed games are free to play and players can pay for virtual items for better in-game experience. For exclusive third party games, the consumption details can be provided by third party developers or the Group has access to such data. Therefore, the Group recognizes revenues based on item-based model: (1) for consumable items, the revenue is recognized immediately upon consumption; (2) for perpetual items, the revenue is recognized ratably over the user relationship period of a specific game as described. The determination of user relationship period is the same as what is described in "*Non-exclusive third party developed games*" above.

- *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. Considering that revenues derived from self-developed games were immaterial to the Group for the years presented, the Group does not maintain information on consumption details of in-game virtual items, and only maintains limited information related to the frequency of log-ons for its self-developed games. Given that certain historical data is not available, the Group uses the user relationship period of third party games with similar popularity, gaming experience and sales to determine the estimated period of user relationship for its self-developed games.

(iii) Membership

The Group operates a membership subscription program where subscription members can have enhanced user privileges when using YY Client and live streaming channels. 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 when services are rendered. Unrecognized portion beyond 12 months from balance sheet date is classified as long-term deferred revenue.

2. Principal accounting policies (continued)

(v) Revenue recognition (continued)

(iv) Others

Other revenues mainly include online education revenues and advertising revenues.

(1) Online education revenues

Educational programs and services consist of vocational training and language training courses. The course fee is generally paid in advance and is initially recorded as deferred revenue. Revenue for regular courses is recognized proportionately as the classes are attended, and is reported net of scholarships and course fee refunds. Students are entitled to one trial class of the purchased course and course fee is fully refundable if a student decides not to take the remaining course after the trial class. No refund will be provided to a student who withdraws from a course after the trial period, and revenue is recognized for the amount collected. Course fee refunds were insignificant over the period presented.

In addition to regular courses, the Company also provides a package of several regular courses to students, which has individual fair value in the market. Pursuant to the applicable accounting guidance, the Company has accounted for these course packages as a multiple-element arrangement because each individual course qualifies as a single unit of accounting, and allocated the course fee from the course package to each individual course in the package based on its relative fair value. The Company recognizes revenue equal to the fair value allocated to individual courses proportionately as the classes are attended.

Students are granted a right to retake the courses at a substantial discount in the circumstances where the students fail to achieve certain score targets for some specific courses. The discount arrangement has a stand-alone value and qualifies as a separate unit of accounting under U.S. GAAP. Therefore, the Company has accounted for those courses as a multiple-element arrangement and allocated a portion of the initial course fee to the substantial discount based on a breakage rate. The breakage rate is determined based on our historical data. The amount allocated to the substantial discount is deferred and recognized as revenue upon the expiration of the retaking right, which is generally six months after the end of the initial course term.

The Company also sells pre-paid cards primarily to distributors. Pre-paid card sales represent prepaid service fees received from students for online courses. The prepaid service fee is recorded as deferred revenue upon receiving the upfront cash payment. Revenue is recognized on a gross basis based on the selling price of the distributors to the students and is recognized over the period the online course is available to the students, which generally is from the enrolment date to the completion of the relevant professional examination date.

2. Principal accounting policies (continued)

(v) Revenue recognition (continued)

(iv) Others (continued)

(2) Advertising revenues

The Group primarily generate advertising revenues from sales of various forms of advertising and provision of promotion campaigns on the live streaming platforms by way of advertisement display or integrated promotion activities in shows and programs on the live streaming platforms. Advertisements on the Group's platforms 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. For the years ended December 31, 2015, 2016 and 2017, net revenue generated from advertising was RMB62,740, RMB41,685 and RMB112,778, respectively.

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 3 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.

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.

2. Principal accounting policies (continued)

(v) Revenue recognition (continued)

(iv) Others (continued)

(2) Advertising revenues (continued)

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.

(w) Advances from customers and deferred revenue

Advances from customers primarily consist of 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, prepaid subscriptions under the membership program and unamortized revenue from virtual items in various channels in the Group's platforms, 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.

(x) Cost of revenues

Amounts recorded as cost of revenue relate to direct expenses incurred in order to generate revenue. Such costs are recorded as incurred. Cost of revenues consists primarily of (i) revenue sharing fees and content costs, including payments to various channel owners and performers, and content providers, (ii) bandwidth costs, (iii) salary and welfare, (iv) depreciation and amortization expense for servers, other equipment and intangibles directly related to operating the platform, (v) payment handling cost, (vi) Other taxes and surcharges, (vii) share-based compensation, and (viii) other costs.

The Group was subject to cultural development fee at a tax rate of 3% on service income from provision of advertising services in the PRC. The Group was also subject to surcharges of VAT, which are calculated based on 12% of the VAT paid for the years ended December 31, 2015, 2016 and 2017.

The Group reported other taxes and surcharges, and cultural development fees in cost of revenues.

Based on the Group's corporate structure and the contractual arrangements among the Group's PRC subsidiaries, the Group's VIEs and their shareholders, the Group is effectively subject to 6% or 17% VAT and related surcharges on revenues generated by the Group's subsidiaries based on the Group's contractual arrangements entered into with the Group's VIEs.

2. Principal accounting policies (continued)

(y) Research and development expenses

Research and development expenses consist primarily of (i) salary and welfare for research and development personnel, (ii) share-based compensation for research and development personnel, (iii) depreciation of office premise and servers utilized by research and development personnel and (iv) rental expenses. 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.

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, 2015, 2016 and 2017, respectively.

(z) Sales and marketing expenses

Sales and marketing expenses consist primarily of (i) advertising and market promotion expenses, and (ii) salary and welfare for sales and marketing personnel. The advertising and market promotion expenses amounted to approximately RMB253,210, RMB298,681 and RMB621,771 during the years ended December 31, 2015, 2016 and 2017, respectively.

(aa) General and administrative expenses

General and administrative expenses consist primarily of (i) share-based compensation for management and administrative personnel, (ii) salary and welfare for general and administrative personnel, and (iii) professional service fees.

(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 comprehensive income amounted to RMB171,349, RMB206,704 and RMB214,848 for the years ended December 31, 2015, 2016 and 2017, respectively.

2. Principal accounting policies (continued)

(cc) Share based compensation

The Group grants stock-based award, such as, but not limited to, share options, restricted shares, restricted share units of the Company, share option and ordinary shares of the Company's subsidiary 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 share-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. 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. Duowan BVI also granted share options, restricted shares and restricted share units to non-employees, which are also initially accounted for as equity-classified awards. 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 share-based awards are vested. Changes in fair value between the interim reporting dates are recorded in consistent with the method used in recognizing the original compensation costs.

For an award with a performance and/or service condition that affects vesting, the performance and/or service condition is not considered in determining the award's fair value on the grant date. Performance and service conditions should be considered when the Company is estimating the quantity of awards that will vest. Compensation cost will reflect the number of awards that are expected to vest and will be adjusted to reflect those awards that do ultimately vest. The Group recognizes compensation cost for awards with performance conditions if and when the Group concludes that it is probable that the performance condition will be achieved, net of an estimate of pre-vesting forfeitures over the requisite service period. The Group reassesses the probability of vesting at each reporting period for awards with performance conditions and adjusts compensation cost based on its probability assessment, unless on certain situations, the Group may not be able to determine that it is probable that a performance condition will be satisfied until the event occurs.

The Group's share-based awards mainly include share-based awards of YY as well as share options and ordinary shares of Huya, details of which are disclosed in Note 25. Fair value determination of these share-based awards is summarized as below:

(1) YY's restricted share units

In determining the fair value of restricted share units granted, the fair value of the underlying shares of YY on the grant dates is applied. The grant date fair value of restricted share units is based on stock price of YY in the NASDAQ Global Market.

(2) Huya's share options

In determining the fair value of share options granted, a binomial option-pricing model is applied. The determination of the fair value is affected by the fair value of the ordinary shares as well as assumptions regarding a number of complex and subjective variables, including risk-free interest rates, exercise multiples, expected forfeiture rates, the expected share price volatility rates, and expected dividends.

(3) Huya's ordinary shares

In determining the fair value of the ordinary shares of Huya granted, a combination of discounted cash flow method ("DCF") under income approach and guideline companies method ("GCM") under market approach is applied, with a discount for lack of marketability, given that the shares underlying the awards were not publicly traded at the time of grant. DCF method of the income approach involves applying appropriate weighted average cost of capital, or WACC, to discount the future cash flows forecast, based on the Group's best estimates as of the valuation date, to present value. The WACC was determined based on a consideration of the factors including risk-free rate, comparative industry risk, equity risk premium, company size and non-systematic risk factors.

GCM was also adopted under the market approach to arrive at an equity valuation for Huya. GCM employs trading multiples method of selected public comparable companies including trailing and leading Enterprise Value/Revenue multiples. Based on the Group's current stage of development and the conceptual strength of the income approach, the Group assigned 50% weight to each of the income approach and the market approach for the valuation date.

2. Principal accounting policies (continued)

(dd)Other income

Other income primarily consists of government grants which represent cash subsidies received from the PRC government by the Group entities. 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 income.

(ee) 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 statement of comprehensive income 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 comprehensive income. The Group did not recognize any significant interest and penalties associated with uncertain tax positions for the years ended December 31, 2015, 2016 and 2017. As of December 31, 2016 and 2017, the Group did not have any significant unrecognized uncertain tax positions.

(ff) 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 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.

In addition, in accordance with the Company Laws of the PRC, the VIEs of the Company registered as PRC domestic companies 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 offsetting 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.

During the year ended December 31, 2015, 2016 and 2017, appropriations to general reserve fund and statutory surplus fund amounted to RMB38, RMB2,350 and RMB3,861, respectively.

2. Principal accounting policies (continued)

(gg) 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.

(hh) Dividends

Dividends are recognized when declared. No dividends on common shares were declared for the years ended December 31, 2015, 2016 and 2017, 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.

(ii) Income per share

Basic income per share is computed on the basis of the weighted-average number of common shares outstanding during the period under measurement. Diluted income per share is based on the weighted-average number of common shares outstanding and potential common shares. Potential common shares result from the assumed exercise of outstanding share options, restricted shares and restricted share units or other potentially dilutive equity instruments, when they are dilutive under the treasury stock method or the if-converted method.

(jj) Comprehensive income

Comprehensive income 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 income is reported in the consolidated statements of comprehensive income. Accumulated other comprehensive income/loss of the Group includes the unrealized gain of available-for-sale securities and the foreign currency translation adjustments.

(kk) 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 ("CODM") 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.

(ll) Recently issued accounting pronouncements

In November 2015, the FASB issued ASU No. 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes, which simplifies the presentation of deferred income taxes by requiring deferred tax assets and liabilities to be classified as noncurrent on the balance sheet. The amendments in this update are effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted. Additionally, the new guidance may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. The Company has applied this guidance retrospectively to all period presented. Following the adoption of this guidance in 2017, RMB107,309 of current deferred tax assets as of December 31, 2016 was reclassified to non-current assets.

In March 2016, the FASB issued ASU 2016-09 ("ASU 2016-09"): Compensation – Stock Compensation: Improvements to Employee Share-Based Payment Accounting, which relates to the accounting for employee share-based payments. This standard addresses several aspects of the accounting for share-based payment award transactions, including: (a) income tax consequences; (b) classification of awards as either equity or liabilities; and (c) classification on the statement of cash flows; (d) accounting for forfeitures of share-based payments. This standard has been effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The adoption of this standard has no material impact on the Group's consolidated financial statements.

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09"). ASU 2014-09 will eliminate transaction-specific and industry-specific revenue recognition guidance under current U.S. GAAP and replace it with a principle-based approach for determining revenue recognition. ASU 2014-09 will require that companies recognize revenues based on the value of transferred goods or services as they occur in the contract. The ASU also will require additional disclosure about the nature, amount, timing and uncertainty of revenues and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. In August 2015, the FASB issued ASU 2015-14, which defers by one year ASU 2014-09's effective date. The amendment will be effective for annual reporting periods beginning after December 15, 2017 including interim periods within that reporting period. Early adoption is permitted only for annual and interim periods beginning after December 15, 2016.

In March 2016, the FASB issued ASU 2016-08, which amends the principal-versus-agent implementation guidance and illustrations in the Board's new revenue standard (ASC 606). The amendments in this update clarify the implementation guidance on principal versus agent considerations. When another party, along with the reporting entity, is involved in providing goods or services to a customer, an entity is required to determine whether the nature of its promise is to provide that good or service to the customer (as a principal) or to arrange for the good or service to be provided to the customer by the other party (as an agent). The guidance is effective for interim and annual periods beginning after December 15, 2017.

The Company has set up an implementation team to analyze each of the Group's revenue streams including revenues from live streaming, online games, membership and other revenue streams in accordance with the new revenue standard to determine the impact on the Company's consolidated financial statements. The Company has completed the evaluation and assessment of its adoption of ASC 606 and there are no significant implementation matters yet to be addressed. Based on the Company's assessment, the adoption of the new revenue standard will not have a material impact on the Group's consolidated

financial statements. The new revenue standard may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of adoption. The Company will apply the new revenue standard from January 1, 2018 on a modified retrospective basis.

2. Principal accounting policies (continued)

(ll) Recently issued accounting pronouncements (continued)

In January 2016, the FASB issued ASU 2016-01: Recognition and Measurement of Financial Assets and Financial Liabilities. The amendments in this Update make targeted improvements to generally accepted accounting principles (GAAP) as follows: 1) Require equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. However, an entity may choose to measure equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. 2) Simplify the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment. When a qualitative assessment indicates that impairment exists, an entity is required to measure the investment at fair value. 3) Eliminate the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities. 4) Eliminate the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet. 5) Require public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes. 6) Require an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. 7) Require separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements. 8) Clarify that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets. For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company will apply the new standard beginning January 1, 2018 and recognize the changes in fair value for all equity investments measured at fair value through net income (loss). For investments in equity securities lacking of readily determinable fair values, the Company will elect to use the measurement alternative defined as cost, less impairments, adjusted by observable price changes. The Company anticipates that the adoption of ASU 2016-01 will increase the volatility of its other income (expense), net, as a result of the remeasurement of its equity securities upon the occurrence of observable price changes and impairments. Following the adoption of this guidance in 2018, RMB87,802 will be reclassified from accumulated other comprehensive income (loss) to retained earnings.

In February 2016, the FASB issued ASU 2016-02: Leases (Topic 842). The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases. All leases create an asset and a liability for the lessee in accordance with FASB Concepts Statement No. 6, Elements of Financial Statements, and, therefore, recognition of those lease assets and lease liabilities represents an improvement over previous GAAP, which did not require lease assets and lease liabilities to be recognized for most leases. For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is in the process of evaluating the impact of the standard on its consolidated financial statements.

2. Principal accounting policies (continued)

(ll) Recently issued accounting pronouncements (continued)

In June 2016, the FASB issued Accounting Standards Update ("ASU") 2016-13: Financial Instruments-Credit Losses (Topic 326), which requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early application will be permitted for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company is in the process of evaluating the impact of the standard on its consolidated financial statements.

In August 2016, the FASB issued Accounting Standards Update ("ASU") 2016-15: Statement of Cash Flows – Classification of Certain Cash Receipts and Cash Payments, which clarifies the presentation and classification of certain cash receipts and cash payments in the statement of cash flows. This guidance is effective for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. Based on the Company's assessment, the adoption of the new standard will not have a material impact on the Group's consolidated financial statements.

In October 2016, the FASB issued ASU 2016-16, Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory (Topic 740). This standard will require entities to recognize the income tax consequences of intra-entity transfers of assets other than inventory at the time of transfer. This standard requires a modified retrospective approach to adoption. ASU 2016-16 is effective for fiscal years and interim periods within those years beginning after December 31, 2018. The Company does not expect ASU 2016-16 to have a material impact to the Company's consolidated financial statements.

In November 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. The guidance requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The standard is effective for fiscal years beginning after December 15, 2017, and interim period within those fiscal years. Early adoption is permitted, including adoption in an interim period. The standard should be applied using a retrospective transition method to each period presented. Based on the Company's assessment, the adoption of the new standard will not have a material impact on the Group's consolidated financial statements.

In January 2017, the FASB issued Accounting Standards Update ("ASU") No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business, which clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions or disposals of assets or businesses. The standard is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted. The standard should be applied prospectively on or after the effective date. Based on the Company's assessment, the adoption of the new standard will not have a material impact on the Group's consolidated financial statements.

In January 2017, the FASB issued Accounting Standards Update ("ASU") 2017-04: Simplifying the Test for Goodwill Impairment. The guidance removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. The guidance should be adopted on a prospective basis for the annual or any interim goodwill impairment tests beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company is in the process of evaluating the impact of the standard on its consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09, "Compensation—Stock Compensation (Topic 718), Scope of Modification Accounting", which clarifies and reduces both (1) diversity in practice and (2) cost and complexity when applying the guidance in Topic 718, to a change to the terms or conditions of a share-based payment award. The amendments are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years, with early adoption is permitted. Based on the Company's assessment, the adoption of the new standard will not have a material impact on the Group's consolidated financial statements.

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.

As mentioned in Note 1(d), 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 its principal VIEs, namely Guangzhou Huaduo and Guangzhou Huya. As of December 31, 2017, Beijing Tuda and Guangzhou Huaduo own the majority equity interests of Guangzhou Huaduo and Guangzhou Huya, respectively.

Guangzhou Huaduo and Guangzhou Huya hold the licenses and permits necessary to conduct its internet value-added services and online advertising in the PRC. If the Company had direct ownership of the VIE, 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 VIE 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 and Huya Technology's unilateral termination right. Under the respective service agreements, Beijing Huanju Shidai and Huya Technology will provide services including technology support, technology services, business support and consulting services to Guangzhou Huaduo and Guangzhou Huya, respectively, in exchange for service fees. The amount of service fees payable is determined by various factors, including (a) a percentage of Guangzhou Huaduo and Guangzhou Huya's revenues or earnings, and (b) the expenses that Beijing Huanju Shidai and Huya Technology incur for providing such services. Beijing Huanju Shidai and Huya Technology may charge up to 100% of the income in Guangzhou Huaduo and Guangzhou Huya and a multiple of the expenses incurred for providing such services, as determined by Beijing Huanju Shidai and Huya Technology, respectively, from time to time. The service fees payable by Guangzhou Huaduo and Guangzhou Huya to Beijing Huanju Shidai and Huya Technology are determined to be up to 100% of the profits of Guangzhou Huaduo and Guangzhou Huya, with the timing of such payment to be determined at the sole discretion of Beijing Huanju Shidai and Huya Technology. 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 VIE. 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. For the years ended December 31, 2015, 2016 and 2017, Guangzhou Huanju Shidai and Beijing Huanju Shidai determined that service fees of RMB274,285 , RMB305,792 and RMB279,828 were charged to Guangzhou Huaduo. The service fees are typically determined based on the costs and expenses that the wholly owned foreign enterprises incurs for providing relevant technology support to Guangzhou Huaduo, as well as the consideration of Guangzhou Huaduo's future business development plan and its increasingly growing and diverse operational needs.

As of December 31, 2017, Beijing Tuda still has no substantial business operation, and Bilin Online and Guangzhou Huya have accumulated losses since inception. Therefore, no service fees were charged by Beijing Huanju Shidai, Bilin Changxiang and Huya Technology to the Group's VIEs respectively for the periods presented.

3. Certain risks and concentration (continued)

(a) PRC regulations (continued)

Further, the Group believes that the contractual arrangements among Beijing Huanju Shidai, Huya Technology and Bilin Changxiang, 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 Group 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 caused 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, Huya Technology and Bilin Changxiang, and the VIEs.

On January 19, 2015, the Ministry of Commerce of the PRC, or (the "MOFCOM") released on its Website for public comment a proposed PRC law (the "Draft FIE Law") that appears to include VIEs within the scope of entities that could be considered to be foreign invested enterprises (or "FIEs") that would be subject to restrictions under existing PRC law on foreign investment in certain categories of industry. Specifically, the Draft FIE Law introduces the concept of "actual control" for determining whether an entity is considered to be an FIE. In addition to control through direct or indirect ownership or equity, the Draft FIE Law includes control through contractual arrangements within the definition of "actual control". If the Draft FIE Law is passed by the People's Congress of the PRC and goes into effect in its current form, these provisions regarding control through contractual arrangements could be construed to reach the Group's VIE arrangements, and as a result, the Group's VIEs could become explicitly subject to the current restrictions on foreign investment in certain categories of industry. The Draft FIE Law includes provisions that would exempt from the definition of foreign invested enterprise entities where the ultimate controlling shareholders are either entities organized under PRC law or individuals who are PRC citizens. The Draft FIE Law does not make clear how "control" would be determined for such purpose, and is silent as to what type of enforcement action might be taken against existing VIEs that operate in restricted industries and are not controlled by entities organized under PRC law or individuals who are PRC citizens. If a finding were made by PRC authorities, under existing laws and regulations or under the Draft FIE Law if it becomes effective, that the Group's operation of certain of its businesses through VIEs violates the Draft FIE Law, regulatory authorities with jurisdiction over the licensing and operation of such operations and businesses may require the Group to take various actions as discussed in the paragraph above. The Group's management considers the possibility of such a finding by PRC regulatory authorities under the Draft FIE Law, if it becomes effective, to be remote.

(All amount in thousands, except share and per share data, unless otherwise stated)

3. Certain risks and concentration (continued)

(a) PRC regulations (continued)

The following consolidated financial information of the Group's VIEs excluding the intercompany items with the Group's subsidiaries was included in the accompanying consolidated financial statements as of and for the years ended:

	December 31,	
	2016 RMB	2017 RMB
Assets		
Current assets		
Cash and cash equivalents	1,397,738	1,343,731
Short-term deposits	1,235,000	3,400,000
Restricted short-term deposits	-	1,000,000
Short-term investments	-	124,550
Accounts receivable, net	165,971	149,958
Inventory	2,266	315
Amounts due from related parties	135,245	9,309
Prepayments and other current assets	207,245	190,456
Total current assets	3,143,465	6,218,319
Non-current assets		
Deferred tax assets	93,744	113,017
Investments	496,870	582,775
Property and equipment, net	261,915	359,912
Intangible assets, net	27,241	15,504
Land use right, net	1,872,394	1,832,739
Goodwill	2,527	-
Amounts due from related parties	-	20,000
Other non-current assets	85,583	133,812
Total non-current assets	2,840,274	3,057,759
Total assets	5,983,739	9,276,078
Liabilities		
Current liabilities		
Accounts payable	117,917	67,817
Deferred revenue	429,883	757,244
Advances from customers	56,108	80,406
Income taxes payable	112,779	142,204
Accrued liabilities and other current liabilities	988,911	1,404,877
Amounts due to related parties	91,245	30,502
Total current liabilities	1,796,843	2,483,050
Non-current liabilities		
Deferred revenue	19,125	52,185
Deferred tax liabilities	4,777	8,404
Total non-current liabilities	23,902	60,589
Total liabilities	1,820,745	2,543,639

(All amount in thousands, except share and per share data, unless otherwise stated)

3. Certain risks and concentration (continued)

(a) PRC regulations (continued)

	For the year ended December 31,		
	2015 RMB	2016 RMB	2017 RMB
Net revenues	5,821,305	8,164,100	11,577,104
Net income	1,267,111	1,874,435	2,766,279

	For the year ended December 31,		
	2015 RMB	2016 RMB	2017 RMB
Net cash provided by operating activities	2,164,953	2,538,836	3,974,085
Net cash used in investing activities	(2,251,207)	(1,313,002)	(3,571,668)
Net cash provided by financing activities	704,298	8,508	66,875
	618,044	1,234,342	469,292

(b) Foreign exchange risk

The revenues and expenses of the Group's entities 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 or remittances of RMB out of the PRC as well as exchange between RMB and foreign currencies 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.

(c) Concentration risk

(i) Concentration of revenue

No individual customer accounted for more than 10% of net revenues for the years ended December 31, 2015, 2016 and 2017.

(ii) Concentration of accounts receivable

The Group collects accounts receivable from payment platforms, external game platforms and advertising customers. There were 2 and 3 payment platforms which had receivable balance exceeding l0% of the total accounts receivable balance of the Group as of December 31, 2016 and 2017, respectively. Details are as follows:

	December 31,	
	2016	2017
Payment platforms		
B1	19%	26%
B2	17%	18%
B3	*	19%

* Less than 10%

3. Certain risks and concentration (continued)

(d) Credit risk

As of December 31, 2016 and 2017, substantially all of the Group's cash and cash equivalents, short-term deposits and short-term investments were placed with the PRC and international financial institutions. 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. 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 international banks with high credit quality. The Group had not experienced any losses on its deposits of cash and cash equivalents and term deposits during the years ended December 31, 2015, 2016 and 2017 and believes that its credit risk to be minimal.

4. Business combination and disposal of subsidiaries

Disposal of Shanghai Beifu Culture Communication Co., Ltd. ("Beifu")

Beifu, a company engaged in the operation of E-commerce, was acquired by the Group in 2015.

In June 2016, the Group disposed of 60% equity interest of Beifu for a total consideration of RMB3,500. After the disposal, the Group retained 10% equity interest of Beifu and accounted for the investment in Beifu as an equity investment as the Group still had significant influence over Beifu. As a result, Beifu ceased to be a subsidiary of the Group. A total loss of RMB23,474 was recognized, which was the difference between (a) the aggregate of the fair value of consideration received, the fair value of the retained non-controlling interests and the carrying amount of non-controlling interests being deconsolidated, amounting to RMB13,236 collectively and (b) the carrying amount of the assets and liabilities being deconsolidated, amounting to RMB36,710. As part of the total loss recognized, the loss related to the remeasurement of the retained non-controlling investment to fair value was RMB3,088.

Disposal of Beijing Huanqiu Xingxue Technology Development Co., Ltd. ("Xingxue")

Xingxue, a company engaged in online vocational education, was acquired by the Group in 2014.

In December 2016, the Group disposed of 33.86% equity interest of Xingxue for a total consideration of RMB118,500, which was collected in 2017. After the disposal, the Group retained 31.14% equity interest of Xingxue. As a result, Xingxue ceased to be a subsidiary of the Group. A total income of RMB127,434 was recognized, which is the difference between (a) the aggregate of the fair value of consideration received, the fair value of the retained non-controlling interests and the carrying amount of non-controlling interests being deconsolidated, amounting to RMB282,433 collectively and (b) the carrying amount of the assets and liabilities being deconsolidated, amounting to RMB154,999. As part of the total gains recognized, the gain related to the remeasurement of the retained non-controlling investment to fair value was RMB57,791.

Disposal of Beijing Yunke Online Technology Development Co., Ltd.("Yunke Online")

Yunke Online, a company engaged in online language education, was acquired by the Group in 2014. In January 2017, the Group disposed of 46% equity interest of Yunke Online. After the disposal, the Group retained 34% equity interest of Yunke Online. As a result, Yunke Online ceased to be a subsidiary of the Group. A total income of RMB37,989 was recognized.

(All amount in thousands, except share and per share data, unless otherwise stated)

5. Cash and cash equivalents

Cash and cash equivalents represent cash on hand and demand deposits placed with banks or other financial institutions. Cash and cash equivalents balance as of December 31, 2016 and 2017 primarily consist of the following currencies:

	December 31, 2016		December 31, 2017	
	Amount	RMB equivalent	Amount	RMB equivalent
RMB	1,536,947	1,536,947	1,627,044	1,627,044
US$	6,171	42,796	151,529	990,388
Total		1,579,743		2,617,432

6. Short-term deposits

Short-term deposits represent time deposits placed with banks with original maturities of less than one year. Short-term deposits balance as of December 31, 2016 and 2017 primarily consist of the following currencies:

	December 31, 2016		December 31, 2017	
	Amount	RMB equivalent	Amount	RMB equivalent
RMB	1,235,000	1,235,000	3,400,000	3,400,000
US$	362,882	2,516,519	397,816	2,600,104
Total		3,751,519		6,000,104

7. Restricted short-term deposits

As of December 31, 2017, the Group had restricted short-term deposits balance of RMB1,000 million representing pledged deposit with banks in China in order to obtain banking facilities amounting to US$160 million.

(All amount in thousands, except share and per share data, unless otherwise stated)

8. Short-term investments

As of December 31, 2017, the Company's investments in financial instruments were RMB124,550. Since these investments' maturity dates are within one year, they are classified as short-term investments.

9. Accounts receivable, net

	December 31,	
	2016 RMB	2017 RMB
Accounts receivable, gross	224,791	161,300
Less: allowance for doubtful receivables	(55,220)	(7,356)
Accounts receivable, net	169,571	153,944

The following table summarizes the details of the Company's allowance for doubtful accounts:

	For the year ended December 31,		
	2015 RMB	2016 RMB	2017 RMB
Balance at the beginning of the year	(57,342)	(58,791)	(55,220)
(Additions) reversals charged to general and administrative expenses, net	(1,449)	3,571	(3,049)
Write-off during the year	-	-	50,913
Balance at the end of the year	(58,791)	(55,220)	(7,356)

(All amount in thousands, except share and per share data, unless otherwise stated)

10. Prepayments and other current assets

	December 31,	
	2016 RMB	2017 RMB
Prepayments and deposits to vendors and content providers	70,347	81,319
Interests receivable	17,050	78,274
Employee advances	12,245	16,697
Rental and other deposits	13,015	14,214
Receivables from disposal of subsidiaries and investments	95,166	7,986
Others	16,909	23,449
Total	224,732	221,939

11. Investments

	December 31,	
	2016 RMB	2017 RMB
Cost investments (i)	477,733	703,566
Equity investments (ii)	252,272	309,241
Available-for-sale securities (iii)	188,597	140,212
Total	918,602	1,153,019

(i) In 2016 and 2017, the Group acquired minority stake of a number of privately-held entities with total consideration of RMB90,234 and RMB301,848, respectively. The investments are not investment in common stock or in-substance common stock and therefore have been precluded from applying the equity method of accounting. They have been accounted for as investments under the cost method, since all of these equity securities do not have a readily determinable fair value.

(ii) In 2016 and 2017, the Group acquired minority stake of a number of privately-held entities with total consideration of RMB107,010 and RMB 21,740, respectively. Investments have been accounted for under the equity method where the Group has significant influence in these investments and the investments are considered as in substance ordinary shares.

(iii) In 2016, one of the Group's investees became listed on NASDAQ Global Market. As the investment has readily determinable fair value upon listing, the Group reclassified this investment as an available-for-sale security upon its listing and recorded the investment at fair value with unrealized holding gain or loss recognized in other comprehensive income under ASC 320.

In 2017, The Group disposed of 4 investments with total consideration of RMB57,651 and the aggregate gain resulting from the disposals is RMB45,861.

The Group assesses the existence of indicators for other-than-temporary impairment of the investments by considering factors including, but not limited to, current economic and market conditions, the operating performance of the entities including current earnings trends and other entity-specific information. In 2015, 2016 and 2017, based on the Group's assessment, an impairment charge of RMB6,000, RMB80,104 and RMB 43,205 was recognized in general and administrative expenses, respectively, against the carrying value of the investments due to significant deterioration in earnings or unexpected changes in business prospects of the investees as compared to the original investment plans.

(All amount in thousands, except share and per share data, unless otherwise stated)

12. Property and equipment, net

Property and equipment consists of the following:

	December 31,	
	2016 RMB	2017 RMB
Gross carrying amount		
Buildings	482,333	731,640
Servers, computers and equipment	565,786	588,589
Leasehold improvements	80,812	18,651
Decoration of buildings	68,981	100,711
Motor vehicles	24,016	27,330
Furniture, fixture and office equipment	23,259	24,102
Construction in progress	5,586	44,103
Total	1,250,773	1,535,126
Less: accumulated depreciation	(412,023)	(518,128)
Property and equipment, net	838,750	1,016,998

Depreciation expense for the years ended December 31, 2015, 2016 and 2017 were RMB122,098, RMB173,625 and RMB 176,715, respectively.

In 2017, the Group disposed of certain leasehold improvements and equipment and the loss from the disposals was RMB17,620.

13. Land use right, net

Land use right consists of the following:

	December 31, 2017 RMB
Gross carrying amount	1,924,563
Less: accumulated amortization	(91,824)
Land use right, net	1,832,739

Amortization expense for the years ended December 31, 2016 and 2017 were RMB43,915 and RMB47,909, respectively.

The estimated amortization expenses for each of the following five years are as follows:

	Amortization expense of intangible assets
2018	48,096
2019	48,096
2020	48,096
2021	48,096
2022	48,096

(All amount in thousands, except share and per share data, unless otherwise stated)

14. Intangible assets, net

The following table summarizes the Group's intangible assets:

	December 31,	
	2016 RMB	2017 RMB
Gross carrying amount		
Operating rights	98,929	47,020
Software	30,632	34,413
Domain names	27,311	25,774
Technology	18,282	17,676
Brand names	59,034	-
Others	18,300	-
Total of gross carrying amount	252,488	124,883
Less: accumulated amortization		
Operating rights	(77,659)	(40,320)
Software	(13,110)	(19,448)
Domain names	(8,449)	(9,687)
Technology	(9,457)	(10,695)
Brand names	(21,810)	-
Others	(3,592)	-
Total accumulated amortization	(134,077)	(80,150)
Less: accumulated impairment	(59,485)	(7,252)
Intangible assets, net	58,926	37,481

Amortization expense for the years ended December 31, 2015, 2016 and 2017 were RMB64,201, RMB56,977 and RMB14,510, respectively.

(All amount in thousands, except share and per share data, unless otherwise stated)

14. Intangible assets, net (continued)

The estimated amortization expenses for each of the following five years are as follows:

	Amortization expense of intangible assets
2018	13,050
2019	8,639
2020	4,666
2021	1,838
2022	1,798

The weighted average amortization periods of intangible assets as of December 31, 2016 and 2017 are as below:

	December 31,	
	2016	2017
Domain names	15 years	15 years
Technology	5 years	5 years
Software	5 years	4 years
Operating rights	1 years	1 year
Brand names	Not applicable	Not applicable

15. Goodwill

The changes in the carrying amount of goodwill for the years ended December 31, 2016 and 2017 are as follows:

	YY Live RMB	100 Education RMB	Total RMB
Balance as of December 31, 2015	37,452	114,186	151,638
Decrease in goodwill related to disposal (i)	(19,354)	(100,382)	(119,736)
Impairment charges (ii)	(3,861)	(13,804)	(17,665)
Foreign currency translation adjustments	63	-	63
Balance as of December 31, 2016	14,300	-	14,300
Impairment charges (ii)	(2,527)	-	(2,527)
Foreign currency translation adjustments	(57)	-	(57)
Balance as of December 31, 2017	11,716	-	11,716

15. Goodwill (continued)

(i) In June 2016, the Group disposed of 60% equity interest of Beifu and ceased to consolidate Beifu as a subsidiary. Goodwill of RMB19,354 was derecognized in the segment of YY Live (Note 4).

In December 2016, the Group disposed 33.86% equity interest of Xingxue and ceased to consolidate Xingxue as a subsidiary. Goodwill of RMB100,382 was derecognized in the segment of 100 Education upon this disposal (Note 4).

(ii) The Group performs its annual goodwill impairment test of each reporting unit as of October 1, or more frequently, if certain events or circumstances warrant. Events or changes in circumstances which might indicate potential impairment in goodwill include the entity-specific factors, including, but not limited to, stock price volatility, market capitalization relative to net book value, and projected revenue, market growth and operating results.

In December 2016, the Group has identified impairment indicator for 100-Online Education Technology (Beijing) Co., Ltd.(“100-Online”) as well as impairment indicator for Bilin Online. Based on the results of the impairment assessment, an impairment charge of RMB13,804 for 100-Online and an impairment charge of RMB3,861 for Bilin Online were recognized, respectively.

In December 2017, the Group has identified impairment indicator for Guangzhou Zhuque Information Technology Co., Ltd. (“Zhuque”). Based on the results of the impairment assessment, an impairment charge of RMB2,527 for Zhuque was recognized.

The above goodwill impairment assessments on 100-Online, Bilin Online and Zhuque adopted the income approach and considered a combination of factors, including, but not limited to, market conditions, expected future cash flows, growth rates and discount rates, which required the Group to make certain estimates and assumptions regarding industry economic factors and future profitability of the business.

(All amount in thousands, except share and per share data, unless otherwise stated)

16. Deferred revenue

	December 31,	
	2016 RMB	2017 RMB
Deferred revenue, current		
Live streaming	308,545	637,346
Membership	47,532	55,035
Online games	61,589	49,065
Others	13,017	16,598
Total current deferred revenue	430,683	758,044
Deferred revenue, non-current		
Live streaming	12,002	45,267
Membership	6,273	6,918
Others	7,184	5,533
Total non-current deferred revenue	25,459	57,718

17. Accrued liabilities and other current liabilities

	December 31,	
	2016 RMB	2017 RMB
Revenue sharing fees	521,654	839,745
Salaries and welfare	200,606	220,539
Marketing and promotion expenses	68,243	109,901
Bandwidth costs	86,186	102,064
Value added taxes and other taxes payable	56,677	23,204
Deposits from content providers and suppliers	18,779	22,140
Other payable to content providers	22,725	20,849
Others	91,168	127,521
Total	1,066,038	1,465,963

18. Short-term loans

	December 31,	
	2016 RMB	2017 RMB
Short-term loans	-	588,235

The Group entered into agreements with banks, pursuant to which the Group borrowed three loans with total principal amount of US$90 million (equal to RMB588,235) within a credit facility of US$160 million. These loans were all with a maturity of less than one year and the annual interest rates of these loans ranged from 2.0% to 3.0%. Term deposit of RMB1,000 million was pledged as collateral for the banking facilities of US$160 million.

(All amount in thousands, except share and per share data, unless otherwise stated)

19. Convertible bonds

	December 31,	
	2016 RMB	2017 RMB
Convertible bonds, current		
2019 Convertible Senior Notes	2,773,925	-
Less: issuance cost	(5,456)	-
	2,768,469	-
Convertible bonds, non-current		
2019 Convertible Senior Notes	-	6,536

On March 18, 2014, the Company issued Convertible Senior Notes due 2019 with principal amount of US$400 million (the “Notes”). The Notes bear interest at a rate of 2.25% per year, payable semi-annually in arrears on April 1 and October 1 of each year, beginning on October 1, 2014. The Notes will mature on April 1, 2019. The value of the Notes is initially measured by the cash received and is subsequently stated at amortized cost.

The Notes are not redeemable prior to the maturity date of April 1, 2019, except that the holders of the Notes (the “Holders”) have a noncontingent option to require the Company to repurchase for cash all or any portion of their Notes on April 1, 2017. The repurchase price will equal 100% of the principal amount of the Notes to be repurchased plus accrued and unpaid interest, if any, to, but excluding, the repurchase date.

US$399 million aggregate principal amount of the Notes were redeemed on April 1, 2017. Following the repurchase, US$1 million aggregate principal amount of the Notes remains outstanding and will be due in 2019.

As of December 31, 2016 and 2017, RMB2.8 billion (US$399 million) and RMB 6.5 million (US$1.0 million) has been accounted for as the value of the Notes in current liabilities and non-current liabilities respectively.

Interest expense recognized during the years ended December 31, 2016 and 2017 was RMB81,085 and RMB20,820.

(All amount in thousands, except share and per share data, unless otherwise stated)

20. Cost of revenues

	For the year ended December 31,		
	2015 RMB	**2016 RMB**	**2017 RMB**
Revenue sharing fees and content costs	2,343,224	3,790,624	5,727,081
Bandwidth costs	570,169	651,652	695,839
Salary and welfare	198,153	232,497	237,063
Depreciation and amortization	145,135	173,048	128,639
Payment handling costs	104,849	67,474	72,953
Other taxes and surcharges	27,794	44,659	48,360
Share-based compensation	23,963	15,894	42,759
Other costs	166,457	127,582	73,708
Total	3,579,744	5,103,430	7,026,402

21. Other income

	For the year ended December 31,		
	2015 RMB	**2016 RMB**	**2017 RMB**
Government grants	79,541	128,550	88,873
Others	2,759	954	24,314
Total	82,300	129,504	113,187

22. Income tax

(i) Cayman Islands ("Cayman")

Under the current tax laws of Cayman Islands, the Company and its subsidiaries 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) 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

Under the current Hong Kong Inland Revenue Ordinance, the subsidiaries of the Group in Hong Kong are subject to 16.5% Hong Kong profit tax on its taxable income generated from operations in Hong Kong. Additionally, payments of dividends by the subsidiary incorporated in Hong Kong to the Company are not subject to any Hong Kong withholding tax.

(iv) PRC Enterprise Income Tax ("EIT")

The Company's subsidiaries and VIEs in China are governed by the Enterprise Income Tax Law ("EIT Law"), which became effective on January 1, 2008. Pursuant to the EIT Law and its implementation rules, enterprises in China are generally subject to tax at a statutory rate of 25%. Certified High and New Technology Enterprises ("HNTE") are entitled to a favorable statutory tax rate of 15%, but need to re-apply every three years. During this three year period, an HNTE must conduct a qualification self-review each year to ensure it meets the HNTE criteria and is eligible for the 15% preferential tax rate for that year. If an HNTE fails to meet the criteria for qualification as an HNTE in any year, the enterprise cannot enjoy the 15% preferential tax rate in that year, and must instead use the regular 25% EIT rate.

Enterprises qualified as software enterprises can enjoy an income tax exemption for two years beginning with their first profitable year and a 50% tax reduction to the applicable tax rate for the subsequent three years. An entity that qualifies as a "Key National Software Enterprise" (a "KNSE") is entitled to a further reduced preferential income tax rate of 10%. Enterprises wishing to enjoy the status of a Software Enterprise or a KNSE must perform a self-assessment each year to ensure they meet the criteria for qualification and file required supporting documents with the tax authorities before using the preferential EIT rates. These enterprises will be subject to the tax authorities' assessment each year as to whether they are entitled to use the relevant preferential EIT treatments. If at any time during the preferential tax treatment years an enterprise uses the preferential EIT rates but the relevant authorities determine that it fails to meet applicable criteria for qualification, the relevant authorities may revoke the enterprise's Software Enterprise/KNSE status.

The EIT Law also provides that an enterprise established under the laws of a foreign country or region but whose "de facto management body" is located in the PRC be treated as a resident enterprise for PRC tax purposes and consequently be subject to the PRC income tax at the rate of 25% for its global income. The Implementing Rules of the EIT Law merely define the location of the "de facto management body" as "the place where the exercising, in substance, of the overall management and control of the production and business operation, personnel, accounting, properties, etc., of a non-PRC company is located." Based on a review of surrounding facts and circumstances, the Group does not believe that it is likely that its entities registered outside of the PRC should be considered as resident enterprises for the PRC tax purposes.

The Group's PRC entities provided for enterprise income tax are as follows:

- Guangzhou Huaduo applied for the renewal of HNTE qualification and received approval in December 2016. Guangzhou Huaduo is entitled to continue to enjoy the beneficial tax rate of 15% as an HNTE for the years 2016 through 2018, and will need to re-apply for HNTE qualification renewal in 2019.

- In 2017, Guangzhou Huanju Shidai was qualified as a KNSE after the relevant government authorities' assessment and was entitled to a preferential income tax rate of 10% beginning from 2016.

- In June 2017, Guangzhou Juhui Information Technology Co., Ltd. was qualified as a Software Enterprise, and started to enjoy the zero preferential tax rate beginning from 2016 and 12.5% preferential tax rate beginning from 2018.

- Other PRC subsidiaries and VIEs were subject to 25% EIT for the periods reported.

22. 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 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").

Certain subsidiaries and VIEs of the Group successfully claimed the Super Deduction in ascertaining the tax assessable profits for the periods reported.

The EIT Law also imposes a withholding income tax of 10% on dividends distributed by a FIE to its immediate holding company outside of China, if such immediate holding company is considered as a non-resident enterprise without any establishment or place within China or if the received dividends have no connection with the establishment or place of such immediate holding company within China, unless such immediate holding company's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. The Cayman Islands, where the Company incorporated, does not have such tax treaty with China. According to the arrangement between the mainland China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion in August 2006, dividends paid by an FIE in China to its immediate holding company in Hong Kong will be subject to withholding tax at a rate of no more than 5% (if the foreign investor owns directly at least 25% of the shares of the FIE). In accordance with accounting guidance, all undistributed earnings are presumed to be transferred to the parent company and are subject to the withholding taxes. All FIEs are subject to the withholding tax from January 1, 2008. The presumption may be overcome if the Group has sufficient evidence to demonstrate that the undistributed dividends will be re-invested and the remittance of the dividends will be postponed indefinitely.

Aggregate undistributed earnings and reserves of the Group entities located in the PRC that are available for distribution to the Company as of December 31, 2016 and 2017 are approximately RMB4,784,432 and RMB7,605,499, respectively.

In 2017, the Group determined to cause one of its PRC subsidiaries, Guangzhou Huanju Shidai, to declare and distribute a cash dividend of part of its stand-alone 2014-2016 earnings, amounted to US$15,000, to its direct oversea parent company, Duowan BVI. So Guangzhou Huanju Shidai paid for the withholding tax in the amount of US$1,500 in 2017.

(All amount in thousands, except share and per share data, unless otherwise stated)

22. Income tax (continued)

(iv) PRC Enterprise Income Tax ("EIT") (continued)

The Group has a plan to indefinitely reinvest its funds and any future earnings for use in the operation and expansion of its business. Accordingly, no deferred tax liability on 10% WHT of aggregate undistributed earnings and reserves of the Company's subsidiaries located in the PRC has been accrued that would be payable upon the distribution of those amounts to the Company as of December 31, 2016 and 2017.

Composition of income tax expense

The current and deferred portions of income tax expense included in the consolidated statements of comprehensive income are as follows:

	For the year ended December 31,		
	2015 RMB	**2016 RMB**	**2017 RMB**
Current income tax expenses	(203,366)	(288,282)	(411,892)
Deferred income tax benefits (expenses)	25,039	7,768	(3,919)
Income tax expense for the year	(178,327)	(280,514)	(415,811)

Reconciliation of the differences between statutory tax rate and the effective tax rate

The reconciliation of total tax expense computed by applying the respective statutory income tax rate to pre-tax income is as follows:

	For the year ended December 31,		
	2015	**2016**	**2017**
PRC Statutory income tax rate	(25.0)%	(25.0)%	(25.0)%
Effect of preferential tax rate	14.0%	11.6%	13.2%
Effect of tax-exempt entities	(1.6)%	(1.7)%	(0.3)%
Effect of change in tax rate	0.5%	-	-
Permanent differences (i)	(3.8)%	(1.1)%	(1.8)%
Change in valuation allowance	(1.7)%	(1.5)%	(2.3)%
Effect of Super Deduction available to the Group	2.3%	2.0%	1.8%
Effective income tax rate	(15.3)%	(15.7)%	(14.4)%

(i) Permanent differences mainly arise from expenses not deductible for tax purposes including primarily share-based compensation costs and expenses incurred by subsidiaries and VIEs.

(All amount in thousands, except share and per share data, unless otherwise stated)

22. Income tax (continued)

(iv) PRC Enterprise Income Tax ("EIT") (continued)

Deferred tax assets and liabilities

Deferred taxes are 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, 2016 and 2017 are as follows:

	December 31,	
	2016 RMB	**2017 RMB**
Deferred tax assets:		
Tax loss carried forward	66,816	74,951
Allowance for doubtful accounts receivable, accrued expense and others not currently deductible for tax purposes	65,721	62,177
Deferred revenue	57,284	97,858
Impairment of investment	7,949	12,783
Others	753	753
Valuation allowance (i)	(80,712)	(135,505)
Total deferred tax assets, net	117,811	113,017
Deferred tax liabilities:		
Related to acquired intangible assets	3,281	2,406
Others	4,777	8,404
Total deferred tax liabilities, net	8,058	10,810

(i) Valuation allowance is provided against deferred tax assets when the Group determines that it is more likely than not that the deferred tax assets will not be utilized in the future. In making such determination, the Group considered factors including future taxable income exclusive of reversing temporary differences and tax loss carry forwards. Valuation allowance was provided for net operating loss carry forward because it was more likely than not that such deferred tax assets would not be realized based on the Group's estimate of its future taxable income. 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.

Tax loss carry forwards

As of December 31, 2017, the Group had tax loss carry forwards of approximately RMB301,227, 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
2018	9,362
2019	14,323
2020	72,556
2021	69,190
2022	135,796
Total	301,227

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. There were no ongoing examinations by tax authorities as of December 31, 2017.

(All amount in thousands, except share and per share data, unless otherwise stated)

23. Mezzanine equity

	December 31,	
	2016 RMB	**2017 RMB**
Huya's Series A Preferred Shares (i)	-	509,668
Other mezzanine equity	9,272	15,329
Total	9,272	524,997

(i) Huya's Series A Preferred Shares

On May 16, 2017, Huya entered into a Series A Preferred Shares subscription agreement with the Series A investors and pursuant to which, Huya issued 22,058,823 shares of series A preferred shares of Huya ("Series A Preferred Shares") at a price of US$3.4 per share with total cash consideration of US$75,000 (equivalent to RMB509,730 as of the issuance date). The issuance of the Series A Preferred Shares was completed on July 10, 2017.

The key terms of the Series A Preferred Shares are summarized as follows:

Dividends rights

Holders of the Series A Preferred Shares shall be entitled to receive preferential dividends, payable out of funds or assets when and as such funds or assets become legally available therefor on parity with each other, when, as, and if declared by the Board of Directors of Huya, at a non-cumulative rate of at least 8% per annum, prior and in preference to the holders of any other class or series of shares, additionally, the holders of Series A Preferred Shares shall be entitled to receive dividends at the rate no less than the rate for the holders of any other class or series of shares of Huya (calculated on an as converted basis).

Conversion feature

Each Series A Preferred Share shall be convertible at the option of the holder thereof, at any time after the Series A issue date into such number of fully paid and non-assessable ordinary share as determined by dividing the Series A issue price by the then-effective applicable Series A conversion price. Upon the closing of a qualified IPO of Huya, each Series A Preferred Share shall automatically be converted into fully-paid and non-assessable ordinary shares of Huya based on the then-effective Series A conversion price. The "Series A conversion price" as of the date of issuance of the Series A Preferred Shares shall initially be the Series A issue price, resulting in an initial conversion ratio for the Series A Preferred Shares of 1:1, and thereafter shall be subject to adjustment and readjustment from time to time as hereinafter provided, being no less than the par value. Adjustments of conversion ratios include the following: adjustment for share splits and combinations, adjustment for ordinary share dividends and distributions, adjustments for other dividends, adjustments for reorganizations, mergers, consolidations, reclassifications, exchanges, substitutions and adjustments to Series A conversion price for dilutive issuance (dilutive issuance means the event of an issuance of new securities, at any time after the issuance date of the Series A Preferred Shares, for a consideration per ordinary share received by Huya (net of any selling concessions, discounts or commissions) less than conversion price of the Series A Preferred Shares in effect immediately prior to such issue.

23. Mezzanine equity (continued)

(i) Huya's Series A Preferred Shares (continued)

Redemption feature

At any time and from time to time after the fourth (4th) anniversary of the date of issuance of the Series A Preferred Shares (the "Redemption Date"), upon written notice of the holders of fifty percent (50%) or more of the then issued and outstanding Series A Preferred Shares, Huya shall redeem all or a portion of the Series A Preferred Shares held by such holders at the Series A Redemption Price (as defined below), provided that (a) a qualified IPO, (b) the liquidation, dissolution or winding up of Huya and (c) a deemed liquidation event has not been consummated by Huya by the Redemption Date.

The "Series A Redemption Price" for each Series A Preferred Share redeemed shall be 100% of the Series A issue price plus accrued daily interest (on the basis of a 365-day year basis) at a rate of eight percent (8%) per annum and any declared but unpaid dividends on such Series A Preferred Share.

If Huya's assets or funds legally available for any redemption of Series A Preferred Shares shall be insufficient to permit the payment of the applicable Series A Redemption Price in full in respect of each redeeming Series A Preferred Share, with respect to any remaining Series A Preferred Shares to be redeemed, each of the redeeming holders of the Series A Preferred Shares may choose to request Huya to (and Huya upon such request shall) execute and deliver to such redeeming holder a convertible promissory note (the "Convertible Note") for the full amount of the redemption payment due but not paid to such holder; provided, that such Convertible Note shall be due and payable no later than twelve months of the redemption closing date, the full amount due under such Convertible Note shall accrue interest daily (on the basis of a 365-day year) at a rate of eight percent (8%) per annum.

Voting rights

The holder of a Series A Preferred Share shall be entitled to such number of votes as equals the whole number of ordinary shares into which such holder's collective Series A Preferred Shares are convertible immediately.

Liquidation preferences

In the event of any liquidation, dissolution or winding up of Huya, whether voluntary or involuntary, all assets and funds of Huya legally available for distribution to the members (after satisfaction of all creditors' claims and claims that may be preferred by Law) shall be distributed to the members of Huya as follows:

(1) First, the holders of the Series A Preferred Shares shall be entitled to receive for each Series A Preferred Share held by such holder, on parity with each other and prior and in preference to any distribution of any of the assets or funds of Huya to the holders of any other class or series of shares by reason of their ownership of such shares, an amount equal to the sum of (i) 100% of the Series A issue price, and (ii) any and all accrued or declared but unpaid dividends on such Series A Preferred Shares (collectively, the "Series A Preference Amount").

If 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 Series A Preference Amount, then the entire assets and funds of Huya legally available for distribution shall be distributed ratably among the holders of the Series A Preferred Shares in proportion to the aggregate Series A Preference Amount each such holder is otherwise entitled to receive pursuant to this subparagraph (1).

(2) If there are any assets or funds remaining after the Series A Preference Amount has been distributed or paid in full to the applicable Series A preferred shareholders pursuant to subparagraph (1) above, the remaining assets and funds of Huya available for distribution to the members shall be distributed ratably among all members according to the relative number of ordinary shares held by such member (treating for this subparagraph (2) all Series A Preferred Shares as if they had been converted to ordinary shares immediately prior to such liquidation, dissolution or winding up of Huya).

(All amount in thousands, except share and per share data, unless otherwise stated)

23. Mezzanine equity (continued)

(i) Huya's Series A Preferred Shares (continued)

Accounting of Series A Preferred Shares

Huya classified the Series A Preferred Shares as mezzanine equity in the consolidated balance sheets because they were redeemable at the holders' option any time after a certain date and were contingently redeemable upon the occurrence of certain liquidation events outside of Huya's control. The Preferred Shares are recorded initially at fair value, net of issuance costs.

As holders of the Series A Preferred Shares who exercise the redemption rights are allowed to request Huya to issue a convertible note if Huya's assets or funds legally available for redemption are insufficient, the host contract is considered to be a debt host. The Group determined that there were no embedded derivatives requiring bifurcation from the host contract. The redemption feature is considered clearly and closely related to the host contract. While the conversion feature is not clearly and closely related to the host contract, no bifurcation is required as the conversion feature does not meet the definition of a derivative because the terms of the contracts do not require or explicitly state that it permits net settlement for the conversion feature.

Huya recognized accretion to the respective redemption value of the Series A Preferred Shares over the period starting from issuance date to the earliest redemption date. Huya recognized accretion of the Series A Preferred Shares amounted to US$3,000 (equivalent to RMB19,842) for the year ended December 31, 2017. The accretion to the redemption value of the Series A Preferred Shares would also be US$3,000 (equivalent to RMB19,842) and the balance of redemption value of the Series A Preferred Shares would be US$78,000 (equivalent to RMB 509,668) as if they were redeemable at December 31, 2017.

Huya's redeemable convertible preferred shares activities for the year ended December 31, 2017 are summarized below:

	Huya RMB
Balances as of January 1, 2017	-
Issuance of Huya's preferred shares	509,730
Accretion of redeemable convertible preferred shares to redemption value	19,842
Foreign exchange	(19,904)
Balance as of December 31, 2017	509,668

Huya has used the discounted cash flow method to determine the underlying share value of Huya and adopted equity allocation model to determine the fair value of the Series A Preferred Shares as of the dates of issuance.

Key valuation assumptions used to determine the fair value of Series A Preferred Shares are as follows:

	For the year ended December 31, 2017
Discount rate	25%-35%
Risk-free interest rate	1.70%
Volatility	50%-80%

24. Common shares

On May 4, 2014 and March 5, 2015, the Company's board of directors approved two share repurchase programs (the "Share Repurchase Program") respectively, pursuant to which the Company may repurchase from time to time at management's discretion, at prevailing market prices in the open market in accordance with Rule 10b-18 under the Securities Exchange Act of 1934, up to US$200 million in total of the Company's outstanding ADSs for a period not to exceed twelve (12) months from the date of approval by board of directors. For the year ended December 31, 2015, the Company had repurchased an aggregate of 3,092,556 ADSs, representing 61,851,120 Class A common shares at an average price of US$54.82 per ADS, or US$2.74 per Class A common share, for aggregate consideration of US$169.5 million. Pursuant to ASC 505, since the shares were repurchased for constructive retirement, the excess of repurchase price over par value was recorded as deduction of additional paid-in capital upon the repurchase date.

During the year ended December 31, 2015, 26,110,680 Class A common shares were issued for the exercised share options, vested restricted shares and restricted share units and 57,794,720 Class B common shares were converted to Class A common shares.

As of December 31, 2015, 10,000,000,000 Class A common shares and 1,000,000,000 Class B common shares had been authorized, 728,227,848 Class A common shares and 369,557,976 Class B common shares had been issued and outstanding, respectively.

During the year ended December 31, 2016, 11,887,180 Class A common shares were issued for the exercised share options, vested restricted shares and restricted share units and 10,000,000 Class B common shares were converted to Class A common shares.

As of December 31, 2016, 10,000,000,000 Class A common shares and 1,000,000,000 Class B common shares had been authorized, 750,115,028 Class A common shares and 359,557,976 Class B common shares had been issued and outstanding, respectively.

On August 21, 2017, the Group completed its follow-on equity offering. The Company issued a total of 132,250,000 Class A common shares at US$3.5 per share. The net proceeds received by the Company, after deducting commissions and offering expenses, amounted to approximately US$442.2 million.

During the year ended December 31, 2017, 21,305,880 Class A common shares were issued for the exercised share options, vested restricted shares and restricted share units and 41,575,000 Class B common shares were converted to Class A common shares.

As of December 31, 2017, 10,000,000,000 Class A common shares and 1,000,000,000 Class B common shares had been authorized, 945,245,908 Class A common shares and 317,982,976 Class B common shares had been issued and outstanding, respectively.

(All amount in thousands, except share and per share data, unless otherwise stated)

25. Share-based compensation

(a) YY's share-based awards

(i) Share options

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, to acquire common shares of Duowan BVI on a one-to-one basis on January 1, 2008 and 2009 respectively. 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 years' 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, 2015, 2016 and 2017:

	Number of options	Weighted average exercise price (US$)	Weighted average remaining contractual life (years)	Aggregate intrinsic value (US$)
Outstanding, vested and exercisable, December 31, 2014	7,380,345	0.0061	3.52	22,959
Exercised	(6,611,970)	0.0061	2.46	
Outstanding, vested and exercisable, December 31, 2015	768,375	0.0067	2.99	2,395
Exercised	(234,720)	0.0067	2.00	
Outstanding, vested and exercisable, December 31, 2016	533,655	0.0067	1.98	1,048
Exercised	(379,120)	0.0067	0.97	
Outstanding, vested and exercisable, December 31, 2017	154,535	0.0067	1.00	873

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 Company's common shares as of December 31, 2015, 2016 and 2017 and the exercise price.

The total intrinsic value of options exercised during the year ended December 31, 2015, 2016 and 2017 amounted to RMB122,956, RMB3,270 and RMB9,415, respectively. Since all the share options have been vested, no share-based compensation expense related to share options were incurred for the years ended December 31, 2015, 2016 and 2017.

(All amount in thousands, except share and per share data, unless otherwise stated)

25. Share-based compensation (continued)

(a) YY's share-based awards (continued)

(ii) Restricted Share Units

On September 16, 2011, the board of directors of the Company approved the 2011 Share Incentive Scheme. In October 2012, the board of directors of the Company resolved that the maximum aggregate number of Class A common shares which may be issued pursuant to all awards under the 2011 Share Incentive Scheme shall be 43,000,000 plus an annual increase of 20,000,000 on the first day of each fiscal year, or such lesser amount of Class A common shares as determined by the board of directors of the Company.

During the years ended December 31, 2015, 2016 and 2017, the Company granted restricted share units to employees of 16,012,644, 1,530,008 and 22,090,030 respectively pursuant to the 2011 Share Incentive Plan.

During the years ended December 31, 2017, the Company granted restricted share units to non-employees of 150,000 pursuant to the 2011 Share Incentive Plan.

The following table summarizes the restricted share units activity for the years ended December 31, 2015, 2016 and 2017:

	Number of restricted shares	Weighted average grant-date fair value (US$)
Outstanding, December 31, 2014	38,806,095	1.5984
Granted	16,012,644	3.3358
Forfeited	(7,312,548)	1.8920
Vested	(11,222,589)	1.4374
Outstanding, December 31, 2015	36,283,602	2.3535
Granted	1,530,008	1.8618
Forfeited	(4,628,202)	2.7386
Vested	(12,229,688)	2.0151
Outstanding, December 31, 2016	20,955,720	2.4320
Granted	22,090,030	5.3001
Forfeited	(4,007,728)	2.5561
Vested	(8,163,878)	2.3227
Outstanding, December 31, 2017	30,874,144	4.4969
Expected to vest at December 31, 2017	27,320,315	4.3810

For the years ended December 31, 2015, 2016 and 2017, the Company recorded share-based compensation of RMB152,205, RMB143,350 and RMB211,189, using the graded-vesting attribution method.

As of December 31, 2017, total unrecognized compensation expense relating to the restricted share units was RMB505,073. The expense is expected to be recognized over a weighted average period of 1.12 years using the graded-vesting attribution method.

(All amount in thousands, except share and per share data, unless otherwise stated)

25. Share-based compensation (continued)

(b) Huya's share-based awards

(i) Share options

Grant of options

On July 10, 2017, the Board of Directors of Huya approved the establishment of Huya 2017 Share Incentive Plan, the purpose of which is to provide an incentive for employees contributing to Huya. The Huya 2017 Share Incentive Plan shall be valid and effective for 10 years from the grant date. The maximum number of shares that may be issued pursuant to all awards (including incentive share options) under Huya 2017 Share Incentive Plan shall be 17,647,058 shares. For the year ended December 31, 2017, Huya granted 11,737,705 share options to employees pursuant to the Huya 2017 Share Incentive Plan.

Vesting of options

There are two types of vesting schedule under the Huya 2017 Share Incentive Plan, which are: i) 50% of the options will be vested after 24 months of the grant date and the remaining 50% will be vested in two equal installments over the following 24 months, and ii) options will be vested in four equal installments over the following 48 months.

These options shall (i) be exercisable during its term cumulatively according to the vesting schedule set out in the grant notice and with the applicable provisions of Huya 2017 Share Incentive Plan, provided that the performance conditions otherwise agreed by the parties (if any) to which the option is subject have been fulfilled upon each corresponding vesting date; (ii) be deemed vested and exercisable immediately in the event of a change of control, regardless of the vesting schedule; (iii) be exercisable upon any arrangement as otherwise agreed by the parties based on their discussion in good faith.

Movements in the number of share options granted to Huya's employees and their related weighted average exercise prices are as follows:

	Number of options	Weighted average exercise price (US$)	Weighted average remaining contractual life (years)
As of January 1, 2017	-	-	-
Granted	11,737,705	2.5500	10.00
Forfeited	(18,000)	2.5500	
As of December 31, 2017	11,719,705	2.5500	9.75
Expected to vest at December 31, 2017	10,675,362	2.5500	9.61

(All amount in thousands, except share and per share data, unless otherwise stated)

25. Share-based compensation (continued)

(b) Huya's share-based awards (continued)

(i) Share options (continued)

Vesting of options (continued)

Forfeitures are estimated at the time of grant. If necessary, forfeitures are revised in subsequent periods if actual forfeitures differ from those estimates.

Huya has used binomial option-pricing model to determine the fair value of the share options as of the grant dates. Key assumptions are set as below:

	For the year ended December 31, 2017
Weighted average fair value per option granted	1.3798
Weighted average exercise price	2.5500
Risk-free interest rate (1)	2.25%
Expected term (in year) (2)	10
Expected volatility (3)	55%
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) Huya has no history or expectation of paying dividend on its ordinary shares. The expected dividend yield was estimated based on Huya's expected dividend policy over the expected term of the option.

For the year ended December 31, 2017, the Company recorded share-based compensation of RMB19,473, using the graded-vesting attribution method.

As of December 31, 2017, there was RMB77,660 unrecognized share-based compensation expense relating to Huya 2017 Share Incentive Plan granted to employees. The expense is expected to be recognized over a weighted-average remaining vesting period of 1.25 years using the graded-vesting attribution method.

(ii) Ordinary Share awards

In October 2017, the Company transferred, at nominal consideration, 1,551,495 ordinary shares of Huya to the management of the Group, for their service provided. The share awards were immediately vested and the Company recorded a share-based compensation charge of RMB28,226 for the year ended December 31, 2017.

The fair value of the ordinary shares of Huya was determined at the grant date by the Company.

(c) Other subsidiaries' share-based awards

For the years ended December 31, 2015, 2016 and 2017, the Company recorded share-based compensation of RMB33,167, RMB13,936 and a reversal of RMB1,227 for restricted shares to the founder of the subsidiaries of a variable interest entity.

(All amount in thousands, except share and per share data, unless otherwise stated)

26. Basic and diluted net income per share

Basic and diluted net income per share for the years ended December 31, 2015, 2016 and 2017 are calculated as follows:

	For the year ended December 31,		
	2015 RMB	2016 RMB	2017 RMB
Numerator:			
Net income attributable to the Company	1,033,243	1,523,918	2,493,235
Interest expenses of convertible notes	-	81,085	20,820
Numerator for diluted income per share	1,033,243	1,605,003	2,514,055
Denominator:			
Denominator for basic calculation—weighted average number of Class A and Class B common shares outstanding	1,125,189,978	1,127,343,312	1,186,460,144
Dilutive effect of share options	2,711,486	684,455	376,918
Dilutive effect of restricted share units	22,929,699	15,816,362	11,598,378
Dilutive effect of convertible bonds[(1)]	-	72,267,200	18,202,301
Denominator for diluted calculation	1,150,831,163	1,216,111,329	1,216,637,741
Basic net income per Class A and Class B common share	0.92	1.35	2.10
Diluted net income per Class A and Class B common share	0.90	1.32	2.07
Basic net income per ADS*	18.37	27.04	42.03
Diluted net income per ADS*	17.96	26.40	41.33

* Each ADS represents 20 common shares.

(1) The weighted average number of common shares outstanding which could potentially dilute basic earnings per share in the future related to the 2019 Convertible Senior Notes was 72,267,200 and 18,202,301 for the years ended December 31, 2016 and 2017 respectively. The 2019 Convertible Senior Notes were included in the computation of diluted earnings per share in 2017 and 2016 because the inclusion of such instrument would be dilutive, while it was excluded in 2015 because the inclusion of such instrument would be anti-dilutive.

27. Related party transactions

The table below sets forth the major related parties and their relationships with the Group:

Major related parties	Relationship with the Group
Guangzhou Sunhongs Corp., Ltd. (“Guangzhou Sunhongs”) (Formerly knowed as Guangzhou Shanghang Information Technology Co., Ltd.)	Significant influence exercised by a principal shareholder of the Company
Bigo Inc. (“Bigo”)	Cost investment with significant influence
Shanghai Ansha Network Technology Co., Ltd.(“Shanghai Ansha”)	Cost investment with significant influence
Shanghai Rongyi Culture Development Co., Ltd.(“Shanghai Rongyi”)	Cost investment with significant influence
Guangzhou Chenjun Equity Investment Limited Partnership(“Guangzhou Chenjun”)	Equity investment
Guangzhou Kuyou Information Technology Co., Ltd.(“Guangzhou Kuyou”)	Equity investment
Zhuhai Daren Computer Technology Co., Ltd. (“Zhuhai Daren”)	Equity investment
Beijing Huanqiu Xingxue Technology Development Co., Ltd.(“Xingxue”)	Equity investment
Yunke Online[(1)]	Equity investment

(1) Yunke Online became the Group’s equity investment in February 2017.

(All amount in thousands, except share and per share data, unless otherwise stated)

27. Related party transactions (continued)

During the years ended December 31, 2015, 2016 and 2017, significant related party transactions are as follows:

	For the year ended December 31,		
	2015 RMB	2016 RMB	2017 RMB
Bandwidth service provided by Guangzhou Sunhongs	74,661	96,224	92,068
Online games revenue shared from related parties	163,912	100,078	87,414
Repayment of loans from related parties	160,000	-	35,462
Partial disposal of investments to Guangzhou Chenjun	-	33,750	35,160
Loan to related parties	159,000	44,500	24,962
Payment on behalf of related parties, net of repayments	(60,870)	10,699	(23,116)
Partial disposal of a subsidiary to Guangzhou Chenjun	-	24,394	-
Purchase of operating rights from related parties	21,508	-	-
Others	21,153	13,573	14,987

As of December 31, 2016 and 2017, the amounts due from/to related parties are as follows:

	December 31,	
	2016 RMB	2017 RMB
Amounts due from related parties, current		
Due from Bigo	31,528	9,831
Due from Guangzhou Chenjun	58,144	-
Due from Xingxue	20,000	-
Due from Shanghai Rongyi	13,000	-
Others	12,573	1,359
Total	135,245	11,190
Amounts due from related parties, non-current		
Due from Yunke Online	-	20,000
Amounts due to related parties		
Due to Guangzhou Sunhongs	10,925	8,432
Due to Guangzhou Kuyou	30,996	7,583
Due to Shanghai Ansha	-	6,178
Due to Zhuhai Daren	1,998	5,269
Due to Xingxue	42,128	50
Others	5,198	2,990
Total	91,245	30,502

The other receivables/payables from/to related parties are unsecured and payable on demand.

28. 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.

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 other financial instruments that were required to be measured at fair value on a recurring basis as of December 31, 2017 except for three available-for-sale investments and short-term investments.

(All amount in thousands, except share and per share data, unless otherwise stated)

28. Fair value measurements (continued)

The following table summarizes the Company's assets that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy as of December 31, 2016 and December 31, 2017:

	As of December 31, 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Items				
Investment - Available-for-sale securities	182,480	-	6,117	188,597

	As of December 31, 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Items				
Short-term investments	29,570	94,980	-	124,550
Investment - Available-for-sale securities	138,251	-	1,961	140,212
	167,821	94,980	1,961	264,762

Short-term investments represented the investments issued by commercial banks with a variable interest rate indexed to the performance of underlying assets within one year. For the instruments whose fair value is provided by banks at the end of each period, the Company classifies the valuation techniques that use these inputs as Level 1 of fair value measurements. For the instruments whose fair value is estimated based on quoted prices of similar products provided by banks at the end of each period, the Company classifies the valuation techniques that use these inputs as Level 2 of fair value measurements.

The available-for-sale securities classified as Level 1 of fair value measurements is reported at fair value using a market approach based on its stock price. As of December 31, 2017, the accumulated unrealized income representing a change in fair value of RMB87,802 was recorded in accumulated other comprehensive income (loss) in the consolidated balance sheets.

The available-for-sale securities classified in Level 3 represented investment in the redeemable preferred shares of a private company.

The roll forward of Level 3 investments are as following:

	Level 3 Available-for-sale securities
Fair value as at January 1, 2016 and January 1, 2017	6,117
Other than temporary impairment	(6,117)
Addition	2,033
Foreign currency translation adjustment	(72)
Fair value as at December 31, 2017	1,961

Apart from the short-term investments and available-for-sale securities, the Company's other financial instruments consist principally of cash and cash equivalents, short-term deposits, restricted short-term deposits, accounts receivable, other receivables, amounts due to/from related parties, accounts payable, certain accrued expenses and convertible bonds. The recorded values of cash and cash equivalents, short-term deposits, restricted short-term deposits, accounts receivable, other receivables, amounts due to/from related parties, accounts payable, certain accrued expenses and convertible bonds are recorded at cost which approximates fair value. The fair value of convertible bonds is within Level 2 of the fair value hierarchy.

(All amount in thousands, except share and per share data, unless otherwise stated)

29. 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 RMB53,674, RMB76,753 and RMB62,211 for the years ended December 31, 2015, 2016 and 2017, respectively.

As of December 31, 2017, future minimum payments under non-cancellable operating leases consist of the following:

	Office rental RMB
2018	34,002
2019	10,030
2020	7,344
2021 and after	404
	51,780

(b) Capital commitments

As of December 31, 2017, the Group had outstanding capital commitments totaling RMB111,966, which consisted of capital expenditures related to properties.

(c) Litigation

In October 2014, Guangzhou NetEase Computer System Co., Ltd. (“Guangzhou NetEase”) brought a copyright infringement claim against the Group in the Intermediate People’s Court of Guangzhou, alleging that the Group’s live game broadcasting program has infringed the copyright of one of their online games called Fantasy Westward Journey. The claimant is seeking RMB100 million for their potential damages, requesting YY to cease the copyright infringement practices and apologize publicly.

In November 2017, the local court passed a judgment requesting the Company to compensate such game publisher for its loss amounting to RMB20 million, as a result of the alleged copyright infringement. This judgment is not final and has not taken effect as the Company appealed the case to the appellate court. Based on its estimate as of December 31, 2017, the Company recorded an estimated loss contingency of RMB20 million in its financial statements.

30. Subsequent events

(a) In April 2018, Huya has filed a draft registration statement on Form F-1 to the U.S. Securities and Exchange Commission (the "SEC") for a proposed IPO ("Proposed IPO") of ADSs representing ordinary shares of Huya. The number of ADSs proposed to be offered and sold and the dollar amount proposed to be raised in the Proposed IPO have not yet been determined. The Proposed IPO is expected to commence after the SEC completes its review process, subject to market and other conditions. However, there can be no assurances as to the timing or completion of the Proposed IPO.

(b) On March 8, 2018, Huya issued 64,488,235 shares of Series B-2 redeemable convertible preferred shares ("Series B-2 Preferred Shares") at a price of US$7.16 per share for cash consideration of US$461.6 million to Linen Investment Limited, a wholly owned subsidiary of Tencent Holdings Limited ("Tencent"), representing an equity interest of 34.6% of Huya on an as-converted basis (the "Transaction"). The holders of the Series B-2 Preferred Shares are entitled to participate in any dividend pari passu with ordinary shareholders of Huya on an as-converted basis. In the event of a liquidation, dissolution or winding up of Huya, the holders of the Series B-2 Preferred Shares shall be entitled to receive an amount equal to the higher of (a) the sum of (i) 100% of the Series B-2 issue price, and (ii) any and all accrued or declared but unpaid dividends on such Series B-2 Preferred Shares or (b) the pro-rata share of the distributions of Huya available to all holders of ordinary shares on an as-converted basis. Upon the closing of the Transaction, the terms of liquidation preference for the holders of the Series A Preferred Shares were changed as the same with those of the holders of the Series B-2 Preferred Shares, which is after the distribution or payment in full of the payment to the holders of the Series B-2 Preferred Shares discussed above. Each Series B-2 Preferred Share is convertible at the option of the holder, at any time after the issuance of such shares, and each share can be converted into one Class B ordinary share of Huya. In addition, each Series B-2 Preferred Share would automatically be converted into a Class B ordinary share of Huya upon the closing of a qualified IPO. Upon the occurrence of a redemption event and upon written notice of the holders of 50% or more of the then issued and outstanding Series B-2 Preferred Shares, Huya shall redeem all or a portion of the Series B-2 Preferred Shares held by such holders at a price equal to the Series B-2 issue price plus accrued daily interest at a rate of 8% per annum and any declared but unpaid dividends on such Series B-2 Preferred Shares. If Huya's assets or funds legally available for redemption are insufficient, the holders of the Series B-2 Preferred Shares who exercise the redemption rights are allowed to request Huya to issue a convertible note for the full amount of the redemption payment due but not paid to the holders. In addition, Huya also granted a right to Tencent to enable it to purchase additional equity shares and increase its voting interest in Huya to reach 50.10% on an as-converted and fully diluted basis. The additional equity shares will be settled by the Company's equity shares in Huya or equity shares newly issued by Huya if the Company decides not to sell its shares. Tencent has the exclusive right to exercise the right, at any time, commencing on the second anniversary of the closing of the Transaction and ending on the third anniversary of the closing. The exercise price of the right was equal to the higher of (i) the price per ordinary share based on Huya's post-money valuation upon the closing of the Transaction, and (ii) either (1) a per ordinary share issue price for the most recent qualified financing of Huya, if Huya has not then completed a qualified IPO at the time of Tencent's exercise of such purchase right, or (2) the average of closing trading prices in the last 20 trading days prior to Huya's and the Company's receipt of Tencent's written notice to exercise such purchase right, if Huya is then a public company.

Concurrent with the Transaction, Huya adopted a dual voting structure on its shares. Huya's ordinary shares were divided into Class A and Class B ordinary shares, while Huya's preferred shares were divided into Series A-1, Series A-2, Series B-1 and Series B-2 preferred shares. Holders of Class A ordinary shares, Series A-1 and Series B-1 preferred shares ("Low Vote Shares") are entitled to one vote per share in all shareholders' meetings, while holders of Class B ordinary shares, Series A-2 and Series B-2 preferred shares ("High Vote Shares") are entitled to ten votes per share. Each Class B ordinary share is convertible into one Class A ordinary share at any time at the discretion of the Class B shareholders thereof, while Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Each Series A-2 and Series B-2 preferred share is convertible into one Class B ordinary share of Huya, while Series A-1 and Series B-1 preferred shares are only convertible into Class A ordinary shares and shall not be convertible into Class B ordinary shares. Prior to the consummation of a qualified IPO, in the event of any direct or indirect sale or transfer of any High Vote Shares to a party other than any of holders of High Vote Shares, such High Vote Shares, which are Class B ordinary shares, Series A-2 preferred shares or Series B-2 preferred shares, shall convert into an equal number of Low Vote Shares, which are Class A ordinary shares, Series A-1 preferred shares or Series B-1 preferred shares. Upon the closing of a qualified IPO, each Series A-2 and Series B-2 preferred share would automatically be converted into a Class B ordinary share, while each Series A-1 and Series B-1 preferred share would automatically be converted into a Class A ordinary share. After a qualified IPO, upon any sale, transfer, assignment or disposition of any Class B ordinary share by a shareholder to any person who is not an affiliate of such shareholder, or upon a change of ultimate beneficial ownership of any Class B ordinary share to any person who is not an affiliate of the registered shareholder of such share, such Class B ordinary share shall be automatically and immediately converted into one Class A ordinary share. Except for conversion rights and voting rights, holders of Class A and Class B ordinary shares have the same rights, Series A-1 and Series A-2 preferred shares have the same rights, and Series B-1 and Series B-2 have the same rights, respectively. High Vote Shares are held by the Company, the CEO of Huya and Tencent, respectively, representing 58.0%, 2.9% and 38.0% voting interest in Huya on an as-converted basis, as of the closing of the Transaction.

Upon the completion of the Transaction, Huya's Board of Directors consists three directors, in which the Company appointed two directors and Tencent appointed one director. As the Company has the majority of voting power, the Company remains control over Huya.

30. Subsequent events (continued)

(c) On February 5, 2018, Tencent and Huya, through their respective PRC affiliated entities, entered into a business cooperation agreement, which became effective on March 8, 2018. Pursuant to the agreement, both parties agreed to establish strategic cooperation relationship in various areas, including game publishing and operation, live game streaming content provision and broadcaster management. Detail cooperation terms will be negotiated on a case by case basis in the normal course of business. This agreement has a term of three years, which will be renewed subject to both parties' negotiation.

(d) On March 20, 2018 and March 22, 2018, the Company sold its 1,397,059 Class B ordinary shares of Huya to one of the holders of Huya's Series A-1 preferred shares, D.I. Alpha Media Company Limited and 6,985,294 Class B ordinary shares to one third party investor, HHHY Holdings Limited, at a price of US$7.16 per share. Such Class B ordinary shares were automatically converted into an equal number of Class A ordinary shares.

(e) On February 23, 2018, Duowan BVI entered into an Equity Transfer Agreement with Momo Inc., NASDAQ listed company, pursuant to which Duowan BVI has agreed to dispose 9.84% equity interest in Tantan Limited, at a consideration of US$86 million. Upon completion of the disposal, the Group will cease to hold any interest in Tantan. The pre-tax gain arising from this disposal is approximately US$56.3 million.

(f) On March 15, 2018, Huya granted 6,102,353 share options with an exercise price of US$2.55 to Huya's chairman and certain consultants with the same terms as those of share options granted in 2017, which have been disclosed in Note 25(b). The grant date fair value of the option was estimated to be approximately US$5.21 per share.

(g) On March 31, 2018, Huya granted 3,655,084 restricted shares units to certain employees. There are two types of vesting schedule, which are: i) 50% of the restricted share units will be vested after 24 months of the grant date and the remaining 50% will be vested in two equal installments over the following 24 months, and ii) restricted share units will be vested in four equal installments over the following 48 months. The grant date fair value was estimated to be approximately US$7.16 per share.

(h) In March 2018, Duowan BVI acquired all the equity interest of Bilin Information Technology Co., Ltd ("Bilin Information") held by the minority equity holders at a consideration of RMB30 million, and Bilin Information became a wholly owned subsidiary of the Company.

31. 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 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 as calculated under U.S. GAAP amounted to approximately RMB2,678,921 and RMB3,559,861 as of December 31, 2016 and 2017, respectively. There are no differences between U.S. 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 and VIEs to satisfy any obligations of the Company.

The Company performed a test on the restricted net assets of subsidiaries and VIEs in accordance with Securities and Exchange Commission Regulation S-X Rule 4-08 (e) (3), "General Notes to Financial Statements" and concluded that the restricted net assets exceeded 25% of the consolidated net assets of the Company as of December 31, 2017 and the condensed financial information of the Company are required to be presented (Note 32).

32. Segment Reporting

Starting from the first quarter of 2015, in order to better evaluate the Group's business performance and better allocate resources the CODM began to review YY IVAS and others, Huya broadcasting, and 100 Education separately.

In June 2016, the Group revamped the branding from YY IVAS to YY Live. Therefore, the segment of "YY IVAS and others" was renamed as "YY Live". For the year ended December 31, 2015, net revenues of "YY IVAS" and "others" were presented to the CODM's review separately. Following the revamp of the branding, net revenues of "YY Live" as a whole are presented to the CODM's review. Segment presentation for the year ended December 31, 2015 has been updated to be consistent with the segment presentation for the year ended December 31, 2016 and 2017.

As the Company has disposed of a great majority of its online education business before the end of 2016 and disposed of the remaining portion of its online education business in the beginning of 2017, 100 Education ceased to be an operating segment starting from the first quarter of 2017.

In addition, the Company revamped its internal organization and one sub-business stream previously presented and reviewed under YY Live was changed to be presented and reviewed under Huya from the first quarter of 2017. Segment information of comparative periods has been restated accordingly.

Starting from the three months ended December 31, 2017, the Company reviews the financial performance of the operating segments up to the net income of each segment. Segment information for comparative periods has been revised to be presented on the same basis as the year ended December 31, 2017.

As the Group's long-lived assets and revenue are substantially located in and derived from the PRC, no geographical segments are presented.

The Group currently does not allocate assets to all of its segments, as its CODM does not use such information to allocate resources or evaluate the performance of the operating segments.

(All amount in thousands, except share and per share data, unless otherwise stated)

32. Segment Reporting (continued)

The following table presents summary information by segment:

For the year ended December 31, 2017:

	YY Live RMB	Huya RMB	Total RMB
Net revenues			
Live streaming	8,601,418	2,069,536	10,670,954
Online games	511,175	32,680	543,855
Membership	189,489	8,072	197,561
Others	107,894	74,528	182,422
Total net revenues	9,409,976	2,184,816	11,594,792
Cost of revenues[(1)]	(5,096,538)	(1,929,864)	(7,026,402)
Gross profit	4,313,438	254,952	4,568,390
Operating expenses[(1)]			
Research and development expenses	(611,726)	(170,160)	(781,886)
Sales and marketing expenses	(603,989)	(87,292)	(691,281)
General and administrative expenses	(442,646)	(101,995)	(544,641)
Goodwill impairment	(2,527)	-	(2,527)
Total operating expenses	(1,660,888)	(359,447)	(2,020,335)
Gain on deconsolidation and disposal of subsidiaries	37,989	-	37,989
Other income	103,558	9,629	113,187
Operating income (loss)	2,794,097	(94,866)	2,699,231
Interest expense	(32,122)	-	(32,122)
Interest income	166,335	14,049	180,384
Gain on partial disposal of investments	45,861	-	45,861
Foreign currency exchange losses, net	(2,176)	-	(2,176)
Income (loss) before income tax expenses	2,971,995	(80,817)	2,891,178
Income tax expenses	(415,811)	-	(415,811)
Income (loss) before share of income (loss) in equity method investments, net of income taxes	2,556,184	(80,817)	2,475,367
Share of income (loss) in equity method investments, net of income taxes	33,175	(151)	33,024
Net income (loss)	2,589,359	(80,968)	2,508,391

(All amount in thousands, except share and per share data, unless otherwise stated)

32. Segment Reporting (continued)

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

	YY Live RMB	Huya RMB	Total RMB
Cost of revenues	39,882	2,877	42,759
Research and development expenses	113,174	9,174	122,348
Sales and marketing expenses	3,626	791	4,417
General and administrative expenses	60,871	27,266	88,137

(All amount in thousands, except share and per share data, unless otherwise stated)

32. Segment Reporting (continued)

The following table presents summary information by segment:

For the year ended December 31, 2016:

	YY Live RMB	Huya RMB	100 Education RMB	Total RMB
Net revenues				
Live streaming	6,235,249	791,978	-	7,027,227
Online games	634,325	-	-	634,325
Membership	284,860	-	-	284,860
Others	91,985	4,926	160,727	257,638
Total net revenues	7,246,419	796,904	160,727	8,204,050
Cost of revenues[(1)]	(3,900,814)	(1,094,644)	(107,972)	(5,103,430)
Gross profit (loss)	3,345,605	(297,740)	52,755	3,100,620
Operating expenses[(1)]				
Research and development expenses	(456,375)	(188,334)	(30,521)	(675,230)
Sales and marketing expenses	(259,040)	(68,746)	(59,482)	(387,268)
General and administrative expenses	(375,958)	(71,325)	(35,154)	(482,437)
Goodwill impairment	(3,861)	-	(13,804)	(17,665)
Fair value change of contingent consideration	-	-	-	-
Total operating expenses	(1,095,234)	(328,405)	(138,961)	(1,562,600)
Gain on deconsolidation and disposal of subsidiaries	103,960	-	-	103,960
Other income	129,504	-	-	129,504
Operating income (loss)	2,483,835	(626,145)	(86,206)	1,771,484
Gain on partial disposal of investments	25,061	-	-	25,061
Interest expense	(81,085)	-	-	(81,085)
Interest income	66,631	518	44	67,193
Foreign currency exchange losses, net	1,158	-	-	1,158
Income (loss) before income tax expenses	2,495,600	(625,627)	(86,162)	1,783,811
Income tax (expenses) benefits	(294,529)	-	14,015	(280,514)
Income (loss) before share of income (loss) in equity method investments, net of income taxes	2,201,071	(625,627)	(72,147)	1,503,297
Share of income (loss) in equity method investments, net of income taxes	8,390	-	(111)	8,279
Net income (loss)	2,209,461	(625,627)	(72,258)	1,511,576

(All amount in thousands, except share and per share data, unless otherwise stated)

32. Segment Reporting (continued)

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

	YY Live RMB	Huya RMB	100 Education RMB	Total RMB
Cost of revenues	9,893	5,677	324	15,894
Research and development expenses	53,085	19,538	6,193	78,816
Sales and marketing expenses	2,781	326	-	3,107
General and administrative expenses	19,523	26,557	13,389	59,469

(All amount in thousands, except share and per share data, unless otherwise stated)

32. Segment Reporting (continued)

For the year ended December 31, 2015:

	YY Live RMB	Huya RMB	100 Education RMB	Total RMB
Net revenues				
Live streaming	4,183,533	356,324	-	4,539,857
Online games	771,882	-	-	771,882
Membership	291,310	-	-	291,310
Others	170,426	-	123,774	294,200
Total net revenues	5,417,151	356,324	123,774	5,897,249
Cost of revenues[(1)]	(2,784,637)	(668,493)	(126,614)	(3,579,744)
Gross profit (loss)	2,632,514	(312,169)	(2,840)	2,317,505
Operating expenses[(1)]				
Research and development expenses	(359,598)	(152,351)	(36,850)	(548,799)
Sales and marketing expenses	(229,295)	(48,303)	(35,272)	(312,870)
General and administrative expenses	(233,086)	(33,318)	(92,070)	(358,474)
Goodwill impairment	(128,035)	-	(182,089)	(310,124)
Fair value change of contingent consideration	107,306	-	185,165	292,471
Total operating expenses	(842,708)	(233,972)	(161,116)	(1,237,796)
Other income	82,300	-	-	82,300
Operating income (loss)	1,872,106	(546,141)	(163,956)	1,162,009
Interest expense	(97,125)	-	-	(97,125)
Interest income	137,759	-	133	137,892
Foreign currency exchange losses, net	(38,099)	-	-	(38,099)
Other non-operating expenses	(2,165)	-	-	(2,165)
Income (loss) before income tax expenses	1,872,476	(546,141)	(163,823)	1,162,512
Income tax (expenses) benefits	(193,064)	-	14,737	(178,327)
Income (loss) before share of income in equity method investments, net of income taxes	1,679,412	(546,141)	(149,086)	984,185
Share of income in equity method investments, net of income taxes	14,120	-	-	14,120
Net income (loss)	1,693,532	(546,141)	(149,086)	998,305

(All amount in thousands, except share and per share data, unless otherwise stated)

32. Segment Reporting (continued)

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

	YY Live RMB	Huya RMB	100 Education RMB	Total RMB
Cost of revenues	20,932	2,642	389	23,963
Research and development expenses	52,395	11,759	6,797	70,951
Sales and marketing expenses	2,628	655	-	3,283
General and administrative expenses	49,137	5,425	32,613	87,175

33. Additional information – condensed financial statements

The condensed financial statements of YY Inc. have been prepared in accordance with SEC Regulation S-X Rule 5-04 and Rule 12-04.

The Company records its investments in subsidiaries and VIEs under the equity method of accounting. Such investments to subsidiaries and VIEs are presented on the balance sheet as “Interests in subsidiaries and VIEs” and the profit of the subsidiaries and VIEs is presented as “Share of profit of subsidiaries and VIEs” in the statement of comprehensive income.

The footnote disclosures contain supplemental information relating to the operations of the Company and, as such, these financial statements should be read in conjunction with the notes to the consolidated financial statements of the Company. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted.

As of December 31, 2016 and 2017, there were no material contingencies, significant provisions for long-term obligations, or guarantees of the Company, except for those, if any, which have been separately disclosed in the consolidated financial statements.

(All amount in thousands, except share and per share data, unless otherwise stated)

33. Additional information – condensed financial statements (continued)

(a) Condensed balance sheets of YY Inc. as of December 31, 2016 and 2017

	As of December 31,		
	2016	2017	2017
	RMB	RMB	US$ (Note 2(e))
Assets			
Current assets			
Amounts due from a subsidiary	1,947,080	2,671,590	410,616
Non-current assets			
Interests in subsidiaries and VIEs	5,883,684	8,535,113	1,311,823
Total assets	7,830,764	11,206,703	1,722,439
Liabilities and shareholders' equity			
Current liabilities			
Interests payable	15,800	777	119
Convertible bonds	2,768,469	-	-
Short-term loans	-	588,235	90,410
Total current liabilities	2,784,269	589,012	90,529
Non-current liabilities			
Convertible bonds	-	6,536	1,005
Total liabilities	2,784,269	595,548	91,534
Shareholders' equity			
Class A common shares (US$0.00001 par value; 10,000,000,000 shares authorized, 750,115,028 shares issued and outstanding as of December 31, 2016 and 945,245,908 shares issued and outstanding as of December 31, 2017)	44	57	9
Class B common shares (US$0.00001 par value; 1,000,000,000 shares authorized, 359,557,976 shares issued and outstanding as of December 31, 2016 and 317,982,976 shares issued and outstanding as of December 31, 2017)	26	23	4
Additional paid-in capital	2,165,766	5,339,844	820,719
Retained earnings	2,787,593	5,280,828	811,648
Accumulated other comprehensive income (loss)	93,066	(9,597)	(1,475)
Total shareholders' equity	5,046,495	10,611,155	1,630,905
Total liabilities and shareholders' equity	7,830,764	11,206,703	1,722,439

(All amount in thousands, except share and per share data, unless otherwise stated)

33. Additional information – condensed financial statements (continued)

(b) Condensed statements of comprehensive income of YY Inc. for the years ended December 31, 2015, 2016 and 2017

	For the year ended December 31,			
	2015	2016	2017	2017
	RMB	RMB	RMB	US$ (Note2(e))
Share of profit of subsidiaries and VIEs	1,108,029	1,605,003	2,525,357	388,140
Interest expense	(74,786)	(81,085)	(32,122)	(4,937)
Net income	1,033,243	1,523,918	2,493,235	383,203
Other comprehensive income (loss) :				
Unrealized gain (loss) of available-for-sale securities	-	134,768	(41,150)	(6,325)
Foreign currency translation adjustments, net of nil tax	4,414	(5,317)	(61,513)	(9,454)
Total comprehensive income	1,037,657	1,653,369	2,390,572	367,424

(c) Condensed statements of cash flows of YY Inc. for the years ended December 31, 2015, 2016 and 2017

	For the year ended December 31,			
	2015	2016	2017	2017
	RMB	RMB	RMB	US$ (Note2(e))
Cash flows from operating activities	-	-	-	-
Cash flows from investing activities				
Repayment of loans from a subsidiary	-	-	2,132,512	327,761
Loans to a subsidiary	-	-	(2,950,607)	(453,500)
Net cash used in investing activities	-	-	(818,095)	(125,739)
Cash flows from financing activities				
Proceeds from bank borrowings	-	-	621,118	95,464
Proceeds from issuance of common shares, net of issuance cost	-	-	2,950,607	453,500
Repayment of convertible bonds	-	-	(2,753,630)	(423,225)
Net cash provided by financing activities	-	-	818,095	125,739
Net increase in cash and cash equivalents	-	-	-	-
Cash and cash equivalents at the beginning of the year	-	-	-	-
Cash and cash equivalents at the end of the year	-	-	-	-

Exhibit 4.34

HUYA INC.

AMENDED AND RESTATED 2017 SHARE INCENTIVE PLAN

ARTICLE 1

PURPOSE

The purpose of the HUYA Inc. Amended and Restated 2017 Share Incentive Plan (the "Plan") is to promote the success and enhance the value of HUYA 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. The Plan amends and restates the 2017 Share Incentive Plan of the Company adopted by the Board in July 2017 (the "2017 Incentive Plan") and all rights and interests under the 2017 Incentive Plan will be acknowledged and replaced by the grants to be made hereunder.

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 “Expiration Date” means July 10, 2027.

2.15 “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.

2.16 “Incentive Share Option” means an Option that is intended to meet the requirements of Section 422 of the Code or any successor provision thereto.

2.17 “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.

2.18 “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.

2.19 “Non-Qualified Share Option” means an Option that is not intended to be an Incentive Share Option.

2.20 "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.

2.21 "Participant" means a person who, as a member of the Board, Consultant or Employee, has been granted an Award pursuant to the Plan.

2.22 "Parent" means a parent corporation under Section 424(e) of the Code.

2.23 "Plan" means this Amended and Restated 2017 Share Incentive Plan, as it may be amended from time to time.

2.24 "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.

2.25 "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.

2.26 "Restricted Share Unit" means the right granted to a Participant pursuant to Article 7 to receive a Share at a future date.

2.27 "Securities Act" means the Securities Act of 1933 of the United States, as amended.

2.28 "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.

2.29 "Share" means Class A ordinary shares of the Company, and such other securities of the Company that may be substituted for Shares pursuant to Article 9.

2.30 "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.

2.31 "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 28,394,117 Shares.

(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 Expiration 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 majority of the Committee shall constitute a quorum. 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. 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. This Plan shall become effective on the date of its adoption by the Board (the "Effective Date").

11.2 Replacement of Original Plan. The Plan shall replace the previously adopted 2017 Incentive Plan in its entirety, and the 2017 Incentive Plan shall cease to be effective upon the Effective Date. The Awards granted and outstanding under the 2017 Share Incentive Plan and the evidencing original Award Agreements shall survive the termination of the 2017 Incentive Plan and remain effective and binding under the Plan, subject to any amendment and modification to the original Award Agreements that the Committee, in its sole discretion, shall determine.

11.3 Expiration Date. The Plan will expire on, and no Award may be granted pursuant to the Plan after, the Expiration 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.

Exhibit 4.35

SERIES A PREFERRED SHARE SUBSCRIPTION AGREEMENT

This SERIES A PREFERRED SHARE SUBSCRIPTION AGREEMENT (this "Agreement") is made and entered into on May 16, 2017 by and among:

1. HUYA Inc., an exempted company organized and existing under the Laws of the Cayman Islands (the "Company");

2. HUYA Limited, a company organized and existing under the Laws of Hong Kong (the "HK Company");

3. Guangzhou Huya Information Technology Co., Ltd. (□□□□□□□□□□□□□), a company incorporated under the Laws of the PRC (the "Domestic Company");

4. DONG Rongjie (□□□), a citizen of the PRC, with identification card number 330227197702176836 ("Mr. Dong");

5. LI Xueling (□□□), a citizen of the PRC, with identification card number 640204197410230034 ("Mr. Li");

6. YY Inc., an exempted company organized and existing under the Laws of the Cayman Islands ("YY");

7. Jungle TT Limited, a business company with limited liability incorporated and existing under the Laws of the British Virgin Islands ("Dong SPV");

8. NEW WALES HOLDINGS LIMITED, a business company with limited liability incorporated and existing under the Laws of the British Virgin Islands;

9. LEGEND RANK VENTURES LIMITED, a business company with limited liability incorporated and existing under the Laws of the British Virgin Islands (together with NEW WALES HOLDINGS LIMITED, "Li SPVs", Li SPVs together with Dong SPV, the "Management SPVs");

10. China Ping An Insurance Overseas (Holdings) Limited, a company incorporated under the laws of Hong Kong (together with any of its Affiliates, successors and permitted assigns and transferees, "Ping An");

11. Banyan Partners Fund II, L.P., an exempted company organized and existing under the Laws of the Cayman Islands ("Banyan");

12. Engage Capital Partners II Limited, an exempted company organized and existing under the Laws of the British Virgin Islands ("Engage");

13. Morningside China TMT Fund IV, L.P., an exempted company organized and existing under the Laws of the Cayman Islands; and

14. Morningside China TMT Fund IV Co-Investment, L.P., an exempted company organized and existing under the Laws of the Cayman Islands (together with Morningside China TMT Fund IV, L.P., "Morningside", Ping An, Banyan, Engage and Morningside collectively referred hereto as the "Investors");

Each of the parties to this Agreement is referred to herein individually as a "Party" and collectively as the "Parties".

RECITALS

A. The Group is engaged in the business of providing products and services relating to audio and video broadcast and live streaming of online games (the "Business").

B. The Company holds 100% of the equity interest of the HK Company. and the HK Company is in the process of establishing, a wholly foreign-owned enterprise established under the laws of the PRC (the "WFOE"), which will be 100% owned by the HK Company. The WFOE will in turn Controls the Domestic Company through Control Documents (as defined below).

C. The Company seeks expansion capital to grow the Business and, correspondingly, seeks to secure the investment from the Investors, on the terms and subject to the conditions set forth herein.

D. The Parties desire to enter into this Agreement and make the respective representations, warranties, covenants and agreements set forth herein on the terms and conditions set forth herein.

WITNESSETH

NOW, THEREFORE, in consideration of the foregoing recitals, the mutual promises hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties intending to be legally bound hereto hereby agree as follows:

1. Definitions.

1.1 Terms. The following terms shall have the meanings ascribed to them below:

"Accounting Standards" means the generally accepted accounting principles and practices of the United States of America as in effect from time to time

"Action" means any charge, claim, action, complaint, petition, investigation, appeal, suit, litigation, grievance, inquiry or other proceeding, whether administrative, civil, regulatory or criminal, whether at law or in equity, or otherwise under any applicable Law, and whether or not before any mediator, arbitrator or Governmental Authority.

"Affiliate" means, with respect to a Person, (i) any other Person that, directly or indirectly, Controls, is Controlled by or is under common Control with such Person, and (ii) if such Person is a natural person, any Relative or spouse of such Person, or any of such spouse. In the case of the Investor, the term "Affiliate" also includes (v) any of the Investor's general partners, (w) the fund manager managing or advising such Investor and other funds managed or advised by such fund manager, (x) trusts Controlled by or for the benefit of any such Person referred to in (v) or (w), and (y) any fund or holding company formed for investment purposes that is promoted, sponsored, managed, advised or serviced by the Investor.

"Aggregate Purchase Price" means US$75,000,000.

"Ancillary Agreements" means, collectively, the Shareholders Agreement, the Loan Agreements, the Deeds of Share Charge and the Deed of Share Pledge, each as defined herein.

"Benefit Plan" means any employment Contract, deferred compensation Contract, bonus plan, incentive plan, profit sharing plan, mandatory provident scheme, occupational retirement scheme, retirement Contract or other employment compensation Contract or any other plan which provides or provided benefits for any past or present employee, officer, consultant, and/or director of a Person or with respect to which contributions are or have been made on account of any past or present employee, officer, consultant, and/or director of such a Person.

"Board" or "Board of Directors" 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 law to be closed in the PRC, Hong Kong, the British Virgin Islands or the Cayman Islands.

"Charter Documents" means, with respect to a particular legal entity, the articles of incorporation, certificate of incorporation, formation or registration (including, if applicable, certificates of change of name), memorandum of association, articles of association, bylaws, articles of organization, limited liability company agreement, trust deed, trust instrument, operating agreement, joint venture agreement, business license, or similar or other constitutive, governing, or charter documents, or equivalent documents, of such entity.

"Circular 37" means the Circular on Foreign Exchange Administration of Offshore Investment, Financing and Return Investment by Domestic Residents Utilizing Special Purpose Vehicles issued by SAFE with effect from July 14, 2014.

"Closing Date" means the date on which the Closing occurs.

"Company Owned IP" means all Intellectual Property owned by, purported to be owned by, or exclusively licensed to, the Group Companies.

"Company Registered IP" means all Intellectual Property for which registrations are owned by or held in the name of, or for which applications have been made in the name of, any Group Company.

"Consent" means any consent, approval, authorization, release, waiver, permit, grant, franchise, concession, agreement, license, exemption or order of, registration, certificate, declaration or filing with, or report or notice to, any Person, including any Governmental Authority.

"Contract" means a contract, agreement, indenture, note, bond, loan, instrument, lease, mortgage, franchise, license, commitment, purchase order, and other legally binding arrangement, whether written or oral.

"Control" of a given Person means the power or authority, whether exercised or not, to direct the business, management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by Contract or otherwise; provided, that such power or authority shall conclusively be presumed to exist upon possession of beneficial ownership or power to direct the vote of more than fifty percent (50%) of the votes entitled to be cast at a meeting of the members or shareholders of such Person or power to control the composition of a majority of the board of directors of such Person. The terms "Controlled" and "Controlling" have meanings correlative to the foregoing.

"Control Documents" means the agreements that provide contractual control to WFOE over the Domestic Company and therefore allow the Company to consolidate the financial statements of the Domestic Company with those of the Company for financial reporting purposes, including the following contracts to be entered into by and among the WFOE, the Domestic Company and the equity holders of the Domestic Company: (i) Exclusive Business Cooperation Agreement (□□□□□□□□) entered into by and between the WFOE and the Domestic Company, (ii) Exclusive Purchase Option Agreement (□□□□□□□) entered into by and among the WFOE, the Domestic Company and the equity holders of the Domestic Company, (iii) Voting Rights Proxy Agreement (□□□□□□□□□) entered into by and among the WFOE, the Domestic Company and the equity holders of the Domestic Company, and (iv) Equity Pledge Agreement (□□□□□□) entered into by and among the WFOE, the Domestic Company and the equity holders of the Domestic Company, each of which shall be in substantially the forms attached hereto as Exhibit C.

"Conversion Shares" means Ordinary Shares issuable upon conversion of any Series A Preferred Shares.

"Deeds of Share Charge" means, collectively, a deed of share charge entered into by and between NEW WALES HOLDINGS LIMITED and Ping An on or prior to the Closing and a deed of share charge entered into by and between Dong SPV and Ping An on or prior to the Closing.

"Deed of Share Pledge" means a deed of share pledge entered into by and between NEW WALES HOLDINGS LIMITED and Ping An on or prior to the Closing.

"Environmental, Health and Safety Laws" means any and all applicable Laws that: (i) relate to the pollution or protection of the environment (including air; surface water; groundwater and water in pipe, drainage or sewerage systems; land surface or sub-surface strata); (ii) prohibit, regulate, or control any Hazardous Material or any Hazardous Material Activity; or (iii) relate to the health or safety of employees, workers, occupiers, invitees or other Persons.

"Equity Securities" means, with respect to any Person that is a legal entity, any and all shares of capital stock, membership interests, units, profits interests, ownership interests, equity interests, registered capital, and other equity securities of such Person, and any right, warrant, option, call, commitment, conversion privilege, preemptive right or other right to acquire any of the foregoing, or security convertible into, exchangeable or exercisable for any of the foregoing.

"Governmental Authority" means any government of any nation, federation, province or state or any other political subdivision thereof, any entity, authority or body exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including any governmental authority, agency, department, board, commission or instrumentality of the PRC or any other country, or any political subdivision thereof, any court, tribunal or arbitrator, and any self-regulatory organization.

"Governmental Order" means any applicable order, ruling, decision, verdict, decree, writ, subpoena, mandate, precept, command, directive, consent, approval, award, judgment, injunction or other similar determination or finding by, before or under the supervision of any Governmental Authority.

"Group Company" means each of the Company, the HK Company, the WFOE, the Domestic Company, together with each Subsidiary of any of the foregoing and each other Person Controlled by the Company, and "Group" refers to all of Group Companies collectively.

"Hazardous Materials" means any radioactive, infectious, flammable, toxic or hazardous substance, chemical, material, waste, pollutant, or contaminant which poses a present or potential hazard to human health and safety or to the environment, including without limitation (i) those chemicals, substances, materials and wastes defined as "hazardous substances" or "hazardous waste" prohibited or regulated under any Environmental, Health and Safety Laws; and (ii) any petrochemical or petroleum products, radioactive materials, asbestos in any form that is or could become friable, urea formaldehyde foam insulation, transformers or other equipment that contain dielectric fluid containing polychlorinated biphenyls, radon gas, and toxic mold.

"Hazardous Material Activity" means the transportation, transfer, recycling, storage, use, labeling, treatment, manufacture, removal, disposal, remediation, Release, exposure of others to, sale, distribution, import, or export of any Hazardous Materials or any product containing Hazardous Materials.

"Hong Kong" means the Hong Kong Special Administrative Region of the People's Republic of China.

"Indebtedness" of any Person means, without duplication, each of the following of such Person: (i) all indebtedness for borrowed money, (ii) all obligations issued, undertaken or assumed as the deferred purchase price of property or services (other than trade payables entered into in the ordinary course of business), (iii) all reimbursement or payment obligations with respect to letters of credit, surety bonds and other similar instruments, (iv) all obligations evidenced by notes, bonds, debentures or similar instruments, including obligations so evidenced that are incurred in connection with the acquisition of properties, assets or businesses, (v) all indebtedness created or arising under any conditional sale or other title retention agreement, or incurred as financing, in either case with respect to any property or assets acquired with the proceeds of such indebtedness (even though the rights and remedies of the seller or bank under such agreement in the event of default are limited to repossession or sale of such property), (vi) all obligations that are capitalized (including capitalized lease obligations), (vii) all obligations under banker's acceptance, letter of credit or similar facilities, (viii) all obligations to purchase, redeem, retire, defease or otherwise acquire for value any Equity Securities of such Person, (ix) all obligations in respect of any interest rate swap, hedge or cap agreement, and (x) all guarantees issued in respect of the Indebtedness referred to in clauses (i) through (ix) above of any other Person, but only to the extent of the Indebtedness guaranteed.

"Indemnifiable Loss" means, with respect to any Person, any Action, claim, cost, damage, deficiency, diminution in value, disbursement, expense, liability, loss, obligation, penalty or settlement of any kind or nature imposed on or otherwise incurred or suffered by such Person, including without limitation, reasonable legal, accounting and other professional fees and expenses incurred in the investigation, collection, prosecution and defense of claims and amounts paid in settlement and Taxes payable by such Person by reason of the indemnification.

"Intellectual Property" means any and all (i) patents, patent rights and applications therefor and reissues, reexaminations, continuations, continuations-in-part, divisions, and patent term extensions thereof, (ii) inventions (whether patentable or not), discoveries, improvements, concepts, innovations and industrial models, (iii) registered and unregistered copyrights, copyright registrations and applications, mask works and registrations and applications therefor, author's rights and works of authorship (including artwork, Software, computer programs, source code, object code and executable code, firmware, development tools, files, records and data, and related documentation), (iv) URLs, web sites, web pages and any part thereof, (v) technical information, know-how, trade secrets, drawings, designs, design protocols, specifications, proprietary data, customer lists, databases, proprietary processes, technology, formulae, and algorithms and other intellectual property, (vi) trade names, trade dress, trademarks, domain names, service marks, logos, business names, and registrations and applications therefor, and (vii) the goodwill symbolized or represented by the foregoing.

"Key Employee" means each of the Persons listed in Schedule III hereof.

"Knowledge" means, with respect to the Warrantors, the actual knowledge and that knowledge which should have been acquired after making such due inquiry and exercising such due diligence as a prudent business person would have made or exercised in the management of his or her business affairs, including but not limited to due inquiry of all officers, directors, employees, consultants and professional advisers (including attorneys, accountants and auditors) of the Group and of its Affiliates who could reasonably be expected to have knowledge of the matters in question, and where any statement in the representations and warranties hereunder is expressed to be given or made to a Person's Knowledge, or so far as a party is aware, or is qualified in some other manner having a similar effect, the statement shall be deemed to be supplemented by the additional statement that such party has made such due inquiry and due diligence.

"Law" or "Laws" means any and all provisions of any applicable constitution, treaty, statute, law, regulation, ordinance, code, rule, or rule of common law, any governmental approval, concession, grant, franchise, license, agreement, directive, requirement, or other governmental restriction or any similar form of decision of, or determination by, or any formally issued written interpretation or administration of any of the foregoing by, any Governmental Authority, in each case as amended, and any and all applicable Governmental Orders.

"Liabilities" means, with respect to any Person, all liabilities, obligations and commitments of such Person of any nature, whether accrued, absolute, contingent or otherwise, and whether due or to become due.

"Lien" means any claim, charge, easement, encumbrance, lease, covenant, security interest, lien, option, pledge, rights of others, or restriction (whether on voting, sale, transfer, disposition or otherwise), whether imposed by Contract, understanding, law, equity or otherwise.

"Loan Agreements" means, collectively, two loan agreements entered into by and between NEW WALES HOLDINGS LIMITED and Ping An as of the same date hereto and a loan agreement entered into by and between Dong SPV and Ping An as of the same date hereof.

"Material Adverse Change" means any material adverse change, and any change in circumstances, that have a Material Adverse Effect.

"Material Adverse Effect" means any (i) event, occurrence, fact, condition, change or development that has had, has, or could reasonably be expected to have, individually or together with other events, occurrences, facts, conditions, changes or developments, a material adverse effect on the business, properties, assets, employees, operations, results of operations, condition (financial or otherwise), prospects, assets or Liabilities of the Group taken as a whole, (ii) material impairment of the ability of any Party (other than the Investor) to perform the material obligations of such party under any Transaction Documents, or (iii) material impairment of the validity or enforceability of this Agreement or any other Transaction Document against any Party hereto or thereto (other than the Investor).

"Memorandum and Articles" means the amended and restated memorandum of association of the Company and the amended and restated articles of association of the Company attached hereto as Exhibits A-1 and Exhibit A-2, respectively, to be adopted in accordance with applicable Law on or before the Closing.

"MOFCOM" means the Ministry of Commerce of the PRC or, with respect to any matter to be submitted for examination and approval by the Ministry of Commerce, any Governmental Authority which is delegated or authorized by the Ministry of Commerce to examine and approve such matter under the laws of the PRC.

"Ordinary Shares" means the Company's ordinary shares, par value US$0.0001 per share.

"Permitted Liens" means (i) Liens for Taxes not yet delinquent or the validity of which are being contested in good faith and for which there are adequate reserves on the applicable financial statements, and (ii) Liens incurred in the ordinary course of business, which (x) do not individually or in the aggregate materially detract from the value, use, or transferability of the assets that are subject to such Liens, and (y) were not incurred in connection with the borrowing of money.

"Person" means any individual, corporation, partnership, limited partnership, proprietorship, association, limited liability company, firm, trust, estate or other enterprise or entity.

"PRC" means the People's Republic of China, but solely for the purposes of this Agreement and the other Transaction Documents, excluding Hong Kong, the Macau Special Administrative Region and the islands of Taiwan.

"Public Software" means any Software that contains, or is derived in any manner (in whole or in part) from, any Software that is distributed as free Software, open source Software (e.g., Linux) or similar licensing or distribution models, including, without limitation, Software licensed or distributed under any of the following licenses or distribution models, or licenses or distribution models similar to any of the following: (A) GNU's General Public License (GPL) or Lesser/Library GPL (LGPL), (B) the Artistic License (e.g., PERL), (C) the Mozilla Public License, (D) the Netscape Public License, (E) the Sun Community Source License (SCSL), (F) the Sun Industry Standards License (SISL), (G) the BSD License, and (H) the Apache License.

"Related Party" means (i) any Affiliate, officer, director, supervisory board member, Key Employee, or holder of any Equity Security of any Group Company; and (ii) any of YY or YY's Affiliates (other than the Group Companies).

"Relative" of a natural person means any spouse, parent, grandparent, child, grandchild, sibling, uncle, aunt, nephew, niece or great-grandparent of such person.

"Release" means any spilling, leaking, pumping, pouring, emitting, emptying, injecting, depositing, discharging, escaping, leaching, dumping or disposing into or through the environment, including ambient air, surface water, soil, sediment, groundwater, or sewage systems of any substance, material or waste (whether solid, liquid or gaseous), including the abandonment or discarding of barrels, containers, and other receptacles.

"SAFE" means the State Administration of Foreign Exchange of the PRC.

"SAFE Rules and Regulations" means collectively, the Circular 37 and any other applicable SAFE rules and regulations.

"SAIC" means the State Administration of Industry and Commerce of the PRC or, with respect to the issuance of any business license or filing or registration to be effected by or with the State Administration of Industry and Commerce, any Governmental Authority which is similarly competent to issue such business license or accept such filing or registration under the Laws of the PRC.

"Securities Act" means the U.S. Securities Act of 1933, as amended and interpreted from time to time.

"Series A Preferred Shares" means the Series A Preferred Shares of the Company, par value US$0.0001 per share, with the rights and privileges as set forth in the Memorandum and Articles.

"Shareholders Agreement" means the Shareholders Agreement to be entered into by and among the parties named therein on or prior to the Closing, which shall be in substantially the form attached hereto as Exhibit B.

"Shares" means the Ordinary Shares and the Series A Preferred Shares.

"Social Insurance" means any form of social insurance required under applicable Laws, including without limitation, the PRC national and local contributions for pensions, medical insurance, unemployment insurance, work-related injury insurance, pregnancy benefits, and housing accumulation funds.

"Software" means any and all (A) computer programs, including any and all software implementations of algorithms, models and methodologies, including all source code and executable code, whether embodied in software, firmware or otherwise, documentation, development tools, designs, files, verilog files, RTL files, HDL, VHDL, net lists, records, data and mask works; and (B) databases and compilations, including any and all data and collections of data, whether machine readable or otherwise, and all rights therein.

"Subsidiary" means, with respect to any given Person, any other Person that is Controlled directly or indirectly by such given Person. For the avoidance of doubt, a branch of any Group Company shall be deemed a Subsidiary of such Group Company.

"Tax" or "Taxation" means (i) in the PRC: (a) any national, provincial, municipal, or local taxes, charges, fees, levies, or other assessments, including, without limitation, all net income (including enterprise income tax and individual income withholding tax), turnover (including value-added tax, business tax, and consumption tax), resource (including urban and township land use tax), special purpose (including land value-added tax, urban maintenance and construction tax, and additional education fees), property (including urban real estate tax and land use fees), documentation (including stamp duty and deed tax), filing, recording, social insurance (including pension, medical, unemployment, housing, and other social insurance withholding), tariffs (including import duty and import value-added tax), and estimated and provisional taxes, charges, fees, levies, or other assessments of any kind whatsoever, (b) all interest, penalties (administrative, civil or criminal), or additional amounts imposed by any Governmental Authority in connection with any item described in clause (a) above, and (c) any form of transferee liability imposed by any Governmental Authority in connection with any item described in clauses (a) and (b) above and (ii) in any jurisdiction other than the PRC: all similar Liabilities as described in clause (i)(a) and (i)(b) above.

"Tax Return" means any return, report or statement showing Taxes, used to pay Taxes, or required to be filed with respect to any Tax (including any elections, declarations, schedules or attachments thereto, and any amendment thereof), including any information return, claim for refund, amended return or declaration of estimated or provisional Tax.

"Transaction Documents" means this Agreement, the Ancillary Agreements, the Control Documents, the Memorandum and Articles, and each of the other agreements and documents otherwise required in connection with implementing the transactions contemplated by any of the foregoing.

"Warrantors" means, collectively, the Group Companies that are parties to this Agreement.

1.2 Other Defined Terms. The following terms shall have the meanings defined for such terms in the Sections set forth below:

Agreement	Preamble
Balance Sheet	3.14
Banyan	Preamble
Business	Recitals
Closing	2.4(i)
Company	Preamble
Company Affiliate	3.19(i)
Company IP	3.22(i)
Deductible	8.11(v)
Designee	11.2
Disclosure Schedule	3
Dispute	11.4(i)
Domestic Company	Preamble
Dong SPV	Preamble
Engage	Preamble
ESOP	3.2(viii)
FCPA	3.19(i)
Financial Statements	3.14
Financing Terms	8.10(i)
Government Entity	3.19(i)(d)
Government Official	3.19(i)
HK Company	Preamble
HKIAC	11.4(i)
ICP License	8.9
Indemnification Cap	8.11(iv)
Indemnified Party	8.11(i)
Investment Amount	2.1
Investors	Preamble
Lease	3.20(ii)
Li SPVs	Preamble
Licenses	3.22(v)
Management SPVs	Preamble
Material Contracts	3.18(i)
Money Laundering Laws	3.19(iii)
Morningside	Preamble
Mr. Dong	Preamble
Mr. Li	Preamble
OFAC	3.19(ii)
Parties	Preamble
Party	Preamble
Ping An	Preamble
Reimbursement	11.7
Required Governmental Consents	3.9(ii)
Restructuring Agreement	6.1(xiv)
Sanctions	3.19(ii)
SECURITIES ACT	5.6(v)
Statement Date	3.14
Subscribed Shares	2.1
U.S. Person	5.6(i)
WFOE	Recitals
YY	Preamble

2. Subscription and Issuance of Series A Preferred Shares.

2.1 Subscription and Issuance of the Series A Preferred Shares. Subject to the terms and conditions of this Agreement (including but not limited to Section 6), at the Closing (as defined below), each of the Investors and Management SPVs agrees to subscribe for, and the Company agrees to issue and allot to such Investor or Management SPV, that number of Series A Preferred Shares (the "Subscribed Shares"), as set forth opposite the name of such Investor or Management SPV in the column of "Number of Subscribed Shares" on Part II of Schedule I attached hereto, with such Investor or Management SPV to pay as consideration for such Series A Preferred Shares at a price per Series A Preferred Share of US$3.4000 and the total subscription price as set forth opposite its name on Part II of Schedule I attached hereto (the "Investment Amount"). The Subscribed Shares represent 15.7895% of the share capital of the Company on a fully-diluted basis, and shall have the rights, privileges and restrictions set forth in the Memorandum and Articles.

2.2 Shares Held by YY. The Company agrees and acknowledges that the number of Shares held directly by YY shall be such number and percentage as indicated opposite YY's name on Part I of Schedule I.

2.3 Obligations of Investors. The Parties acknowledge and agree that the Investors' obligations to subscribe the Subscribed Shares and consummate the Closing shall be several and not joint. For the avoidance of doubt, each Investor shall be entitled to proceed to the Closing and subscribe its portion of the Subscribed Shares hereto pursuant to this Section 2 as long as all closing conditions specified in Section 6 applicable to such Investor have been satisfied or waived by the relevant Party. Closing of the investment by an Investor shall not be conditional upon completion of the subscription of the relevant portion of the Subscribed Shares by the other Investor or any Management SPV in accordance with Section 2.1.

2.4 Closing.

(i) **Closing**. The consummation of the sale and issuance of the Series A Preferred Shares pursuant to Section 2.1 (the "Closing") shall take place remotely via the exchange of documents and signatures as soon as practicable, but in no event later than five (5) Business Days after all closing conditions specified in Section 6 and Section 7 hereof have been waived or satisfied (other than those conditions to be satisfied at the Closing, but subject to the satisfaction or waiver thereof at the Closing), or at such other time and place as the Company and Investors shall mutually agree in writing.

(ii) **Deliveries by the Company at the Closing**. At the Closing, in addition to any items the delivery of which is made an express condition to the Investors' obligations at the Closing pursuant to Section 6, the Company shall deliver to each Investor (a) the updated register of members of the Company, certified by the registered agent of the Company, reflecting the issuance to such Investor of the Subscribed Shares, and (b) a copy of duly executed share certificate issued in the name of such Investor representing the Subscribed Shares, with original duly executed share certificate delivered to such Investor within ten (10) Business Days after the Closing.

(iii) **Deliveries by the Investors and Management SPVs at the Closing**. At the Closing, subject to the satisfaction or waiver of all the conditions set forth in Section 6 below, each of the Investors and the Management SPVs shall pay its relevant Investment Amount by wire transfer of immediately available funds in U.S. dollars to an account designated by the Company in writing at least five (5) Business Days prior to the Closing, provided, however, that the payment of the Investment Amount by each Investor, shall be conditioned upon (a) the satisfaction of the closing conditions as set forth in the Section 6 hereof, in a manner satisfactory to each Investor, and (b) the receipt by each Investor of all the closing deliveries as set forth in the Section 6 hereof, in a manner satisfactory to each Investor. For the avoidance of doubt, the payment obligation of Dong SPV shall be performed in the following manner: (i) Dong SPV shall be obliged to pay the amount that equals the result of its Investment Amount minus USD equivalent of RMB 2,000,000 (calculated based on the central parity rate published by People's Bank of China at the Closing); (ii) □□□□□□□□□□ □□, a limited liability company wholly owned by Mr. Dong, shall be obliged to pay the investment amount of RMB 2,000,000 to the Domestic Company.

2.5 Use of Proceeds.

(i) The Company shall use the Aggregate Purchase Price for purpose of the business expansion, capital expenditures and general working capital needs in accordance with the budgets and business plans of the Group duly approved in accordance with Section 16 of the Shareholders Agreement. The Group Companies shall use the Aggregate Purchase Price without violating any applicable Laws, including without limitation any SAFE Rules and Regulations. The Aggregate Purchase Price shall not be used in the payment of any debts or obligations of any Group Company or its Subsidiaries or in the repurchase or cancellation of securities held by any shareholders of the Group Companies or for any other purpose without the prior consent of each Investor.

(ii) The Company shall not directly or indirectly use the Aggregate Purchase Price it receives pursuant to this Agreement, or lend, contribute or otherwise make available such Aggregate Purchase Price to any Subsidiary, joint venture partner or other Person for the purpose of funding or facilitating any activities or business of or with any Person towards any sales or operations in Cuba, Iran, Libya, Syria, Sudan, the Democratic People's Republic of Korea, Myanmar or any other country sanctioned by OFAC (as defined below) or for the purpose of funding any operations or financing any investments in, or make any payments to, any Person targeted by or subject to any Sanctions.

3. Representations and Warranties of the Warrantors. Subject to such exceptions as may be specifically set forth in the disclosure schedule delivered by the Warrantors to the Investors as of the date hereof (the "Disclosure Schedule", attached as Schedule IV hereto) which forms part of the representation and warranties herein and which, to the extent necessary, may be updated by the Warrantors prior to the Closing provided that such updated Disclosure Schedule shall be satisfactory to the Investors, each of the Warrantors jointly and severally represents and warrants to the Investors that each of the following statements is true, correct, complete and not misleading as of the date hereof through and including the Closing Date.

3.1 Organization, Good Standing and Qualification. Each Group Company is duly organized, validly existing and in good standing (or equivalent status in the relevant jurisdiction) under, and by virtue of, the Laws of the place of its incorporation or establishment and has all requisite power and authority to own its properties and assets and to carry on the Business and its business as now conducted and as proposed to be conducted, and to perform each of its obligations under the Transaction Documents to which it is a party. Each Group Company is qualified to do business and is in good standing (or equivalent status in the relevant jurisdiction) in each jurisdiction. Each Group Company that is a PRC entity has a valid business license issued by the SAIC or its local branch or other relevant Governmental Authorities (a true and complete most up-to-date copy of which has been delivered to the Investor), and has, since its establishment, carried on its business in compliance with the business scope set forth in its business license. Each of YY, Mr. Dong and Mr. Li has full power and legal capacity to enter into, execute and deliver this Agreement and other Transaction Documents and to undertake, perform, discharge, observe and comply with all its/his obligations and liabilities hereunder and the transactions contemplated hereby and thereby.

3.2 Capitalization and Voting Rights.

(i) **Company**. The Company's capital structure (including its authorized and issued share capital, and the holders thereof) as set forth on Schedule I is true, complete and accurate as of the time indicated therein.

(ii) **Outstanding Security Holders of the Company**. A complete and current list of all shareholders, option holders and other security holders of the Company as of the date hereof and as of the Closing Date indicating the type and number of shares, options or other securities held by each such shareholder, option holder or other security holder is set forth in Schedule I.

(iii) **HK Company**. The authorized share capital of the HK Company is and immediately prior to and following the Closing shall be US$10,000, divided into 10,000 shares of US$1.00 each, which is issued and outstanding and held by the Company.

(iv) **WFOE**. Immediately prior to and following the Closing, the registered capital of the WFOE shall be RMB70,000,000, none of which shall be contributed. The HK Company will own 100% of the registered capital of the WFOE.

(v) **Domestic Company**. The registered capital of the Domestic Company is set forth opposite its name on Section 3.2(v) of the Disclosure Schedule, together with an accurate, up-to-date list of the record and beneficial owner of such registered capital. All historical changes to the share capital of the Domestic Company and historical transfers of equity interest in the Domestic Company were made in compliance with the applicable Laws.

(vi) **No Other Securities**. Except for (a) the conversion privileges of the Series A Preferred Share, and (b) certain rights provided in the Memorandum and Articles, the ESOP the Shareholders Agreement, the Control Documents, the Loan Agreements, the Deeds of Share Charge and the Deed of Share Pledge, (A) there are no and at the Closing there shall be no other authorized or outstanding Equity Securities of any Group Company; (B) no Equity Securities of any Group Company are subject to any preemptive rights, rights of first refusal (except to the extent provided by applicable PRC Laws) or other rights to purchase such Equity Securities or any other rights with respect to such Equity Securities, and (C) no Group Company is a party or subject to any Contract that affects or relates to the voting or giving of written consents with respect to, or the right to cause the redemption, or repurchase of, any Equity Security of such Group Company. Except as set forth in the Shareholders Agreement, the Company has not granted any registration rights or information rights to any other Person, nor is the Company obliged to list, any of the Equity Securities of any Group Companies on any securities exchange. Except as contemplated under the Transaction Documents, there are no voting or similar agreements which relate to the share capital or registered capital of any Group Company.

(vii) **Issuance and Status**. All presently outstanding Equity Securities of each Group Company were duly and validly issued (or subscribed for) in compliance with all applicable Laws, preemptive rights of any Person, and applicable Contracts (if any). All share capital or registered capital, as the case may be, of each Group Company have been duly and validly issued, are fully paid (or subscribed for) and non-assessable, and are and as of the Closing shall be free of any and all Liens and any third party rights (except for any restrictions on transfer under the Transaction Documents and applicable Laws). Except as contemplated under the Transaction Documents, there are no (a) resolutions pending to increase the share capital or registered capital of any Group Company or cause the liquidation, winding up, or dissolution of any Group Company, nor has any distress, execution or other process been levied against any Group Company, (b) dividends which have accrued or been declared but are unpaid by any Group Company, (c) obligations, contingent or otherwise, of any Group Company to repurchase, redeem, or otherwise acquire any Equity Securities, or (d) outstanding or authorized equity appreciation, phantom equity, equity plans or similar rights with respect to any Group Company. All dividends (if any) or distributions (if any) declared, made or paid by each Group Company, and all repurchases and redemptions of Equity Securities of each Group Company (if any), have been declared, made, paid, repurchased or redeemed, as applicable, in accordance with its Charter Documents and all applicable Laws.

(viii) **ESOP**. The Company has reserved a total of up to 17,647,058 Ordinary Shares, representing up to 15% of the Company's issued share capital (on a fully diluted basis) prior to the Closing and 12.6316% of the Company's issued share capital (on a fully diluted basis) immediately after the Closing, for issuance pursuant to share options granted under the Company's employee share option plan (the "ESOP") to be adopted by the Company.

(ix) **Title**. Each Group Company is the sole record and beneficial holder of all of the Equity Securities of its applicable Subsidiary(ies) as set forth on Section 3.2(ix) of the Disclosure Schedule, free and clear of all Liens of any kind other than those arising under applicable Law or as set forth in the Control Documents.

3.3 Corporate Structure; Subsidiaries. Section 3.3 of the Disclosure Schedule sets forth a complete structure chart showing Group Companies, and indicating the ownership and Control relationships among all Group Companies, the nature of the legal entity which each Group Company constitutes, the jurisdiction in which each Group Company was organized or established, and each jurisdiction in which each Group Company is required to be qualified or licensed to do business as a foreign Person. No Group Company owns or Controls, or has ever owned or Controlled, directly or indirectly, any Equity Security, interest or share in any other Person or is or was a participant in any joint venture, partnership or similar arrangement. No Group Company is obligated to make any investment in or capital contribution in or on behalf of any other Person, other than as contemplated by the Transaction Documents. The Company was formed solely to acquire and hold the equity interests in the HK Company and has no other business, and since its formation has not incurred any Liability. The HK Company was formed solely to acquire and hold the equity interests in the WFOE and has no other business, and since its formation has not incurred any Liability. The other Group Companies do not engage in any business other than the Business. None of the Key Employees, and no Person owned or Controlled by any of the foregoing Person, is engaged in the Business or has any assets in relation to the Business or any Contract relating to the Business.

3.4 Authorization. Each Warrantor has all requisite power and authority to execute and deliver the Transaction Documents to which it is a party and to carry out and perform its obligations thereunder. All actions on the part of each party to the Transaction Documents (other than the Investors or Management SPVs) (and, as applicable, its officers, directors and shareholders) necessary for the authorization, execution and delivery of the Transaction Documents, the performance of all obligations of each such party, and, in the case of the Company, the authorization, issuance (or reservation for issuance), sale and delivery of the Series A Preferred Shares and the Conversion Shares, have been taken or will be taken prior to the Closing. Each Transaction Document has been or will be on or prior to the Closing, duly executed and delivered by each party thereto (other than the Investors or Management SPVs) and when executed and delivered, constitutes valid and legally binding obligations of such party, enforceable against such party in accordance with its terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other Laws of general application affecting enforcement of creditors' rights generally, and (ii) as limited by applicable Laws relating to the availability of specific performance, injunctive relief, or other equitable remedies.

3.5 Valid Issuance of Shares. The Subscribed Shares, when issued, delivered and paid for in accordance with the terms of this Agreement for the consideration expressed herein, will be duly and validly issued, fully paid and non-assessable, free from any Liens (except for any restrictions on transfer under applicable Laws and under the Transaction Documents). The Conversion Shares will be reserved at the Closing for issuance and, upon issuance in accordance with the terms of the Memorandum and Articles, will be duly and validly issued, fully paid and non-assessable, free from any Liens (except for any restrictions on transfer under applicable securities Laws and under the Transaction Documents). The issuance of the Subscribed Shares and the Conversion Shares is not subject to any preemptive rights, rights of first refusal or similar rights.

3.6 Currently Issued Shares. All currently outstanding capital shares of the Company are duly and validly issued, fully paid and non-assessable, and all outstanding shares, options, warrants and other securities of the Company and each other Group Company have been issued in full compliance with the requirements of all applicable securities laws and regulations including, to the extent applicable, the registration and prospectus delivery requirements of the Securities Act, or in compliance with applicable exemptions therefrom, and all other provisions of applicable securities laws and regulations, including, without limitation, anti-fraud provisions.

3.7 Consents; No Conflicts. All Consents from or with any Governmental Authority or any other Person required in connection with the execution, delivery and performance of the Transaction Documents, and the consummation of the transactions contemplated by the Transaction Documents, in each case on the part of any party thereto (other than the Investors) have been duly obtained or completed (as applicable) and are in full force and effect. The execution, delivery and performance of each Transaction Document by each party thereto (other than the Investors) do not, and the consummation by each such party of the transactions contemplated thereby will not, with or without notice or lapse of time or both, (i) result in any violation of, be in conflict with, or constitute a default under any provision of any Charter Document of any Group Company, (ii) result in any violation of, be in conflict with, or constitute a default under, in any material respect, any Governmental Order or any applicable Law (including without limitation the SAFE Rules and Regulations), (iii) result in any violation of, be in conflict with, or constitute a default under, or give rise to any right of termination, amendment, modification, acceleration or cancellation under, or give rise to any augmentation or acceleration of any Liability of any Group Company under, any Material Contract (as defined below), or (iv) result in the creation of any Lien upon any of the properties or assets of any Group Company other than Permitted Liens.

3.8 Offering. Subject in part to the accuracy of each Investor's respective representations set forth in Section 5 of this Agreement, the offer, sale and issuance of the Subscribed Shares are, and the issuance of the Conversion Shares will be, exempt from the qualification, registration and prospectus delivery requirements of the Securities Act and any other applicable securities Laws.

3.9 Compliance with Laws; Consents.

(i) Each Warrantor is, and has been, in compliance with all applicable Laws. No event has occurred and no circumstance exists that (with or without notice or lapse of time) (a) constitute or may constitute or result in a violation by any Warrantor of, or a failure on the part of such Warrantor to comply with, any applicable Laws, or (b) may give rise to any obligation on the part of any Warrantor to undertake, or to bear all or any portion of the cost of, any remedial action of any nature. None of the Warrantors has received any notice from any Governmental Authority regarding any of the foregoing. No Warrantor is under investigation, has received any Government Order, or is subject to any Action with respect to a violation of any Law.

(ii) To the knowledge of the Warrantors, all Consents from or with the relevant Governmental Authority required in respect of the due and proper establishment and operations of each Group Company as now conducted and all Consents relating to the conduction of the Business, including but not limited to the Consents from or with MOFCOM, SAIC, SAFE, the Ministry of Industry and Information Technology, the Ministry of Culture, Press and Publication Administration, any Tax bureau, customs authorities, product registration authorities, and health regulatory authorities and the local counterparts thereof, as applicable (or any predecessors thereof, as applicable) (collectively, the "Required Governmental Consents"), have been duly obtained or completed in accordance with all applicable Laws.

(iii) No Required Governmental Consent contains any burdensome restrictions or conditions, and each Required Governmental Consent is in full force and effect and will remain in full force and effect upon the consummation of the transactions contemplated hereby. None of the Group Companies is in default under any Required Governmental Consent or has exceeded the permitted scope of activities under any such Required Governmental Consent. To the Knowledge of the Warrantors, there is no reason to believe that any Required Governmental Consent which is subject to periodic renewal will not be granted or renewed. No Group Company has received any letter or other communication from any Governmental Authority threatening or providing notice of revocation of any Required Governmental Consent issued to any Group Company or the need for compliance or remedial actions in respect of the activities carried out directly or indirectly by any Group Company.

3.10 Non-Contravention. None of the Warrantors is or has been in, nor shall the conduct of its business as currently or proposed to be conducted result in, violation, breach or default of any term of its constitutional documents of the respective Warrantor, or in any material respect of any term or provision of any material contract to which such Warrantor is a party or by which it may be bound or of any provision of any judgment, decree, order, statute, rule or regulation applicable to or binding upon the Warrantor. None of the activities, agreements, commitments or rights of any Warrantor is ultra vires or invalid, or unauthorized. The execution, delivery and performance of and compliance with this Agreement and the other Transaction Documents and the consummation of the transactions contemplated hereby and thereby, will not result in any such violation, breach or default, or be in conflict with or constitute, with or without the passage of time or the giving of notice or both, either a default under any Warrantor's constitutional documents or any material contract to which such Warrantor is a party or by which it may be bound, or a violation of any statutes, laws, regulations or orders, or an event which results in the creation of any Lien, charge or encumbrance upon any asset of any Warrantor.

3.11 Registration Rights. Except as provided in the Shareholders Agreement, no Warrantor has granted or agreed to grant any person or entity any registration rights (including piggyback registration rights) with respect to, nor is the Company obliged to list, any of the Company's shares (or the shares of the Domestic Company) on any securities exchange. Except as contemplated under this Agreement, the Shareholders Agreement and the Control Documents, there are no voting or similar agreements which relate to the share capital of the Company or any of the equity interests of the Domestic Company.

3.12 Tax Matters.

(i) All Taxation of any nature whatsoever for which any Group Company is liable and which has fallen due for payment has been duly paid and without prejudice to the foregoing each Group Company has made all such deductions and retentions as it was obliged or entitled to make and all such payments as should have been made. In respect of any presence of a Group Company in the PRC, (i) all loss carry-forwards are valid and available under PRC Tax law to offset future taxable profits; and (ii) Tax registrations have been completed in all applicable locations in China.

(ii) All notices, computations and Tax Returns which ought to have been given or made, have been properly and duly submitted by each Group Company to the relevant Taxation authorities and all information, notices, computations and returns submitted to such authorities are true, accurate and complete and are not the subject of any material dispute nor are likely to become the subject of any material dispute with such authorities. All records which any Group Company is required to keep for Taxation purposes or which would be needed to substantiate any claim made or position taken in relation to Taxation by the relevant Group Company, have been duly kept and are available for inspection at the premises of the relevant Group Company.

(iii) The amount of Taxation chargeable on any Group Company during the relevant statutory limitation period has not been affected to any extent by any concession, arrangements, agreement or other formal or informal arrangement with any Taxation authority (not being a concession, agreement or arrangement available to companies generally).

(iv) No Group Company has within the relevant statutory limitation period paid or become liable to pay, nor are there any circumstances by reason of which it is likely to become liable to pay any interest, penalty, surcharge or fine relating to Taxation.

(v) To the Knowledge of the Group Companies, no Group Company has within the past ten years or since incorporation, whichever is earlier, been subject to or is currently subject to any investigation, audit or visit by any Taxation or excise authority, and none of the Group Companies is aware of any such investigation, audit or visit planned for the next twelve months.

(vi) No Group Company is treated for any Taxation purpose as resident in a country other than the country of its incorporation and no Group Company has, or has had within the relevant statutory limitation period a branch, agency or permanent establishment in a country other than the country of its incorporation. Each Group Company is only subject to Taxation in the country of its incorporation, and each Group Company will conduct business in a manner such that it will not become subject to Taxation in any jurisdiction other than the country of its incorporation.

(vii) The assessment of any additional Taxes with respect to the applicable Group Company for periods for which Tax Returns have been filed is not expected to exceed the recorded Liability therefor in the most recent balance sheet in the Financial Statements (as defined below). Since the Statement Date (as defined below), no Group Company has incurred any liability for Taxes outside the ordinary course of business or otherwise inconsistent with past custom and practice, and each Group Company has made adequate provisions on its books of account for all Taxes, assessments and governmental charges with respect to its business, properties and operations for such period, whether or not assessed or disputed as of the date of the applicable balance sheet.

(viii) No Group Company has been the subject of any Action by any Tax authority relating to the conduct of its business or the payment or withholding of Taxes that has not been resolved or is currently the subject of any examination or investigation by any Tax authority relating to the conduct of its business or the payment or withholding of Taxes. No Group Company is responsible for the Taxes of any other Person by reason of Contract, successor liability or otherwise, except for Taxes that are incurred in the ordinary course of business of such Group Company.

(ix) The Group Companies have been in compliance with all applicable Laws relating to all Tax credits and Tax holidays enjoyed by the Group Companies established under the Laws of the PRC or otherwise under applicable Laws which is not and will not be subject to any retroactive deduction or cancellation except as a result of retroactive effect of changes in the applicable Laws.

(x) The Company and all Group Companies have conducted all related party transactions on an arm's-length basis.

3.13 Charter Documents; Books and Records. The Charter Documents of each Group Company are in the form provided to each Investor. Each Group Company has been in compliance with its Charter Documents, and none of the Group Companies has violated or breached any of their respective Charter Documents. Each Group Company has made available to the Investors or its counsel a copy of its minute books. Such copy is true, correct and complete, and contains all amendments and all minutes of meetings and actions taken by its shareholders and directors since the time of formation through the date hereof and reflects all transactions referred to in such minutes accurately in all material respects. Each Group Company maintains its books of accounts and records in the usual, regular and ordinary manner, on a basis consistent with prior practice, and which permits its Financial Statements to be prepared in accordance with the applicable Accounting Standards. None of the books of account or records of any Group Company contains any falsified entries. The register of members and directors (if applicable) of each Group Company is correct, there has been no notice of any proceedings to rectify any such register, and there are no circumstances which might lead to any application for its rectification. All documents required to be filed by each Group Company with the applicable Governmental Authority in respect of the relevant jurisdiction in which the relevant Group Company is incorporated or established have been properly made up and filed.

3.14 Financial Statements. The audited consolidated balance sheet (the "Balance Sheet") as of December 31, 2016 (the "Statement Date") (the "Financial Statements") have been provided to each Investor. The Financial Statements (a) have been prepared in accordance with the books and records of the Group Companies, (b) fairly present in all material respects the financial condition and position of the Group Companies as of the dates indicated therein and the results of operations and cash flows of the Group Companies for the periods indicated therein, except in the case of unaudited financial statements for the omission of notes thereto and normal year-end audit adjustments that are not expected to be material, and (c) were prepared in accordance with the Accounting Standards applied on a consistent basis throughout the periods involved. All of the accounts receivable owing to any of the Group Companies, including without limitation all accounts receivable set forth on the Financial Statements, constitute valid and enforceable claims and are current and collectible in the ordinary course of business, net of any reserves shown on the Financial Statements (which reserves are adequate and were calculated on a basis consistent with the Accounting Standards), and no further goods or services are required to be provided in order to complete the sales and to entitle the applicable Group Company to collect in full in respect of any such receivables. There are no material contingent or asserted claims, refusals to pay, or other rights of set-off with respect to any accounts receivable of any Group Company. None of the receivables owing to any Group Company (i) has been due for more than sixty (60) days, (ii) is payable by an account debtor that is insolvent or bankrupt or (iii) has been pledged to any third party by any Group Company.

3.15 Changes. Since the Statement Date, each of the Group Companies has (i) operated its business (including the Business), in the ordinary course consistent with its past practice, (ii) used its reasonable best efforts to preserve its business (including the Business), (iii) collected receivables and paid payables and similar obligations in the ordinary course of business consistent with past practice, and (iv) not engaged in any new line of business or entered into Contracts except those in the ordinary course of business consistent with past practice. Except as listed in Section 3.15 of the Disclosure Schedule, since the Statement Date, there has not been any Material Adverse Effect or any material change in the way the Group conducts its business (including the Business), and there has not been:

(i) any purchase, acquisition, sale, lease, disposal of or other transfer of any assets that are individually or in the aggregate material to its business, whether tangible or intangible, other than the purchase or sale of inventory in the ordinary course of business consistent with its past practice;

(ii) any acquisition (by merger, consolidation or other combination, or acquisition of stock or assets, or otherwise) of any business or other Person or division thereof, or any sale or disposition of any business or division thereof;

(iii) any waiver, termination, cancellation, settlement or compromise of a valuable right, debt or claim;

(iv) any incurrence, creation, assumption, repayment, satisfaction, or discharge of (1) any Lien (other than Permitted Liens) or (2) any Indebtedness or guarantee, or the making of any loan or advance (other than reasonable and normal advances to employees for bona fide expenses that are incurred in the ordinary course of business consistent with its past practice), or the making of any investment or capital contribution;

(v) any amendment to or termination of any Material Contract (including any amendment or termination due to each Investor's subscription of Series A Preferred Shares), any entering of any new Contract that would have been a Material Contract if in effect on the date hereof, or any amendment to or waiver under any Charter Document;

(vi) any material change in any compensation arrangement or Contract with any employee, or adoption of any new Benefit Plan, or made any change in any existing Benefit Plan;

(vii) any declaration, setting aside, dividend payment or other distribution in respect of any Equity Securities of any Group Company, or any issuance, transfer, redemption, purchase or acquisition of any Equity Securities by any Group Company;

(viii) any damage, destruction or loss, whether or not covered by insurance, materially and adversely affecting the assets, properties, financial condition, operation or business of any Group Company;

(ix) any change in accounting methods or practices or any revaluation of any of its assets;

(x) any change in the approved or registered business scope of any Group Company established in the PRC or any change to any Consent held by such Group Company;

(xi) except in the ordinary course of business consistent with its past practice, entry into any closing agreement in respect of material Taxes, settlement of any claim or assessment in respect of any material Taxes, or consent to any extension or waiver of the limitation period applicable to any claim or assessment in respect of any material Taxes, entry or change of any material Tax election, change of any method of accounting resulting in a material amount of additional Tax or filing of any material amended Tax Return;

(xii) any commencement or settlement of any Action;

(xiii) any authorization, sale, issuance, transfer, pledge or other disposition of any Equity Securities of any Group Company;

(xiv) any resignation or termination of any Key Employee, any indication of a Key Employee's intention to terminate his/her employment with any Group Company, or any resignation or termination of any group of employees of any Group Company;

(xv) any transaction with any Related Party; or

(xvi) any agreement or commitment to do any of the things described in the preceding paragraphs of this Section 3.15.

3.16 Actions. There is no Action pending or, to the Knowledge of the Warrantors, (w) threatened against or affecting any Group Company, any of its Subsidiaries, or any of its officers, directors or employees with respect to the Business, (x) threatened against or affecting any Group Company or any of its Subsidiaries with respect to any of their assets or properties, (y) threatened against or affecting any officers, directors or employees of any Group Company in connection with such person's respective relationship with such Group Company or the use by any employee of any Group Company of any information, technology or techniques allegedly proprietary to any of their former employers, clients or other parties, nor to the Knowledge of the Warrantors is there any basis for any of the foregoing, or (z) threatened relating to the operation of the Business, nor is any Warrantor aware of any basis for the foregoing. There is no judgment or award ruling or order including any Government Order unsatisfied (x) against any Group Company, any Key Employee or office or director of any Group Company in connection with such Person's respective relationship with any Group Company which would impact any Group Company nor is there any Governmental Order in effect and binding on any Group Company or their respective assets or properties, or (y) relating to the operation of the Business. There is no Action pending by any Group Company against any third party nor does any Group Company intend to commence any such Action. No Governmental Authority has at any time challenged or questioned in writing the legal right of any Group Company to conduct its business as presently being conducted.

3.17 Liabilities. No Group Company has any Liabilities (including the Indebtedness that it has directly or indirectly created, incurred or assumed) of the type that would be disclosed on a balance sheet in accordance with the applicable Accounting Standards, except for (i) liabilities set forth in the Balance Sheet that have not been satisfied since the Statement Date, and (ii) current liabilities incurred since the Statement Date in the ordinary course of the Group's business consistent with its past practices and which do not exceed US$50,000 in the aggregate. None of the Group Companies is a guarantor or indemnitor of any Liabilities of any other Person.

3.18 Commitments.

(i) Section 3.18(i) of the Disclosure Schedule contains a complete and accurate list of all Material Contracts. "Material Contracts" means, collectively, each Contract (x) to which a Group Company or any of its properties or assets is bound or subject to, or (y) is related to the Business, that (a) involves obligations (contingent or otherwise) or payments in excess of RMB5,000,000 per annum or has an unexpired term in excess of one year after the date hereof, (b) licenses, transfers, assigns, sales, incurs any Lien on Intellectual Property that is material to a Group Company (other than generally-available "off-the-shelf" shrink-wrap software licenses obtained by the Group Companies on non-exclusive and non-negotiated terms), (c) restricts the ability of a Group Company to compete or to conduct or engage in any business or activity or in any jurisdiction, region or territory, (d) relates to the sale, issuance, grant, exercise, award, purchase, repurchase or redemption of any Equity Securities, (e) involves any provisions providing for exclusivity, "change in control", "most favored nation", rights of first refusal or first negotiation or similar rights, or grants a power of attorney, agency or similar authorities, (f) is with a Related Party, (g) involves indebtedness, an extension of credit, a guaranty, surety or assumption of any obligation or any secondary or contingent Liabilities, deed of trust, or the grant of a Lien, (h) involves the lease, license, sale, use, disposition or acquisition of a material amount of assets or of a business other than the sale of inventory in the ordinary course of business of a Group Company, (i) involves the waiver, compromise, or settlement of any dispute, claim, litigation or arbitration, (j) involves the ownership or lease of, title to, use of, or any leasehold or other interest in, any real or personal property, including the Leases, (k) involves the establishment, contribution to, or operation of a partnership, joint venture, alliance or similar entity, or involving a sharing of profits or losses (including joint development and joint marketing Contracts), or any investment in, loan to or acquisition or sale of the securities, equity interests or assets of any Person, (l) is between the Domestic Company and another Group Company, (m) is with a Governmental Authority, state-owned enterprise, or sole-source supplier of material product or service (other than utilities), (n) is a Benefit Plan (other than the employment Contracts), or a collective bargaining agreement or is with any labor union or other representatives of the employees, (o) is a Control Document, (p) is a brokerage or finder's agreement, or sales agency, marketing or distributorship Contract that is not in the ordinary course of business of a Group Company and inconsistent with such Group Company's past practice, or (q) is otherwise material to a Group Company, or is one on which a Group Company is substantially dependent.

(ii) A true, fully-executed copy of each Material Contract including all amendments and supplements thereto (and a written summary of all terms and conditions of each non-written Material Contract, if any) has been delivered to the Investors. Each Material Contract is a valid and binding agreement of the Group Company that is a party thereto, the performance of which does not and will not violate any applicable Law or Governmental Order (or cause a Material Adverse Effect to any Group Company as a result), and is in full force and effect and enforceable against the parties thereto, except (x) as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, and (y) as may be limited by Laws relating to the availability of specific performance, injunctive relief or other remedies in the nature of equitable remedies. Each Group Company has duly performed all of its obligations under each Material Contract in all material respect to the extent that such obligations to perform have accrued, and no breach or default, alleged breach or alleged default, or event which would (with the passage of time, notice or both) constitute a material breach or default thereunder by such Group Company or, to the Knowledge of the Warrantors, any other party or obligor with respect thereto, has occurred, or as a result of the execution, delivery, and performance of the Transaction Documents will occur. No Group Company has given notice (whether or not written) that it intends to terminate a Material Contract or that any other party thereto has breached, violated or defaulted under any Material Contract. No Group Company has received any notice (whether written or not) that it has breached, violated or defaulted under any Material Contract or that any other party thereto intends to terminate such Material Contract.

(iii) Other than the Transaction Agreements, there is no non-compete agreement or other similar commitment to which any Group Company is a party that would impose restrictions upon the Investors or its Affiliates.

3.19 Anti-Bribery, Anti-Corruption, Anti-Money Laundering and Sanctions; Absence of Government Interests.

(i) None of the Company and its Subsidiary or any director, officer, agent, employee, affiliate or any other Person acting for or on behalf of the foregoing (individually and collectively, a "Company Affiliate"), is aware of or has taken any action, directly or indirectly, that would result in a violation of or has violated the U.S. Foreign Corrupt Practices Act, as amended ("FCPA"), the United Kingdom Bribery Act, as amended, or any other applicable anti-bribery or anti-corruption laws, including, without limitation, using any corporate funds for any unlawful contribution, gift, entertainment or other unlawful payments to any foreign or domestic governmental official or employee from corporate funds, nor has any Company Affiliate offered, paid, promised to pay, or authorized the payment of any money, or offered, given, promised to give, or authorized the giving of anything of value, to any officer, employee or any other person acting in an official capacity for any Government Entity, as defined below, to any political party or official thereof or to any candidate for political office (individually and collectively, a "Government Official") or to any person under circumstances where such Company Affiliate knew or was aware of a high probability that all or a portion of such money or thing of value would be offered, given or promised, directly or indirectly, to any Government Official, for the purpose of:

(a) influencing any act or decision of such Government Official in his official capacity;

(b) inducing such Government Official to do or omit to do any act in relation to his lawful duty;

(c) securing any improper advantage; or

(d) inducing such Government Official to influence or affect any act or decision of any Government Entity,

in order to assist the Company or its Subsidiary in obtaining or retaining business for or with, or directing business to the Company or its Subsidiary or in connection with receiving any approval of the transactions contemplated herein. None of the Company Affiliate has accepted anything of value for any of the purposes listed in clauses (a) through (d) of this section. As used in this Section 3.19, "Government Entity" means any government or any department, agency or instrumentality thereof, including any entity or enterprise owned or controlled by a government, or a public international organization.

(ii) None of (a) the Company or any of its Subsidiaries or (b) any officer, employee, director, agent, affiliate or Person acting on behalf of the Company or any of its Subsidiaries, is owned or Controlled by a Person that is targeted by or the subject to any sanctions administered by the Office of Foreign Assets Control of the U.S. Department of Treasury ("OFAC"), or by the U.S. Department of State, or any sanctions imposed by the European Union (including under Council Regulation (EC) No. 194/2008), the United Nations Security Council, Her Majesty's Treasury or any other relevant governmental entity and any activities sanctionable under the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010, as amended or the Iran Sanctions Act, as amended (collectively, the "Sanctions").

(iii) The operations of the Company and its Subsidiaries are and have been conducted at all times in compliance with applicable anti-money laundering statutes of all jurisdictions, including, without limitation, all U.S. anti-money laundering laws, the rule and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental or regulatory agency (collectively, the "Money Laundering Laws"); and no action, suit or proceeding by or before any court or governmental or regulatory agency, authority or body or any arbitrator involving the Company or any of its Subsidiaries with respect to the Money Laundering Laws is pending or, threatened.

3.20 Title; Properties.

(i) **Title; Personal Property**. Each of the Group Companies has good and valid title to, or valid leasehold interest in, all of its respective assets, whether tangible or intangible (including those reflected in the Balance Sheet, together with all assets acquired thereby since the Statement Date, but excluding those that have been disposed of since the Statement Date), in each case free and clear of all Liens, other than Permitted Liens. The foregoing assets collectively represent all material assets (including all rights and properties) necessary and sufficient for the conduct of the business (including the Business) of each Group Company as presently conducted. Except for leased or licensed assets, no Person other than a Group Company owns any interest in any such assets. All leases of real or personal property to which a Group Company is a party are fully effective and afford the Group Company valid leasehold possession of the real or personal property that is the subject of the lease. All machinery, vehicles, equipment and other tangible personal property owned or leased by a Group Company are (a) in good condition and repair (reasonable wear and tear excepted) and (b) not obsolete or in need in of renewal or replacement, except for renewal or replacement in the ordinary course of business. There are no facilities, services, assets or properties which are used in connection with the business of the Group Companies and which are shared with any other Person that is not a Group Company.

(ii) **Real Property**. No Group Company owns or has legal or equitable title, leasehold interest or other right or interest in any real property other than as held pursuant to Leases. Section 3.20(ii) of the Disclosure Schedule sets forth each leasehold interest pursuant to which any Group Company holds any real property (a "Lease"), indicating the parties to such Lease, the address of the property demised under the Lease, the rent payable under the Lease and the term of the Lease. The particulars of the Leases as set forth in Section 3.20(ii) of the Disclosure Schedule are true and complete. Each Lease constitutes the entire agreement with respect to the property demised thereunder. To the Knowledge of the Warrantors, the lessor under each Lease is qualified and has obtained all Consents necessary to enter into such Lease, including any Consents required from the owner of the property demised pursuant to the Lease if the lessor is not such owner. There is no claim asserted against any Group Company, or, to the Knowledge of the Warrantors, there is no claim asserted against the relevant lessor or threatened by any Person against any Group Company or the relevant lessor regarding the lessor's ownership of the property demised pursuant to each Lease. Each Lease is in compliance with applicable Laws, including with respect to the ownership and operation of property and conduct of business as now conducted by the applicable Group Company which is a party to such Lease. Each Group Company which is party to a Lease has accepted possession of the property demised pursuant to the Lease and is in actual possession thereof and has not sublet, assigned or hypothecated its leasehold interest. No Group Company uses any real property in the conduct of its business except insofar as it has secured a Lease with respect thereto. The leasehold interests under the Leases held by each Group Company are adequate for the conduct of the business of such Group Company as currently conducted and as proposed to be conducted. There exists no pending or, to the Knowledge of the Warrantors, threatened condemnation, confiscation, eminent domain proceeding, dispute, claim, demand or similar proceeding with respect to, or which could materially and adversely affect, the continued use and enjoyment of such leasehold interests. To the Knowledge of the Warrantors, there are no circumstances that would entitle any Governmental Authority or other Person to take possession or otherwise restrict use, possession or occupation of any property subject to any Leases. The use and operation of the real properties subject to the Leases by the Group Companies is in compliance with all applicable Laws, including, without limitation, all applicable building codes, environmental, zoning, subdivision, and land use laws. None of the Group Companies has received notice from any Governmental Authority advising it of a violation (or an alleged violation) of any such laws or regulations.

(iii) **General**. The Real Properties currently owned or occupied by each Group Company are adequate for the conduct of its business as currently conducted and as proposed to be conducted. None of the Group Companies uses any real property in the conduct of its business except insofar as it holds valid land use rights or building ownership or has secured a Lease with respect thereto. No default or event of default on the part of any Group Company or event which, with the giving of notice or passage of time or both, would constitute a default or event of default has occurred and is continuing unremedied or unwaived under the terms of any of the land use rights, or the Leases. There is no claim asserted or, to the Knowledge of the Warrantors, threatened by any Person regarding the lessor's ownership of the property demised pursuant to each Lease. There exists no pending or, to the Knowledge of the Warrantors, threatened condemnation, eminent domain proceedings, confiscation, dispute, claim, demand or similar proceeding with respect to, or which could affect, the continued use and enjoyment of any owned properties or any Lease. None of the Group Companies has received, within the past three years, any notice, oral or written, of the intention or resolution of any Governmental Authority or other Person to take or use all or any part of the Real Properties.

3.21 Related Party Transactions. No Related Party has any Contract, understanding, or proposed transaction with, or is indebted to, any Group Company or has any direct or indirect interest in any Group Company, nor is any Group Company indebted (or committed to make loans or extend or guarantee credit) to any Related Party (other than for accrued salaries for the current pay period, reimbursable expenses or other standard employee benefits). No Related Party has any direct or indirect interest in any Person with which a Group Company is affiliated or with which a Group Company has a material business relationship (including any Person which purchases from or sells, licenses or furnishes to a Group Company any goods, intellectual or other property rights or services) or in any Contract to which a Group Company is a party or by which it may be bound or affected, and no Related Party directly or indirectly competes with or has any interest in any Person that directly or indirectly competes with any Group Company (other than ownership of less than one percent (1%) of the stock of publicly traded companies).

3.22 Intellectual Property Rights.

(i) **Company IP**. The Group Company owns, is licensed to use or otherwise has sufficient rights (including but not limited to the rights of development, maintenance, licensing and sale) to all Intellectual Property necessary and sufficient to conduct its business (including the Business), as currently conducted by such Group Company, and as contemplated to be conducted ("Company IP") without any conflict with or infringement of the rights of any other Person. Section 3.22(i) of the Disclosure Schedule sets forth a complete and accurate list of all Company Registered IP for each Group Company, including for each the relevant name or description, registration/certification or application number, and filing, registration or issue date.

(ii) **IP Ownership**. All Company Registered IP is owned by and registered or applied for solely in the name of a Group Company, is valid and subsisting and has not been abandoned, and all necessary registration, maintenance and renewal fees with respect thereto and currently due have been satisfied. No Group Company or any of its employees, officers or directors has taken any actions or failed to take any actions that would cause any Company Owned IP to be invalid, unenforceable or not subsisting. No funding or facilities of a Governmental Authority or a university, college, other educational institution or research center was used in the development of any Company Owned IP. Except as contemplated under the Control Contracts, no Company Owned IP is the subject of any Lien, license or other Contract granting rights therein to any other Person. No Group Company is or has been a member or promoter of, or contributor to, any industry standards bodies, patent pooling organizations or similar organizations that could require or obligate a Group Company to grant or offer to any Person any license or right to any material Company Owned IP. No Company Owned IP is subject to any proceeding or outstanding Governmental Order or settlement agreement or stipulation that (a) restricts in any manner the use, transfer or licensing thereof, or the making, using, sale, or offering for sale of any Group Company's products or services, by any Group Company or (b) may affect the validity, use or enforceability of such Company Owned IP. No Group Company has (i) transferred or assigned any material Company IP; (ii) authorized the joint ownership of, any Company IP; or (iii) permitted the rights of any Group Company in any Company IP to lapse or enter the public domain.

(iii) **Infringement, Misappropriation and Claims**. No Group Company has misappropriated, or to the Knowledge of the Warrantors violated, or infringed any Intellectual Property of any other Person, nor has any Group Company received any written notice alleging any of the foregoing. To the Knowledge of the Warrantors, no Person has violated, infringed or misappropriated any Company IP of any Group Company, and no Group Company has given any written notice to any other Person alleging any of the foregoing. No Person has challenged the ownership or use of any Company IP by a Group Company. No Group Company has agreed to indemnify any Person for any infringement, violation or misappropriation of any Intellectual Property by such Person.

(iv) **Assignments and Prior IP**. All inventions and know-how conceived by employees of a Group Company related to the business of such Group Company are currently owned exclusively by a Group Company. All employees, contractors, agents and consultants of a Group Company who are or were involved in the creation of any Intellectual Property for such Group Company have executed an assignment of inventions agreement that vests in a Group Company exclusive ownership of all right, title and interest in and to such Intellectual Property, to the extent not already provided by Law. All employee inventors of Company Owned IP have received reasonable reward and remuneration from a Group Company for his/her service inventions or service technology achievements in accordance with the applicable PRC Laws. All employee assignment of invention Contracts contain provisions relating to employee technological achievements and inventions which comply with the applicable Laws of the PRC. It will not be necessary to utilize any Intellectual Property of any such Persons made prior to their employment by a Group Company, except for those that are exclusively owned by or licensed to a Group Company, and none of such Intellectual Property has been utilized by any Group Company. None of the employees, consultants or independent contractors, currently or previously employed or otherwise engaged by any Group Company, (a) is in violation of any current or prior confidentiality, non-competition or non-solicitation obligations to such Group Company or to any other Persons, including former employers, or (b) is obligated under any Contract, or subject to any Governmental Order, that would interfere with the use of his or her best efforts to promote the interests of the Group Companies or that would conflict with the business of such Group Company as presently conducted.

(v) **Licenses**. Section 3.22(v) of the Disclosure Schedule contains a complete and accurate list of the Licenses which constitute all proper Licenses necessary for the businesses of the Group Companies. The "Licenses" means collectively, (a) all licenses, sublicenses, and other Contracts to which any Group Company is a party and pursuant to which any third party is authorized to use, exercise or receive any benefit from any material Company IP, and (b) all licenses, sublicenses and other Contracts to which any Group Company is a party and pursuant to which such Group Company is authorized to use, exercise, or receive any benefit from any material Intellectual Property of another Person, in each case except for (i) agreements involving "off-the-shelf" commercially available Software, and (ii) non-exclusive licenses to customers of the Business in the ordinary course of business consistent with past practice. The Group Companies have paid all license and royalty fees required to be paid under the Licenses, if applicable.

(vi) **Protection of IP**. Each Group Company has taken reasonable and appropriate steps to protect, maintain and safeguard Company IP and made all applicable filings, registrations and payments of fees in connection with the foregoing. Without limiting the foregoing, all current and former officers, employees, consultants and independent contractors of any Group Company and all suppliers, customers, distributors, and other third parties having access to any Company IP have executed and delivered to such Group Company an agreement requiring the protection of such Company IP. To the extent that any Company IP has been developed or created independently or jointly by an independent contractor or other third party for any Group Company, or is incorporated into any products or services of any Group Company, such Group Company has a written agreement with such independent contractor or third party and has thereby obtained ownership of, and is the exclusive owner of all such independent contractor's or third party's Intellectual Property in such work, material or invention by operation of law or valid assignment.

(vii) **No Public Software**. No Public Software forms part of any product or service provided by any Group Company or otherwise involved in the Business or was or is used in connection with the development of any product or service provided by any Group Company or otherwise involved in the Business or is incorporated into, in whole or in part, or has been distributed with, in whole or in part, any product or service provided by any Group Company or otherwise involved in the Business. No Software included in any Company Owned IP has been or is being distributed, in whole or in part, or was used, or is being used in conjunction with any Public Software in a manner which would require that such Software be disclosed or distributed in source code form or made available at no charge.

3.23 Labor and Employment Matters.

(i) Each Group Company has complied with all applicable Laws related to labor or employment in all material respects, including provisions thereof relating to wages, hours, overtime working, working conditions, benefits, retirement, social welfare, housing fund contribution, equal opportunity and collective bargaining. There is not pending or to the Knowledge of the Warrantors threatened, and there has not been since the incorporation of such Group Company, any Action relating to any violation or alleged violation of any applicable Laws by any Group Company related to labor or employment, including any charge or complaint filed by an employee with any Governmental Authority or any Group Company. The Group Companies have caused all of their present officers and employees (including without limitation the Key Employees) to enter into standard employment agreements with the respective Group Companies.

(ii) Section 3.23(ii) of the Disclosure Schedule contains a true and complete list of each Benefit Plan, currently or previously adopted, maintained, or contributed to by any Group Company or under which any Group Company has any Liability or under which any employee or former employee of any Group Company has any present or future right to benefits. Except for required contributions or benefit accruals for the current plan year and salary compensation provided in the employment Contracts, no Liability has been or is expected to be incurred by any Group Companies under or pursuant to any applicable Laws relating to any Benefit Plan or individual employment compensation agreement, and, to the Knowledge of the Warrantors, no event, transaction or condition has occurred or exists that would result in any such Liability to any Group Companies. Each of the Benefit Plans listed in Section 3.23(ii) of the Disclosure Schedule is and has at all times been in compliance with all applicable Laws (including the SAFE Rules and Regulations, if applicable), and all contributions to, and payments for each such Benefit Plan have been timely made. There are no pending or threatened Actions involving any Benefit Plan listed in Section 3.23(ii) of the Disclosure Schedule. Each Group Company maintains, and has fully funded, each Benefit Plan and any other labor-related plans that it is required by Law or by Contract to maintain. Each Group Company is in compliance with all Laws and Contracts relating to its provision of any form of Social Insurance, and has paid, or made provision for the payment of, all Social Insurance contributions required under applicable Laws and Contracts.

(iii) There has not been, and there is not now pending or, to the Knowledge of the Warrantors, threatened, any strike, union organization activity, lockout, slowdown, picketing, or work stoppage or any unfair labor practice charge against any Group Company.

(iv) Schedule III enumerates each Key Employee, along with each such individual's title. Each such individual is currently devoting all of his or her business time to the conduct of the business of the applicable Group Company. No such individual is subject to any covenant restricting him/her from working for any Group Company. No such individual is obligated under, or in violation of any term of, any Contract or any Governmental Order relating to the right of any such individual to be employed by, or to contract with, such Group Company. No Group Company has received any notice alleging that any such violation has occurred. No such individual is currently working or, to the Knowledge of the Warrantors, plans to work for any other Person that competes with any Group Company, whether or not such individual is or will be compensated by such Person. No such individual or any group of employees of any Group Company has given any notice of an intent to terminate their employment with any Group Company, nor does any Group Company have a present intention to terminate the employment of any such individual or any group of employees.

3.24 Insurance. Section 3.24 of the Disclosure Schedule sets forth a true and complete list of the insurance policies currently maintained by each Group Company, which policies are in full force and effect insurance policies, with extended coverage, sufficient in amount (subject to reasonable deductibles) to allow such Group Company to reasonably replace any of its properties and assets that might be damaged or destroyed and in amounts customary for companies similarly situated. There is no claim pending thereunder as to which coverage has been questioned, denied or disputed. All premiums due and payable under all such policies and bonds have been timely paid, and each Group Company is otherwise in compliance with the terms of such policies and bonds. Each Group Company has in full force and effect public liability insurance in amounts customary for companies similarly situated.

3.25 Suppliers. Section 3.25 of the Disclosure Schedule is a correct list of top ten (10) suppliers (by attributed expenses) (with related or affiliated Persons aggregated for purposes hereof) for the Business for the six-month period ending on the Statement Date, together with the aggregate amount of revenues received or expenses paid to such business partners during such periods. To the Knowledge of the Warrantors, each such supplier can provide sufficient and timely supplies of goods and services in order to meet the requirements of the Group Companies' Business consistent with prior practice. No Group Company has experienced or been notified of any shortage in goods or services provided by its suppliers or other providers and has no reason to believe that any Person listed on Section (*) of the Disclosure Schedule would not continue to provide to, or purchase from, or cooperate with, respectively, or that it would otherwise alter its business relationship with, the Group Companies at any time after the Closing on terms substantially similar to those in effect on the date hereof, in any case. There is not currently any dispute pending between any of the Group Companies and any Person listed on Section 3.25 of the Disclosure Schedule.

3.26 Internal Controls. Each Group Company maintains a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions by it are executed in accordance with management's general or specific authorization, (ii) transactions by it are recorded as necessary to permit preparation of financial statements in conformity with the applicable Accounting Standards and to maintain asset accountability, (iii) access to assets of it is permitted only in accordance with management's general or specific authorization, (iv) the recorded inventory of assets is compared with the existing tangible assets at reasonable intervals and appropriate action is taken with respect to any differences, (v) segregating duties for cash deposits, cash reconciliation, cash payment, proper approval is established, and (vi) no personal assets or bank accounts of the employees, directors, officers are mingled with the corporate assets or corporate bank account, and no Group Company uses any personal bank accounts of any employees, directors, officers thereof during the operation of the business. The signatories for each bank account of each Group Company are listed on Section 3.26 of the Disclosure Schedule.

3.27 Entire Business; No Undisclosed Business. No Group Company shares or provides any facilities, operational services, assets or properties with or to any other entity which is not a Group Company. Neither the Company nor any of its Subsidiaries is engaged in insurance, banking and financial services, basic telecommunications, or public utility businesses.

3.28 No Brokers. Neither (i) any Group Company nor (ii) any of its Affiliates or any Related Party (on behalf of any Group Company and other than the Investors) has any Contract with any broker, finder or similar agent with respect to the transactions contemplated by this Agreement or by any of the Transaction Documents, or has incurred any Liability for any brokerage fees, agents' fees, commissions or finders' fees in connection with any of the Transaction Documents or the consummation of the transactions contemplated therein.

3.29 Control Documents.

(i) Each Group Company and each equity holder of the Domestic Company has the legal right, power and authority (corporate and other) to enter into and perform its obligations under each Control Document to which it is a party and has taken all necessary action (corporate and other) to authorize the execution, delivery and performance of, and has authorized, executed and delivered, each Control Document to which it is a party.

(ii) To the extent permitted by applicable Laws, each Control Document constitutes a valid and legally binding obligation of the parties named therein enforceable in accordance with its terms, except (a) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, or other laws of general application relating to or affecting the enforcement of creditors' rights generally, (b) as limited by laws relating to the availability of specific performance, injunctive relief, or other equitable remedies.

(iii) The execution and delivery by each party named in each Control Document, and the performance by such party of its obligations thereunder and the consummation by it of the transactions contemplated therein shall not (a) result in any violation of, be in conflict with, or constitute a default under, with or without the passage of time or the giving of notice, any provision of its constitutional documents as in effect at the date hereof, or any Material Contract to which a Group Company is a party or by which a Group Company is bound, (b) result in any violation of, be in conflict with, or constitute a default under, in any material respect, any Governmental Order or any applicable Law, (c) accelerate, or constitute an event entitling any Person to accelerate, the maturity of any indebtedness or other liability of any Group Company or to increase the rate of interest presently in effect with respect to any Indebtedness of any Group Company, or (d) result in the creation of any Lien, claim, charge or encumbrance upon any of the properties or assets of any Group Company except for the pledge of the equity interests of the Domestic Company pursuant to the Control Documents.

3.30 Environmental, Health and Safety Laws.

(i) Each Group Company is in compliance with all Environmental, Health and Safety Laws, which compliance includes the possession by each Group Company of all permits and other Governmental Authorizations required under applicable Environmental, Health and Safety Laws and compliance with the terms and conditions thereof, except where the failure to do so would not have a Material Adverse Effect. To the best Knowledge of the Warrantors, no Group Company has received, since their inceptions, any communication from a governmental authority that alleges that it is not in such full compliance.

(ii) There is no environmental Action pending or threatened against any Group Company and there are no pending Actions, activities or circumstances related to the release, emission, discharge, or disposal of any Hazardous Material, in each case, which would have a Material Adverse Effect.

3.31 Disclosure. No representation or warranty by the Warrantors in this Agreement and no information or materials (other than forward-looking information or materials) provided by the Warrantors to the Investors in connection with the negotiation or execution of this Agreement or any agreement contemplated hereby contains any untrue statement of a material fact, or omits to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances in which they are made, not misleading. All projections, budgets, business plans and other similar forward-looking materials provided to the Investors in connection with the negotiation or execution of this Agreement represented the best estimates of the Group Companies and were prepared in good faith by the Group Companies. Except as set forth in this Agreement or the Disclosure Schedule, to the Knowledge of the Warrantors, there is no fact or document or matter that the Company has not disclosed to the Investors in writing and of which any of its officers, directors or executive employees has knowledge and that has had or would reasonably be expected to have any Material Adverse Effect or which would could reasonably be expected by any Warrantor, being a business Person, to materially adversely influence the decision of the Investors to invest in the Company.

3.32 No Fiduciary Duty. The Parties hereto acknowledge and agree that nothing in this Agreement or the other Transaction Documents shall create a fiduciary duty of the Investors or its Affiliates to any Group Company or its shareholders.

4. Representations, Warranties and Covenants of YY. YY represents and warrants to each Group Company that each of the following statements is true, correct, complete and not misleading as of the date hereof through and including the Closing Date.

4.1 Title; Personal Property. Prior to the transfer of the Business to the Group Companies, YY and YY's Affiliates (other than the Group Companies) has good and valid title to, all of its respective assets, whether tangible or intangible, with respect to the conduction of the Business, in each case free and clear of all Liens, other than Permitted Liens. The foregoing assets collectively represent all material assets (including all rights and properties) necessary and sufficient for the conduct of the Business, and all such assets have been transferred to the Group. None of YY and YY's Affiliates (other than the Group Companies) owns any of the foregoing assets or any assets relevant to, or necessary for the operation of, the Business except for leased or licensed assets. Prior to the transfer of the Business to the Group Companies, except for leased or licensed assets, no Person other than a Group Company owns such assets.

4.2 IP Related to Business. Prior to the transfer of the Business to the Group Companies, YY and YY's Affiliates (other than the Group Companies) own or otherwise have sufficient rights (including but not limited to the rights of development, maintenance, licensing and sale) to all Intellectual Properties necessary and sufficient to conduct the Business, without any conflict with or infringement of the rights of any other Person. Intellectual Properties that are relevant to the Business have been duly transferred or licensed to the Group. None of YY and YY's Affiliates (other than the Group Companies) owns the Intellectual Properties relevant to, or necessary for the operation of, the Business, other than the Intellectual Properties licensed from any of them to the Group Companies. The Group can use all Licensed IPs in the operation of the Business.

4.3 Employees. YY and YY's Affiliates (other than the Group Companies) have caused any and all of the employees relevant to the Business to be transferred to the Group Companies. No employee of any Group Company serves simultaneously as an officer, director, employee, consultant or contractor of YY or any of its Affiliates.

4.4 Business Contracts. YY and YY's Affiliates (other than the Group Companies) have assigned or novated any and all of the Contracts relevant to the Business to the Group Companies.

5. Representations and Warranties of the Investors. Each Investor hereby represents and warrants with respect to itself, severally but not jointly, to the Warrantors that:

5.1 Authorization. The Investor has all requisite power and authority to execute and deliver the Transaction Documents to which it is a party and to carry out and perform its obligations thereunder. All actions on the part of the Investor (and, as applicable, its officers, directors and shareholders) necessary for the authorization, execution and delivery of the Transaction Documents to which it is a party, and the performance of all obligations of the Investor thereunder, have been taken or will be taken prior to the Closing. Each Transaction Document will be duly executed and delivered by the Investor (to the extent the Investor is a party) on or prior to the Closing, and when duly executed and delivered, shall constitute valid and legally binding obligations of the Investor, enforceable against the Investor in accordance with its terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other Laws of general application affecting enforcement of creditors' rights generally, and (ii) as limited by Laws relating to the availability of specific performance, injunctive relief, or other equitable remedies.

5.2 Consents; No Conflicts. All Consents from or with any Governmental Authority or any other Person required in connection with the execution, delivery and performance of the Transaction Documents, and the consummation of the transactions contemplated by the Transaction Documents, in each case on the part of the Investor have been duly obtained or completed (as applicable) and are in full force and effect. The execution, delivery and performance of each Transaction Document by the Investor do not, and the consummation by each such party of the transactions contemplated thereby will not, with or without notice or lapse of time or both, (i) result in any violation of, be in conflict with, or constitute a default under any provision of any Charter Document of the Investor or its related Affiliates, (ii) result in any violation of, be in conflict with, or constitute a default under, in any material respect, any Governmental Order or any applicable Law, or (iii) result in any violation of, be in conflict with, or constitute a default under, or give rise to any right of termination, amendment, modification, acceleration or cancellation under, or give rise to any augmentation or acceleration of any Liability of the Investor or its related Affiliates under, any contract material to it.

5.3 Purchase for Own Account. The Subscription Shares and the Conversion Shares will be acquired for the Investor's own account, not as a nominee or agent, and not with a view to or in connection with the sale or distribution of any part thereof.

5.4 Status of Investor. The Investor has the knowledge, sophistication and experience necessary to make an investment decision like that involved in the subscription of the Subscribed Shares and can bear the economic risk of its investment in the Series A Preferred Shares.

5.5 Restricted Securities. The Investor understands that the Subscribed Shares and the Conversion Shares are restricted securities within the meaning of Rule 144 under the Securities Act and that the Subscribed Shares and the Conversion Shares are not registered or listed publicly and must be held indefinitely unless they are subsequently registered or listed publicly or an exemption from such registration or listing is available.

5.6 Regulation S Compliance.

Each of Morningside China TMT Fund IV, L.P. and Morningside China TMT Fund IV Co-Investment, L.P. hereby represents and warrants with respect to itself to the Warrantors that:

To the best Knowledge of each Investor, each Investor

(i) is purchasing the Subscribed Shares outside the United States not in violation of Regulation S under the Securities Act of 1933, as amended and in accordance with any applicable securities Laws of any state of the United States or any other jurisdiction or

(ii) is an "accredited investor" within the meaning of Securities and Exchange Commission Rule 501 of Regulation D, as presently in effect, under the Securities Act.

Each Investor (except for Morningside) hereby represents and warrants with respect to itself, severally but not jointly, to the Warrantors that:

(i) The Investor is not a U.S. Person as such term is defined under Rule 902 of Regulation S ("U.S. Person"). The Investor is at the time of the offer and execution of this Agreement, domiciled outside the United States.

(ii) The Investor agrees that all offers and sales of the Subscribed Shares from the date hereof and through the expiration of any restricted period set forth in Rule 903 of Regulation S (as the same may be amended from time to time hereafter) shall not be made to U.S. Persons or for the account or benefit of U.S. Persons and shall otherwise be made in compliance with the provisions of Regulation S and any other applicable provisions of the Securities Act.

(iii) The Investor shall not engage in hedging transactions with regard to the Subscribed Shares unless in compliance with the Securities Act. This Agreement and the transactions contemplated herein are not part of a plan or scheme to evade the registration provisions of the Securities Act, and the Subscribed Shares are being acquired for investment purposes by such Investor.

(iv) The Investor acknowledges that the Company will refuse to register any transfer of any of the Subscribed Shares not made in accordance with the provisions of Regulation S, pursuant to an effective registration statement under the Securities Act or pursuant to an available exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

(v) The Investor acknowledges and agrees that the certificate(s) representing the Subscribed Shares will bear a legend substantially as follows:

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND ARE RESTRICTED SECURITIES AS THAT TERM IS DEFINED IN RULE 144 UNDER THE SECURITIES ACT. THE SHARES HAVE BEEN ISSUED IN AN OFFSHORE TRANSACTION BY HUYA INC., IN RELIANCE UPON AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY REGULATION S. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD OR OTHERWISE TRANSFERRED, EITHER DIRECTLY OR INDIRECTLY, IN THE UNITED STATES (AS DEFINED IN REGULATION S) OR TO U.S. PERSONS EXCEPT IN ACCORDANCE WITH REGULATION S, PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT, THE AVAILABILITY OF WHICH IS TO BE ESTABLISHED TO THE REASONABLE SATISFACTION OF HUYA INC. HEDGING TRANSACTIONS INVOLVING THE SECURITIES MAY NOT BE CONDUCTED UNLESS IN COMPLIANCE WITH THE SECURITIES ACT.

5.7 Mr. Li, Mr. Dong and the Management SPVs. As of the date hereof, Mr. Li legally owns all the outstanding Equity Securities of Li SPVs, free and clear of any Liens. Li SPVs are not engaged in any business or activities except the holding of Shares of the Company. As of the date hereof, Mr. Dong legally owns all the outstanding Equity Securities of Dong SPV, free and clear of any Liens. Dong SPV is not engaged in any business or activities except the holding of Shares of the Company.

6. Conditions of the Investors' Obligations at the Closing.

6.1 Conditions of the Investors' Obligations. The obligations of each Investor to consummate the Closing under Section 0 of this Agreement are subject to the fulfillment, to the satisfaction of such Investor on or prior to the Closing, or waiver by such Investor, of the following conditions:

(i) **Representations and Warranties**. Each of the representations and warranties of the Warrantors contained in Section 3 and the representations and warranties of YY contained in Section 4 shall have been true and complete as of the date hereof through and including the Closing Date with the same effect as though such representations and warranties had been made on each such date and as of the date of the Closing, except in either case for those representations and warranties that address matters only as of a particular date, which representations will have been true and complete as of such particular date, subject to changes contemplated by this Agreement.

(ii) **Performance**. Each of the Warrantors and YY shall have performed and complied with all agreements, obligations and conditions contained in the Transaction Documents that are required to be performed or complied with by it on or before the Closing.

(iii) **No Prohibition; Authorizations**. No provision of any applicable Laws shall prohibit the consummation of any transactions contemplated by the Transaction Documents. All Consents of any competent Governmental Authority or of any other Person that are required to be obtained by any Group Company or YY in connection with the consummation of the transactions contemplated by the Transaction Documents (including but not limited to those related to the lawful issuance and sale of the Subscribed Shares and the Conversion Shares, and any waivers of notice requirements, rights of first refusal, preemptive rights, put or call rights), including necessary board and shareholder approvals of the Group Companies, shall have been duly obtained and effective as of the Closing, and evidence thereof shall have been delivered to the Investor.

(iv) **Proceedings and Documents**. All corporate and other proceedings in connection with the transactions to be completed at the Closing and all documents incident thereto, including without limitation written approval from all of the then current holders of equity interests of each Group Company, as applicable, with respect to this Agreement and the other Transaction Documents and the transactions contemplated hereby and thereby, shall have been completed in form and substance reasonably satisfactory to the Investors, and the Investors shall have received all such counterpart original or other copies of such documents as it may reasonably request.

(v) **Memorandum and Articles**. The Memorandum and Articles, in substantially the forms attached hereto as Exhibit A-1 and Exhibit A-2, respectively, shall have been duly adopted by all necessary action of the Board of Directors and the members of the Company, and such adoption shall have become effective on or prior to the Closing with no alternation or amendment as of the Closing, and reasonable evidence thereof shall have been delivered to the Investor. The Charter Documents of each of the other Group Companies shall be in the form and substance reasonably satisfactory to the Investor.

(vi) **Transaction Documents**. Each of the parties to the Transaction Documents, other than the Investors, shall have executed and delivered to the Investors the Transaction Documents.

(vii) **Opinions of Counsels**. The Investors shall have received the following legal opinions in form and substance acceptable to the Investor and dated as of the Closing: (a) a Cayman Islands legal opinion issued by WALKERS; and (b) a PRC legal opinion issued by Grandall Law Firm (Shanghai).

(viii) **Loan Agreements, Deeds of Share Charge and Deed of Share Pledge**. The Management SPVs, Mr. Dong and Mr. Li shall have executed and delivered to Ping An a copy of the Loan Agreements, the Deeds of Share Charge and the Deed of Share Pledge. The Management SPVs, Mr. Dong and Mr. Li shall further deliver to Ping An evidence that all steps necessary for the creation and perfection of the security interests pursuant to each of the Deeds of Share Charge and Deed of Share Pledge, in a manner satisfactory to Ping An.

(ix) **Control Documents**. The WFOE, the Domestic Company, the equity holders of the Domestic Company and other relevant parties shall have executed and delivered the Control Documents in substantially the form attached hereto as Exhibit C that will constitute legally binding obligations of the parties thereto in accordance with their respective terms. The counterpart originals or other copies of such executed Control Documents shall have been delivered to the Investors.

(x) **Due Diligence**. Each Investor shall have completed its legal, financial, management, technical, intellectual property, business, personnel and regulatory due diligence investigation of the Group Companies and the Key Employees to its satisfaction.

(xi) **Employment and Related Agreements**. Each of the Key Employees shall have entered into an employment agreement and a confidentiality, non-compete, non-solicitation and invention assignment agreement or an employment agreement containing confidentiality, non-compete, non-solicitation and invention assignment provisions with the Group Company acceptable to the Investors, in form and substance satisfactory to the Investors, and the term of such employment agreements shall be at least 24 months as of the Closing. Copies thereof shall have been delivered to the Investors.

(xii) **No Material Adverse Effect**. There shall have been no Material Adverse Effect since the date of this Agreement.

(xiii) **Business Plan and Financial Budget**. The Group Companies shall deliver to the Investors a one-year business plan and financial budget for its business, in the form and substance satisfactory to the Investor.

(xiv) **Restructuring**. Except for the transfer procedures of certain trademarks, the restructuring under the asset restructuring agreement entered into by and among the Domestic Company, YY, the Affiliates of YY and other parties named thereto dated December 31, 2016 (the "Restructuring Agreement") and other restructuring steps in connection with the Restructuring Agreement as requested by the Investor shall have been completed to the satisfaction of the Investor.

(xv) **ESOP Plan**. The Company shall have adopted an ESOP in the form and substance reasonably satisfactory to the Investor.

(xvi) **Closing Certificate**. The chief executive officer of the Company shall have executed and delivered to the Investor at the Closing a certificate dated as of the Closing (i) stating that the conditions specified in this Section 6 have been fulfilled as of the Closing and there have been no Material Adverse Change in the business, affairs, prospects, operations, properties, assets or conditions of the Group Companies since the date of this Agreement, and (ii) attaching thereto (a) the Charter Documents of the Group Companies as then in effect, (b) copies of all resolutions approved by the shareholders and boards of directors of each Group Company related to the transactions contemplated by this Agreement and the other Transaction Documents, and (c) with respect to the Group Companies which are incorporated under the Laws of the PRC, the valid business licenses of such entity.

7. Conditions of the Company's Obligations at the Closing. The obligations of the Company owed to each Investor to consummate the Closing under Section 0 of this Agreement, unless otherwise waived in writing by the Company, are subject to the fulfillment on or before the Closing of each of the following conditions:

7.1 Representations and Warranties. The representations and warranties of such Investor contained in Section 5 shall have been true and complete when made and shall be true and complete on and as of the Closing with the same effect as though such representations and warranties had been made on and as of the date of the Closing, except in either case for those representations and warranties that address matters only as of a particular date, which representations will have been true and complete as of such particular date.

7.2 Performance. Such Investor shall have performed and complied with all covenants, obligations and conditions contained in this Agreement that are required to be performed or complied with by Such Investor on or before the such Closing.

7.3 Execution of Transaction Documents. Such Investor shall have executed and delivered to the Company the Transaction Documents that are required to be executed by such Investor on or prior to such Closing.

8. Other Agreements.

8.1 Compliance with Laws.

(i) Each Group Company shall use its respective reasonable best efforts to comply with all applicable Laws, including but not limited to applicable PRC Laws relating to the Business, Intellectual Property, taxation, employment and social welfare and benefits. Without prejudicing the generality of the foregoing, after the Closing and upon the written request by the Investor, the relevant Group Company shall use reasonable best efforts to rectify any non-compliance with applicable Laws.

(ii) Each of the Group Companies represents that it shall not, and shall not permit any of its Subsidiaries or Affiliates or any of its respective directors, officers, managers, employees, independent contractors, representatives or agents to, promise, authorize or make any payment to, or otherwise contribute any item of value, directly or indirectly, to any third party, including any Government Official, in each case, in violation of the FCPA, the U.K. Bribery Act, or any other applicable anti-bribery or anti-corruption law. Each of the Group Companies further represents that it shall, and shall cause each of its Subsidiaries and Affiliates to, cease all of their respective activities, as well as remediate any actions taken by any Group Company, its Subsidiaries or Affiliates, or any of their respective directors, officers, managers, employees, independent contractors, representatives or agents in violation of the FCPA, the U.K. Bribery Act, or any other applicable anti-bribery or anti-corruption law. Each of the Group Companies further represents that it shall, and shall cause each of its Subsidiaries and Affiliates to, maintain systems of internal controls (including, but not limited to, accounting systems, purchasing systems and billing systems) to ensure compliance with the FCPA, the U.K. Bribery Act, or any other applicable anti-bribery or anti-corruption law. The Company hereby undertakes to adopt and implement anticorruption and export control policies, mutually acceptable to the Company and the Investor, within ninety (90) days after the Closing.

8.2 Key Parties' Commitments to the Company. Mr. Dong hereby agrees to devote and cause each of the Key Employees to devote substantially all of his or her working time to the business and operations of the Group Companies and shall not be concerned with any (competitive or other) business.

8.3 Facilitating the Closing. Each of the Warrantors and YY shall use its best efforts to cause the satisfaction of all the conditions precedent set forth in Sections 6 hereof.

8.4 Registration of Equity Pledge. As soon as practicable and within three (3) months after the Closing, the Company shall have caused the equity pledge granted by the Domestic Company pursuant to the Control Documents to be duly registered with the relevant office of the State Administration for Industry and Commerce.

8.5 Restructuring. As soon as practicable and within nine (9) months after the Closing, the transfer procedures of all trademarks under the asset restructuring agreement entered into by and among the Domestic Company, YY, the Affiliates of YY and other parties named thereto shall be completed to the satisfaction of the Investor.

8.6 Lease Agreement. As soon as practicable after the Closing and within three (3) months after the Closing, the Domestic Company shall make commercial reasonable efforts to enter into a lease agreement with respect to the premises located at 15th-18th Floors, Block B-1, North Area, Wanda Plaza, Huambo Business Area, Panyu District, Guangzhou, PRC with YY or its Affiliates for a term of at least one (1) year in form and substance satisfactory to the Investor.

8.7 Circular 37 Registrations. As soon as practicable after the Closing and within three (3) months after the Closing, each of Mr. Li and Mr. Dong shall duly complete the foreign exchange registration with the competent local branch of the State Administration of Foreign Exchange in respect of his legal ownership of the Company and the relevant Management SPV as required under Circular 37.

8.8 Accession of WFOE. The WFOE shall have executed the deed of adherence in form and substance satisfactory and acceptable to the Investors upon its establishment, under which the WFOE shall agree to be a party of this Agreement. The Parties hereto explicitly agree the WFOE to join this Agreement by the execution of the deed of adherence.

8.9 Operating ICP License. As soon as practicable after the Closing, the Domestic Company shall make commercial reasonable efforts to apply for and obtain the Telecommunication and Information Service Business Operation License (□□□□□□□□□□□□□□□, or "ICP License"), as required by applicable PRC Laws for carrying out the Business, from competent Governmental Authority, with evidence thereof being furnished to the Investors.

8.10 Confidentiality.

(i) **Disclosure of Terms**. The terms and conditions of the Transaction Documents and all exhibits, restatements and amendments hereto and thereto (collectively, the "Financing Terms"), including their existence, shall be considered confidential information and shall not be disclosed by any of the Parties to any other Person except as permitted in accordance with the provisions set forth below.

(ii) **Press Releases**. None of the Parties hereto (other than the Investors) shall issue a press release or make any public announcement or other public disclosure with respect to any of the transactions contemplated herein without obtaining the prior written consent of each Investor and the Company, or (a) use the name of PING AN Insurance, □□ □□ or any of its Affiliates without obtaining in each instance the prior written consent of Ping An, or (b) use the name of YY, □□□□ or any of its Affiliates without obtaining in each instance the prior written consent of YY.

(iii) **Permitted Disclosure**. Notwithstanding the foregoing, (a) the Company may disclose the existence or content of any of the Financing Terms to its current or bona fide prospective investors, directors, officers, employees, shareholders, investment bankers, lenders, accountants, auditors, insurers, business or financial advisors, and attorneys, in each case only where such Persons are under appropriate nondisclosure obligations imposed by professional ethics, law or otherwise; (b) the Investors may disclose the existence or content of any of the Financing Terms to its Affiliates, the fund manager, auditor, insurer, accountant, consultant or an officer, director, general partner, limited partner, shareholder, investor, bona fide potential investor, counsel, advisor, employee of the Investors and/or its Affiliates, and bona fide prospective purchasers/investors of any Equity Securities of the Company so long as such Persons shall be advised of the confidential nature of the information or are under appropriate nondisclosure obligations imposed by professional ethics, law or otherwise; and (c) the Investors may disclose the existence or content of any of the Financing Terms for fund and inter-fund reporting purposes and any information contained in press releases or public announcements of the Company pursuant to Section 8.4(ii). Any Party hereto may also provide disclosure in order to comply with applicable Laws, as set forth in Section 8.4(iv) below.

(iv) **Legally Compelled Disclosure**. If any Party is requested or becomes legally compelled (including without limitation, pursuant to any applicable Tax, securities, or other Laws and regulations of any jurisdiction or by subpoena or any requirement by governmental, judicial or regulatory body or any stock exchange) to disclose the existence or content of any of the Financing Terms in contravention of the provisions of this Section, such Party shall, to the extent legally permissible, promptly provide the other Parties with written notice of that fact so that such other Parties may seek a protective order, confidential treatment or other appropriate remedy and in any event shall furnish only that portion of the information that is legally required and shall exercise reasonable efforts to obtain reliable assurance that confidential treatment will be accorded such information.

(v) **Other Exceptions**. The confidentiality obligations of the Parties set out in this Section 8.10 shall not apply to (a) information which was in the public domain or otherwise known to the relevant Party before it was furnished to it by another Party hereto or, after it was furnished to that Party, entered the public domain otherwise than as a result of (x) a breach by that Party of this Section 8.10 or (y) a breach of a confidentiality obligation by a third party discloser, where the breach was actually known to that relevant Party; (b) information disclosed by any director or observer of the Company to its appointer or any of its Affiliates or to any Person to whom disclosure would be permitted in accordance with the foregoing provisions of this Section 8.10.

8.11 Indemnity.

(i) **General Indemnity**. Each Warrantor hereby agrees to jointly and severally indemnify and hold harmless the Investor and its Affiliates, and their respective directors, officers, agents and assigns (each an "Indemnified Party"), from and against any and all Indemnifiable Losses suffered by such Indemnified Party, directly or indirectly, as a result of, or based upon or arising from any inaccuracy in or breach or nonperformance of any of the representations, warranties, covenants or agreements made by any Warrantor in or pursuant to this Agreement or any other Transaction Document. YY hereby agrees to indemnify and hold harmless each Group Company, from and against any and all Indemnifiable Losses suffered by such Group Company, directly or indirectly, as a result of, or based upon or arising from any inaccuracy in or breach of any of the representations, warranties, covenants or agreements made by YY in or pursuant to this Agreement or any other Transaction Document. Each Investor hereby agrees to severally but not jointly indemnify and hold harmless each Group Company, from and against any and all Indemnifiable Losses suffered by such Group Company, directly or indirectly, as a result of, or based upon or arising from any inaccuracy in or breach of any of the representations, warranties, covenants or agreements made by such Investor in or pursuant to this Agreement or any other Transaction Document.

(ii) **Tax Indemnity**. Notwithstanding anything contained in the Disclosure Schedule (as amended, if applicable), each Warrantor shall jointly and severally indemnify and hold harmless each Indemnified Party from and against any Indemnifiable Losses attributable to (x) any Taxes of any Group Company for all taxable periods ending on or before the Closing and the portion through the end of the Closing for any taxable period that includes (but does not end on) the Closing, (y) all liability for any Taxes of any other person imposed by any Governmental Authority on any Group Company as a transferee, successor, withholding agent, or accomplice in connection with an event or transaction occurring before the Closing, and (z) all liability for Taxes attributable to any misrepresentation or breach of warranty made in Section 3.12 of this Agreement.

(iii) **Special Indemnity**. Other than with respect to matters expressly contained in the Disclosure Schedule (as amended, if applicable), (i) each Warrantor shall jointly and severally indemnify and hold harmless each Indemnified Party from and against any and all Indemnifiable Losses suffered by such Indemnified Party, directly or indirectly, as a result of, or based upon or arising from any activities, businesses and operations of any Group Company at any time from its establishment to the date of the Closing (including any non-compliance with any applicable Laws or Contracts, any dispute with a third party with respect to the Group's Intellectual Properties, or the failure to timely obtain any Consent (including but not limited to the value-added telecommunication license) from the competent Governmental Authority in accordance with the applicable Laws, or the non-payment or underpayment of Social Insurance or housing fund contributions, or any action, suit, arbitration or other court proceeding, pending or threatened, due to the facts existing prior to the Closing even if the liability is actually incurred after the Closing), and (ii) YY shall indemnify at all times and hold harmless each Group Company from and against any and all Indemnifiable Losses suffered by such Indemnified Party and/or each Group Company for any breach or violation of their respective representations, warranties, covenants and obligations under Section 4 of this Agreement. This Section 8.11(iii) shall automatically terminate and be of no further force or effect upon expiration of a term of twenty-four (24) months after the Closing; provided, however, this Section 8.11(iii) shall not terminate if any claim made with reasonable specificity by the party seeking to be indemnified under this Section 8.11(iii) exists at the expiration of such term, and this Section 8.11(iii) shall remain valid and in force until such claim is finally and fully resolved. Notwithstanding anything to the contrary provided in this Agreement, the aforementioned limitation on term of validity of this Section 8.11(iii) shall not apply in the event of any fraud, willful misconduct, gross negligence or willful default or willful misrepresentation on the part of any Warrantor or YY.

(iv) **Indemnification Cap**. The maximum aggregate liability of the Warrantors for indemnification to any Indemnified Party under Section 8.11 (i), (ii) and (iii) shall be limited to the purchase price paid by such Indemnified Party (the "Indemnification Cap"); provided however, that in the event there is any Indemnifiable Loss suffered by any Indemnified Party, such Indemnified Party shall first seek indemnification from the Group Companies. For the avoidance of doubt, the Indemnification Cap shall not apply in the event of any fraud, willful misconduct, gross negligence or willful default or willful misrepresentation on the part of any Warrantor.

(v) **Indemnification Threshold**. The Warrantors shall not be liable for indemnification to any Indemnified Party under Section 8.11 (i), (ii) and (iii) unless the aggregate liability of the Warrantors is in excess of RMB 5,000,000 (the "Deductible"), in which case the Warrantors shall be liable for all amounts related to such Indemnifiable Losses (including the amounts otherwise constituting the Deductible) in accordance with Section 8.11 (i), (ii) and (iii), as the case may be.

(vi) **Survival of Warranties**. The representations and warranties in Section 3, Section 4 and Section 5 of this Agreement shall survive for a term of twenty-four (24) months after the Closing and shall in no way be affected by any investigation of the subject matter thereof made by or on behalf of any Party hereof; provided, however, that any claim made with reasonable specificity by the party seeking to be indemnified within such survival period shall survive until such claim is finally and fully resolved. Notwithstanding anything to the contrary provided in this Agreement, the aforementioned limitation on survival period shall not apply in the event of any fraud, willful misconduct, gross negligence or willful default or willful misrepresentation on the part of any Party.

8.12 No Promotion.

The Company agrees that it will not, without the prior written consent of Ping An, in each instance, (a) use in advertising, publicity, or otherwise the name of Ping An (including without limitation PING AN Insurance and □□□□), or any Affiliate of Ping An or any partner or employee of any Affiliate of Ping An nor any trade name, trademark, trade device, service mark, symbol or any abbreviation, contraction or simulation thereof owned by Ping An or its Affiliates, or (b) represent, directly or indirectly, that any product or any service provided by the Company has been approved or endorsed by Ping An or an Affiliate of Ping An. The Company further agrees that it shall obtain the written consent from Ping An prior to the Company's issuance of any public statement detailing such Investor's subscription of Shares pursuant to this Agreement.

9. Executory Period Covenants.

9.1 Access. Between the date hereof and the Closing, the Warrantors shall permit Ping An, or any representative thereof, to (a) visit and inspect the properties of the Group Companies or related to the Business, (b) inspect the Contracts, books of account, records, ledgers, and other documents and data of the Group Companies or related to the Business, (c) discuss the business, affairs, finances and accounts of the Group Companies or related to the Business with officers and employees of the Group Companies, (d) review such other information as Ping An reasonably request, in such a manner so as not to unreasonably interfere with their normal operations, (e) attend all meetings of the Board and all subcommittees of the Board, in a nonvoting observer capacity, and (f) receive copies of all notices, minutes, consents, and other materials that the Company provides to the Company's Directors at the same time and in the same manner as provided to such Directors.

9.2 Covenants. Between the date hereof and the Closing, except as the Investors otherwise agree in writing, each of the Group Companies shall (and the Warrantors shall cause each of the Group Companies to): (a) conduct its business, including the Business, in the ordinary course consistent with past practice, as a going concern and in compliance with all applicable Laws and Contracts, (b) pay or perform its debts, Taxes, and other obligations when due, (c) maintain its assets in a condition comparable to their current condition, reasonable wear, tear and depreciation excepted, (d) unless otherwise contemplated by the Transaction Documents, use reasonable best efforts to preserve intact its current business organizations and keep available the services of its current officers and employees and preserve its relationships with customers, suppliers and others having business dealings with it, (e) otherwise periodically report to each Investor concerning the status of its business, operations and finance, and (f) take all actions reasonably necessary to consummate the transactions contemplated by this Agreement and the other Transaction Documents promptly, including the taking of all reasonable acts necessary to cause all of the conditions precedent of each Investor to be satisfied.

9.3 Negative Covenants. Between the date hereof and the Closing, except as the Investors otherwise agree in writing, (i) none of the Group Companies (and the Warrantors shall not permit any of the Group Companies to) take any action that would make any representation and warranty of the Warrantors inaccurate at the Closing and YY shall not (and YY shall not permit any of YY's Affiliates (other than the Group Companies) to) take any action that would make any representation and warranty of YY inaccurate at the Closing, (ii) none of the Group Companies (and the Warrantors shall not permit any of the Group Companies to) (a) waive, release or assign any material right or claim, (b) take any action that would reasonably be expected to materially impair the value of the Group Companies relating to the Business, (c) sell, purchase, assign, lease, transfer, pledge, encumber or otherwise dispose of any material asset relating to the Business, (d) issue, allot, or grant any Equity Security, (e) declare, issue, make, or pay any dividend or other distribution with respect to any Equity Security, (f) incur any Indebtedness for borrowed money or capital lease commitments or assume or guarantee any Indebtedness of any Person, (g) enter into any Contract or other transaction with any Related Party, or (h) authorize, approve or agree to any of the foregoing.

9.4 Information. From the date hereof until the Closing, the Company shall promptly notify each Investor of (a) any Action commenced or threatened in writing against any Group Company or relating to the operation of the Business; (b) any fact or event which comes to the knowledge of any Warrantor and is in any way inconsistent with any of the representations and warranties in this Agreement; or (c) any fact or event which comes to the knowledge of any Warrantor and might affect the willingness of a prudent investor to subscribe the Series A Preferred Shares on the terms contained in this Agreement or the amount of the consideration a prudent investor would be prepared to pay for the Series A Preferred Shares.

9.5 Exclusivity. From the date hereof until the Closing, without the prior written consent of the Investors, none of the Warrantors and YY shall, and they shall not permit any of their representatives, any Group Company or any shareholder of any Group Company to, directly or indirectly solicit, initiate or encourage any inquiries or proposals from, discuss or negotiate with, provide any non-public information to, or approve or authorize any transaction with any Person that would involve an investment in, purchase of shares of, or acquisition of any Group Company or any material assets thereof or would be in substitution or an alternative for or would impede or interfere with the transactions contemplated hereby. The Warrantors and YY shall, and shall cause their representatives, the other Group Companies or any shareholder of any Group Company to, immediately terminate all existing activities, discussions and negotiations with any third parties with respect to the foregoing, and if any of them hereafter receives any correspondence or communication that constitutes, or could reasonably be expected to lead to, any such transaction they shall immediately give notice thereof (including the third party and the material terms of such transaction) to the Investors.

10. Termination.

10.1 Termination of this Agreement. This Agreement may be terminated prior to the Closing (a) by mutual written consent of the Parties, (b) by each Investor if the Closing has not been consummated by July 31, 2017 or such other later day as mutually determined by the Investors and the Company, (c) by either the Company, on the one hand, or each Investor, on the other hand, by written notice to the other if there has been a material misrepresentation or material breach of a covenant or agreement contained in this Agreement on the part of the Investors or on the part of the Warrantors or YY, respectively, and such breach, if curable, has not been cured within fourteen (14) days of such notice, or (d) by each Investor if, due to change of applicable Laws, the consummation of the transactions contemplated hereunder would become prohibited under applicable Laws.

10.2 Effects of Termination. If this Agreement is terminated as provided under this Section 10, this Agreement will be of no further force or effect upon termination provided that (i) the termination will not relieve any Party from any liability for any antecedent breach of this Agreement, and (ii) Sections 8.10, 8.11, 8.12, 11.3, 11.4 and 11.5 shall survive the termination of this Agreement.

11. Miscellaneous.

11.1 Further Assurances. Upon the terms and subject to the conditions herein, each of the Parties hereto agrees to use its reasonable best efforts to take or cause to be taken all actions, to do or cause to be done, to execute such further instruments, and to assist and cooperate with the other Parties hereto in doing, all things necessary, proper or advisable under applicable Laws or otherwise to consummate and make effective, in the most expeditious manner practicable, the transactions contemplated by this Agreement and the other Transaction Documents (it being understood that no Party shall be obligated to grant any waiver of any condition or other waiver hereunder).

11.2 Successors and Assigns. Except as otherwise provided herein, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the Parties hereto whose rights or obligations hereunder are affected by such terms and conditions. This Agreement and the rights and obligations therein may be assigned or transferred by each Investor to its Affiliates but may not be assigned or transferred by any Warrantor or YY without the prior written consent of the Investors. Nothing in this Agreement, express or implied, is intended to confer upon any Party other than the Parties hereto or their respective successors and assigns any rights, remedies, obligations, or Liabilities under or by reason of this Agreement, except as expressly provided in this Agreement. Without prejudice to the foregoing provisions, prior to the Closing, Ping An may by prior written notice to the Company assign all its rights and obligations under this Agreement to a wholly owned Subsidiary (the "Designee"). For the avoidance of doubt, upon the assignment by Ping An to the Designee pursuant to this Section 11.2, Ping An shall be relieved from its obligations under this Agreement.

11.3 Governing Law. This Agreement shall be governed by and construed under the Laws of Hong Kong, without regard to principles of conflict of Laws thereunder.

11.4 Dispute Resolution.

(i) Any dispute, controversy or, claim or difference of any kind whatsoever arising out of, relating to or in connection with this Agreement, including the existence, validity, interpretation, performance, breach or termination thereof, the validity, scope and enforceability of this arbitration provision and any dispute regarding no-contractual obligations arising out of or relating to it (the "Dispute") shall be referred to and finally resolved by arbitration administered by the Hong Kong International Arbitration Center (the "HKIAC") in accordance with the HKIAC Administered Arbitration Rules in force at the time of the commencement of the arbitration. However, if such rules are in conflict with the provisions of this Section 11.4, including the provisions concerning the appointment of arbitrators, the provisions of this Section 11.4 shall prevail.

(ii) The law of this arbitration clause shall be Hong Kong law. The seat of arbitration shall be Hong Kong.

(iii) The number of arbitrators shall be three and the language of the arbitration proceedings and written decisions or correspondence shall be English.

(iv) Any party to the Dispute shall be entitled to seek preliminary injunctive relief, if possible, from any court of competent jurisdiction pending the constitution of the tribunal.

11.5 Notices. Any notice required or permitted pursuant to this Agreement shall be given in writing and shall be given either personally or by sending it by next-day or second-day courier service, fax, electronic mail or similar means to the address of the relevant Party as shown on Schedule II (or at such other address as such Party may designate by fifteen (15) days' advance written notice to the other Parties to this Agreement given in accordance with this Section). Where a notice is sent by next-day or second-day courier service, service of the notice shall be deemed to be effected by properly addressing, pre-paying and sending by next-day or second-day service through an internationally-recognized courier a letter containing the notice, with a written confirmation of delivery, and to have been effected at the earlier of (i) delivery (or when delivery is refused) and (ii) expiration of two (2) Business Days after the letter containing the same is sent as aforesaid. Where a notice is sent by fax or electronic mail, service of the notice shall be deemed to be effected by properly addressing, and sending such notice through a transmitting organization, with a written confirmation of delivery, and to have been effected on the day the same is sent as aforesaid, if such day is a Business Day and if sent during normal business hours of the recipient, otherwise the next Business Day. Notwithstanding the foregoing, to the extent a "with a copy to" address is designated, notice must also be given to such address in the manner above for such notice, request, consent or other communication hereunder to be effective.

11.6 Rights Cumulative; Specific Performance. Each and all of the various rights, powers and remedies of a party hereto will be considered to be cumulative with and in addition to any other rights, powers and remedies which such Party may have at Law or in equity in the event of the breach of any of the terms of this Agreement. The exercise or partial exercise of any right, power or remedy will neither constitute the exclusive election thereof nor the waiver of any other right, power or remedy available to such Party. Without limiting the foregoing, the Parties hereto acknowledge and agree irreparable harm may occur for which money damages would not be an adequate remedy in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Parties shall be entitled to injunctive relief to address breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement.

11.7 Fees and Expenses. The Company shall pay all of its own costs and expenses incurred in connection with the negotiation, execution, delivery and performance of this Agreement and other Transaction Documents and the transactions contemplated hereby and thereby (including the fees and expenses incurred by its agents or other intermediaries), and additionally the Company shall pay or reimburse all reasonable costs and expenses (including fees and expenses for lawyers, accountants, auditors, financial advisors, technical consultants and other professions) incurred or to be incurred by the Investors of up to a maximum of US$200,000 (the "Reimbursement") in connection therewith and in connection with the preparation, negotiation, execution and delivery of the Transaction Documents and Investors' due diligence investigation. Such expense shall be paid directly to third parties pursuant to appropriate invoices by the Company, provided that at least US$180,000 of the Reimbursement shall be allocated to the professional advisors of Ping An as the lead investor. If any action at Law or in equity is necessary to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to reasonable attorney's fees, costs and necessary disbursements in addition to any other relief to which such party may be entitled. For the avoidance of doubt, in the event that the transaction contemplated hereby does not close with respect to any Investor solely due to the reason of such Investor, the Company and such Investor shall bear its own legal or financial costs and expenses, and the other Investors shall be entitled to the Reimbursement pursuant to this Section 11.7.

11.8 Severability. In case any provision of the Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby. If, however, any provision of this Agreement shall be invalid, illegal, or unenforceable under any such applicable Law in any jurisdiction, it shall, as to such jurisdiction, be deemed modified to conform to the minimum requirements of such Law, or, if for any reason it is not deemed so modified, it shall be invalid, illegal, or unenforceable only to the extent of such invalidity, illegality, or limitation on enforceability without affecting the remaining provisions of this Agreement, or the validity, legality, or enforceability of such provision in any other jurisdiction.

11.9 Amendments and Waivers. Any term of this Agreement may be amended, only with the written consent of each of (i) the Company, (ii) the shareholders who hold at least 50% of the Company's then outstanding Ordinary Shares, and (iii) Ping An. Any amendment effected in accordance with this paragraph shall be binding upon each of the Parties hereto. Notwithstanding the foregoing, the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively) only with the written consent of the Party against whom such waiver is sought.

11.10 No Waiver. Failure to insist upon strict compliance with any of the terms, covenants, or conditions hereof will not be deemed a waiver of such term, covenant, or condition, nor will any waiver or relinquishment of, or failure to insist upon strict compliance with, any right, power or remedy power hereunder at any one or more times be deemed a waiver or relinquishment of such right, power or remedy at any other time or times.

11.11 Delays or Omissions. No delay or omission to exercise any right, power or remedy accruing to any Party under this Agreement, upon any breach or default of any other Party under this Agreement, shall impair any such right, power or remedy of such non-breaching or non-defaulting Party nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any Party of any breach or default under this Agreement, or any waiver on the part of any Party of any provisions or conditions of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing.

11.12 No Presumption. The Parties acknowledge that any applicable Law that would require interpretation of any claimed ambiguities in this Agreement against the Party that drafted it has no application and is expressly waived. If any claim is made by a Party relating to any conflict, omission or ambiguity in the provisions of this Agreement, no presumption or burden of proof or persuasion will be implied because this Agreement was prepared by or at the request of any Party or its counsel.

11.13 Headings and Subtitles; Interpretation. 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. Unless a provision hereof expressly provides otherwise: (i) the term "or" is not exclusive; (ii) words in the singular include the plural, and words in the plural include the singular; (iii) the terms "herein", "hereof", and other similar words refer to this Agreement as a whole and not to any particular section, subsection, paragraph, clause, or other subdivision; (iv) the term "including" will be deemed to be followed by, "but not limited to", (v) the masculine, feminine, and neuter genders will each be deemed to include the others; (vi) the terms "shall", "will", and "agrees" are mandatory, and the term "may" is permissive; (vii) the term "day" means "calendar day", and "month" means calendar month, (viii) all references in this Agreement to designated "Sections" and other subdivisions are to the designated Sections and other subdivisions of the body of this Agreement, (ix) all references in this Agreement to designated Schedules, Exhibits and Appendices are to the Schedules, Exhibits and Appendices attached to this Agreement, (x) the phrase "directly or indirectly" means directly, or indirectly through one or more intermediate Persons or through contractual or other arrangements, and "direct or indirect" has the correlative meaning, (xi) references to laws include any such law modifying, re-enacting, extending or made pursuant to the same or which is modified, re-enacted, or extended by the same or pursuant to which the same is made, (xii) each representation, warranty, agreement, and covenant contained herein will have independent significance, regardless of whether also addressed by a different or more specific representation, warranty, agreement, or covenant, (xiii) all accounting terms not otherwise defined herein have the meanings assigned under the Accounting Standards, (xiv) pronouns of either gender or neuter shall include, as appropriate, the other pronoun forms, (xv) references to this Agreement, any other Transaction Documents and any other document shall be construed as references to such document as the same may be amended, supplemented or novated from time to time, and (xvi) all references to dollars or to "US$" are to currency of the United States of America and all references to RMB are to currency of the PRC (and each shall be deemed to include reference to the equivalent amount in other currencies).

11.14 Counterparts. This Agreement may be executed 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. Facsimile and e-mailed copies of signatures shall be deemed to be originals for purposes of the effectiveness of this Agreement.

11.15 Entire Agreement. This Agreement and the Transaction Documents, together with all schedules and exhibits hereto and thereto, constitute the full and entire understanding and agreement among the Parties with regard to the subjects hereof and thereof, and supersede all other agreements between or among any of the Parties with respect to the subject matters hereof and thereof (including without limitation the Term Sheet between the Company, Ping An and the certain other parties thereto dated April 25, 2017).

11.16 Use of English Language. This Agreement has been executed and delivered in the English language. Any translation of this Agreement into another language shall have no interpretive effect. All documents or notices to be delivered pursuant to or in connection with this Agreement shall be in the English language or, if any such document or notice is not in the English language, accompanied by an English translation thereof, and the English language version of any such document or notice shall control for purposes thereof.

11.17 Independent Nature of Investor's Obligations and Rights. The obligations of the Investors under this Agreement and the other Transaction Documents are several and not joint, and each Investor is not responsible in any way for the performance or conduct of any other Investors in connection with the transactions contemplated hereby. Nothing contained herein or in any other Transaction Document, and no action taken by the Investors pursuant hereto or thereto, shall be or shall be deemed to constitute a partnership, association, joint venture, or joint group with respect to the Investors. Each Investor agrees that no other Investor has acted as an agent for such Investor in connection with the transactions contemplated hereby.

[*The remainder of this page has been left intentionally blank*]

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

COMPANY:

HUYA INC.

By: /s/ DONG Rongjie
Name: DONG Rongjie (□□□)
Title: Director

[Signature Page to Series A Preferred Share Subscription Agreement]

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

HK COMPANY:

HUYA LIMITED

By: /s/ LIU Jing
Name: LIU Jing (□□)
Title: Director

[Signature Page to Series A Preferred Share Subscription Agreement]

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

DOMESTIC COMPANY:

□□□□□□□□□□□□
(Guangzhou Huya Information Technology Co., Ltd.)
(Company Seal)
[*Company seal is affixed*]

By: /s/ DONG Rongjie
Name: DONG Rongjie (□□□)
Title: Director

[Signature Page to Series A Preferred Share Subscription Agreement]

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

The undersigned (a) understands that this Agreement imposes obligations on him, (b) understands English and has read and understands the terms of this Agreement or has had this Agreement translated and explained to him, and (c) has considered this Agreement with his own tax and legal advisors and has relied solely on such advisors for tax and legal advice and will be responsible for his own liabilities resulting from this Agreement.

[illegible]

LI Xueling (□□□)

By: /s/ LI Xueling
Name: LI Xueling (□□□)

[Signature Page to Series A Preferred Share Subscription Agreement]

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

The undersigned (a) understands that this Agreement imposes obligations on him, (b) understands English and has read and understands the terms of this Agreement or has had this Agreement translated and explained to him, and (c) has considered this Agreement with his own tax and legal advisors and has relied solely on such advisors for tax and legal advice and will be responsible for his own liabilities resulting from this Agreement.

□□

DONG Rongjie (□□□)

By: /s/ DONG Rongjie
Name: DONG Rongjie (□□□)

[Signature Page to Series A Preferred Share Subscription Agreement]

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

MANAGEMENT SPV/ LI SPV

NEW WALES HOLDINGS LIMITED

By: /s/ LI Xueling
Name: LI Xueling (□□□)
Title: Authorized Signatory

LEGEND RANK VENTURES LIMITED

By: /s/ LI Xueling
Name: LI Xueling (□□□)
Title: Authorized Signatory

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

MANAGEMENT SPV/ DONG SPV

Jungle TT Limited

By: /s/ DONG Rongjie
Name: DONG Rongjie (□□□)
Title: Authorized Signatory

[Signature Page to Series A Preferred Share Subscription Agreement]

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

INVESTOR/ PING AN

CHINA PING AN INSURANCE OVERSEAS (HOLDINGS) LIMITED

By: /s/ TUNG Hoi
Name: TUNG Hoi
Title: Authorized Signatory

[Signature Page to Series A Preferred Share Subscription Agreement]

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

INVESTOR/ BANYAN

BANYAN PARTNERS FUND II, L.P.

By: Banyan Partners II Ltd., its general partner

By: /s/ Anthony Wu
Name: Anthony Wu
Title: Authorized Signatory

[Signature Page to Series A Preferred Share Subscription Agreement]

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

INVESTOR/ ENGAGE

Engage Capital Partners II Limited

By: /s/ Wang Shumin
Name:
Title: Authorized Signatory

[Signature Page to Series A Preferred Share Subscription Agreement]

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

INVESTOR/ MORNINGSIDE

MORNINGSIDE CHINA TMT FUND IV, L.P.
a Cayman Islands exempted limited partnership

By: MORNINGSIDE CHINA TMT GP IV, L.P.,
a Cayman Islands exempted limited partnership,
its general partner

By: TMT GENERAL PARTNER LTD.,
a Cayman Islands exempted limited partnership,
its general partner in on

/s/ Jill Marie Franklin
Director/ Authorized Signatory

MORNINGSIDE CHINA TMT FUND IV CO-INVESTMENT, L.P.,
a Cayman Islands exempted limited partnership

By: MORNINGSIDE CHINA TMT GP IV, L.P.,
a Cayman Islands exempted limited partnership,
its general partner

By: TMT GENERAL PARTNER LTD.,
a Cayman Islands exempted limited partnership,
its general partner in on

/s/ Jill Marie Franklin
Director/ Authorized Signatory

EXHIBIT A-1

FORM OF AMENDED AND RESTATED MEMORANDUM OF ASSOCIATION

EXHIBIT A-2

FORM OF AMENDED AND RESTATED ARTICLES OF ASSOCIATION

EXHIBIT B

SHAREHOLDERS AGREEMENT

EXHIBIT C

FORM OF CONTROL DOCUMENTS

Exhibit 4.36

Execution Version

SERIES B-2 PREFERRED SHARE SUBSCRIPTION AGREEMENT

This SERIES B-2 PREFERRED SHARE SUBSCRIPTION AGREEMENT (this "Agreement") is made and entered into on March 8, 2018 by and among:

1. HUYA Inc., an exempted company incorporated under the Laws of the Cayman Islands with its registered office at Vistra (Cayman) Limited, P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 (the "Company");

2. HUYA Limited, a company organized and existing under the Laws of Hong Kong (the "HK Company");

3. Guangzhou Huya Technology Co., Ltd. (□□□□□□□□□□□), a wholly foreign-owned enterprise organized and existing under the Laws of the PRC (the "WFOE");

4. Guangzhou Huya Information Technology Co., Ltd. (□□□□□□□□□□□□□), a company incorporated under the Laws of the PRC (the "Domestic Company");

5. DONG Rongjie (□□□), a citizen of the PRC, with identification card number 330227197702176836 ("Mr. Dong");

6. YY Inc., an exempted company incorporated with limited liability under the Laws of the Cayman Islands ("YY");

7. Oriental Luck International Limited, a BVI business company limited by shares incorporated under the Laws of the British Virgin Islands;

8. All Worth Limited, a BVI business company limited by shares incorporated under the Laws of the British Virgin Islands (together with Oriental Luck International Limited, the "Dong SPVs"); and

9. Linen Investment Limited, a BVI business company limited by shares incorporated under the Laws of the British Virgin Islands with its registered office at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands (the "Investor").

Each of the parties to this Agreement is referred to herein individually as a "Party" and collectively as the "Parties".

RECITALS

A. The Group is engaged in the business of providing products and services relating to audio and video broadcast and live streaming of online games (the "Business").

B. The Company holds 100% of the equity interest of the HK Company. The HK Company holds 100% of the equity interest of the WFOE. The WFOE Controls the Domestic Company through the Control Documents (as defined below).

C. The Company seeks expansion capital to grow the Business and, correspondingly, seeks to secure the investment from the Investor, on the terms and subject to the conditions set forth herein.

D. The Parties desire to enter into this Agreement and make the respective representations, warranties, covenants and agreements set forth herein on the terms and conditions set forth herein.

WITNESSETH

NOW, THEREFORE, in consideration of the foregoing recitals, the mutual promises hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties intending to be legally bound hereto hereby agree as follows:

1. Definitions.

1.1 The following terms shall have the meanings ascribed to them below:

"Accounting Standards" means the generally accepted accounting principles and practices of the United States of America as in effect from time to time.

"Action" means any charge, claim, action, complaint, petition, investigation, appeal, suit, litigation, grievance, inquiry or other proceeding, whether administrative, civil, regulatory or criminal, whether at law or in equity, or otherwise under any applicable Law, and whether or not before any mediator, arbitrator or Governmental Authority (whether such proceedings are public or private).

"Affiliate" means, with respect to a Person, (i) any other Person that, directly or indirectly, Controls, is Controlled by or is under common Control with such Person, and (ii) if such Person is a natural person, any Relative or spouse of such Person, or any spouse of such Relative; provided that none of the Group Companies, Mr. Dong, the Dong SPVs or YY shall be deemed to be an Affiliate of the Investor, and none of the Investor or its Affiliates shall be deemed to be an Affiliate of the Group Companies, Mr. Dong, the Dong SPVs or YY.

"Benefit Plan" means any employment Contract, deferred compensation Contract, bonus plan, incentive plan, profit sharing plan, mandatory provident scheme, occupational retirement scheme, retirement Contract or other employment compensation Contract or any other plan which provides or provided benefits for any past or present employee, officer, consultant, and/or director of a Person or with respect to which contributions are or have been made on account of any past or present employee, officer, consultant, and/or director of such a Person.

"Board" or "Board of Directors" 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 law to be closed in the PRC, Hong Kong, the British Virgin Islands or the Cayman Islands and on which no tropical cyclone warning No. 8 or above and no "black" rainstorm warning signal is hoisted in Hong Kong at any time between 8:00 a.m. and 6:00 p.m. Hong Kong time.

"Charter Documents" means, with respect to a particular legal entity, the articles of incorporation, certificate of incorporation, formation or registration (including, if applicable, certificates of change of name), memorandum of association, articles of association, bylaws, articles of organization, limited liability company agreement, trust deed, trust instrument, operating agreement, joint venture agreement, business license, or similar or other constitutive, governing, or charter documents, or equivalent documents, of such entity.

"Circular 37" means the Circular on Foreign Exchange Administration of Offshore Investment, Financing and Return Investment by Domestic Residents Utilizing Special Purpose Vehicles (□□□□□□□□□□□□□□□□□□□□□□□□□□□□□□□□□□□□) issued by SAFE with effect from July 14, 2014 and superseding the Circular 75 issued by SAFE on October 21, 2005, as amended from time to time.

"Class A Ordinary Shares" means the Class A Ordinary Shares of the Company, par value US$0.0001 each, and a holder shall be entitled to one vote for each Class A Ordinary Share held by it.

"Class B Ordinary Shares" means the Class B Ordinary Shares of the Company, par value US$0.0001 each, and a holder shall be entitled to ten votes for each Class B Ordinary Share held by it.

"Closing Date" means the date on which the Closing occurs, which shall be the date of this Agreement.

"Company Owned IP" means all Intellectual Property owned by, purported to be owned by, or exclusively licensed to, the Group Companies.

"Company Registered IP" means all Intellectual Property for which registrations are owned by or held in the name of, or for which applications have been made in the name of, any Group Company.

"Consent" means any consent, approval, authorization, release, waiver, permit, grant, franchise, concession, agreement, license, exemption or order of, registration, certificate, declaration or filing with, or report or notice to, any Person, including any Governmental Authority.

"Contract" means a contract, agreement, indenture, note, bond, loan, instrument, lease, mortgage, franchise, license, commitment, purchase order, and other legally binding arrangement, whether written or oral.

"Control" of a given Person means the power or authority, whether exercised or not, to direct the business, management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by Contract or otherwise; provided, that such power or authority shall conclusively be presumed to exist upon possession of beneficial ownership or power to direct the vote of more than fifty percent (50%) of the votes entitled to be cast at a meeting of the members or shareholders of such Person or power to control the composition of a majority of the board of directors of such Person. The terms "Controlled" and "Controlling" have meanings correlative to the foregoing.

"Control Documents" means the agreements made from time to time that provide contractual control to WFOE over the Domestic Company and therefore allow the Company to consolidate the financial statements of the Domestic Company with those of the Company for financial reporting purposes, including the following contracts entered into by and among the WFOE, the Domestic Company and the equity holders of the Domestic Company: (i) Exclusive Business Cooperation Agreement (□□□□□□□□) entered into by and between the WFOE and the Domestic Company, (ii) Exclusive Purchase Option Agreement (□□□□□□□) entered into by and among the WFOE, the Domestic Company and the equity holders of the Domestic Company, (iii) Voting Rights Proxy Agreement (□□□□□□□□□) entered into by and among the WFOE, the Domestic Company and the equity holders of the Domestic Company, and (iv) Equity Pledge Agreement (□□□□□□) entered into by and among the WFOE, the Domestic Company and the equity holders of the Domestic Company.

"Conversion Shares" means the Class B Ordinary Shares issuable upon conversion of any Series B Preferred Shares.

"Director Indemnification Agreement" means the indemnification agreement to be entered into by and between the Company and the Investor's nominee director, in form and substance reasonably satisfactory to the Investor.

"Environmental, Health and Safety Laws" means any and all applicable Laws that: (i) relate to the pollution or protection of the environment (including air; surface water; groundwater and water in pipe, drainage or sewerage systems; land surface or sub-surface strata); (ii) prohibit, regulate, or control any Hazardous Material or any Hazardous Material Activity; or (iii) relate to the health or safety of employees, workers, occupiers, invitees or other Persons.

"Equity Securities" means, with respect to any Person that is a legal entity, any and all shares of capital stock, membership interests, units, profits interests, ownership interests, equity interests, registered capital, and other equity securities of such Person, and any right, warrant, option, call, commitment, conversion privilege, preemptive right or other right to acquire any of the foregoing, or security convertible into, exchangeable or exercisable for any of the foregoing.

"fully diluted basis" means, for the purpose of calculating share numbers, such calculation shall be made assuming that all outstanding options, warrants and other securities convertible into or exercisable or exchangeable for Shares (whether or not by their terms then currently convertible, exercisable or exchangeable), have been so converted, exercised or exchanged, and, in case of calculating the numbers of the Shares, giving effect to the Closing and the Ordinary Shares reserved for issuance under the ESOP.

"Fundamental Representations" means the representations and warranties made by the Warrantors to the Investor contained in Sections 3.1, 3.2, 3.3, 3.4, 3.5, 3.6, 3.7, 3.9, and 3.29.

"Governmental Authority" means any government of any nation, federation, province or state or any other political subdivision thereof, any entity, authority or body exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including any governmental authority, agency, department, board, commission or instrumentality of the PRC or any other country, or any political subdivision thereof, any court, tribunal or arbitrator, and any self-regulatory organization.

"Governmental Order" means any applicable order, ruling, decision, verdict, decree, writ, subpoena, mandate, precept, command, directive, consent, approval, award, judgment, injunction or other similar determination or finding by, before or under the supervision of any Governmental Authority.

"Group Company" means each of the Company, the HK Company, the WFOE, the Domestic Company, together with each Subsidiary of any of the foregoing and each other Person Controlled by the Company, and "Group" refers to all of Group Companies collectively.

"Hazardous Material Activity" means the transportation, transfer, recycling, storage, use, labeling, treatment, manufacture, removal, disposal, remediation, Release, exposure of others to, sale, distribution, import, or export of any Hazardous Materials or any product containing Hazardous Materials.

"Hazardous Materials" means any radioactive, infectious, flammable, toxic or hazardous substance, chemical, material, waste, pollutant, or contaminant which poses a present or potential hazard to human health and safety or to the environment, including without limitation (i) those chemicals, substances, materials and wastes defined as "hazardous substances" or "hazardous waste" prohibited or regulated under any Environmental, Health and Safety Laws; and (ii) any petrochemical or petroleum products, radioactive materials, asbestos in any form that is or could become friable, urea formaldehyde foam insulation, transformers or other equipment that contain dielectric fluid containing polychlorinated biphenyls, radon gas, and toxic mold.

"Hong Kong" means the Hong Kong Special Administrative Region of the PRC.

"Indebtedness" of any Person means, without duplication, each of the following of such Person: (i) all indebtedness for borrowed money, (ii) all obligations issued, undertaken or assumed as the deferred purchase price of property or services (other than trade payables entered into in the ordinary course of business), (iii) all reimbursement or payment obligations with respect to letters of credit, surety bonds and other similar instruments, (iv) all obligations evidenced by notes, bonds, debentures or similar instruments, including obligations so evidenced that are incurred in connection with the acquisition of properties, assets or businesses, (v) all indebtedness created or arising under any conditional sale or other title retention agreement, or incurred as financing, in either case with respect to any property or assets acquired with the proceeds of such indebtedness (even though the rights and remedies of the seller or bank under such agreement in the event of default are limited to repossession or sale of such property), (vi) all obligations that are capitalized (including capitalized lease obligations), (vii) all obligations under banker's acceptance, letter of credit or similar facilities, (viii) all obligations to purchase, redeem, retire, defease or otherwise acquire for value any Equity Securities of such Person, (ix) all obligations in respect of any interest rate swap, hedge or cap agreement, (x) all guarantees issued in respect of the Indebtedness referred to in subsections (i) through (ix) above of any other Person, but only to the extent of the Indebtedness guaranteed, and (xi) any accrued and unpaid interest on any of the foregoing.

"Indemnifiable Loss" means, with respect to any Person, any Action, claim, cost, damage, deficiency, diminution in value, disbursement, expense, liability, loss, obligation, penalty or settlement of any kind or nature imposed on or otherwise incurred or suffered by such Person, including without limitation, reasonable legal, accounting and other professional fees and expenses incurred in the investigation, collection, prosecution and defense of claims and amounts paid in settlement and Taxes payable by such Person by reason of the indemnification.

"Intellectual Property" means any and all (i) patents, patent rights and applications therefor and reissues, reexaminations, continuations, continuations-in-part, divisions, and patent term extensions thereof, (ii) inventions (whether patentable or not), discoveries, improvements, concepts, innovations and industrial models, (iii) registered and unregistered copyrights, copyright registrations and applications, mask works and registrations and applications therefor, author's rights and works of authorship (including artwork, Software, computer programs, source code, object code and executable code, firmware, development tools, files, records and data, and related documentation), (iv) URLs, web sites, web pages and any part thereof, (v) technical information, know-how, trade secrets, drawings, designs, design protocols, specifications, proprietary data, customer lists, databases, proprietary processes, technology, formulae, and algorithms and other intellectual property, (vi) trade names, trade dress, trademarks, domain names, service marks, logos, business names, and registrations and applications therefor, and (vii) the goodwill symbolized or represented by the foregoing.

"Key Employee" means each of the Persons listed in Schedule III hereof.

"Knowledge" means, with respect to the Warrantors, the actual knowledge and that knowledge which should have been acquired after making such due inquiry and exercising such due diligence as a prudent business person would have made or exercised in the management of his or her business affairs, including but not limited to due inquiry of all officers, directors, employees, consultants and professional advisers (including attorneys, accountants and auditors) of the Group and of its Affiliates who could reasonably be expected to have knowledge of the matters in question, and where any statement in the representations and warranties hereunder is expressed to be given or made to a Person's Knowledge, or so far as a party is aware, or is qualified in some other manner having a similar effect, the statement shall be deemed to be supplemented by the additional statement that such party has made such due inquiry and due diligence.

"Law" or "Laws" means any and all provisions of any applicable constitution, treaty, statute, law, regulation, ordinance, code, rule, or rule of common law, any governmental approval, concession, grant, franchise, license, agreement, directive, requirement, or other governmental restriction or any similar form of decision of, or determination by, or any formally issued written interpretation or administration of any of the foregoing by, any Governmental Authority, in each case as amended, and any and all applicable Governmental Orders.

"Liabilities" means, with respect to any Person, all debts, liabilities, obligations and commitments of such Person of any nature, whether accrued, absolute, contingent or otherwise, and whether due or to become due and whether or not such liabilities would be required by the Accounting Standards to be reflected in the financial statements or disclosed in the notes thereto.

"Lien" means any claim, charge, pledge, mortgage, easement, encumbrance, lease, covenant, security interest, lien, option, pledge, rights of others, or restriction (whether on voting, sale, transfer, disposition or otherwise), whether imposed by Contract, understanding, law, equity or otherwise.

"Loan Documents" means (i) the loan agreement dated May 10, 2017 between China Ping An Insurance Overseas (Holdings) Limited and Jungle TT Limited, a BVI incorporated company wholly-owned by Mr. Dong; (ii) the loan assignment agreement dated July 13, 2017 between China Ping An Insurance Overseas (Holdings) Limited and D.I. Alpha Media Company Limited; (iii) the assignment consent letter dated July 21, 2017 from Jungle TT Limited to China Ping An Insurance Overseas (Holdings) Limited and D.I. Alpha Media Company Limited; and (iv) the deed of assignment and assumption dated November 20, 2017, among D.I. Alpha Media Company Limited, Jungle TT Limited and Oriental Luck International Limited.

"Material Adverse Change" means any material adverse change, and any change in circumstances, that have a Material Adverse Effect.

"Material Adverse Effect" means any (i) event, occurrence, fact, condition, change or development that has had, has, or could reasonably be expected to have, individually or together with other events, occurrences, facts, conditions, changes or developments, a material adverse effect on the business, properties, assets, employees, operations, results of operations, condition (financial or otherwise), prospects, assets or Liabilities of the Group taken as a whole, (ii) material impairment of the ability of any party (other than the Investor) to perform the material obligations of such party under any Transaction Documents, or (iii) material impairment of the validity or enforceability of this Agreement or any other Transaction Document against any Party hereto or thereto (other than the Investor).

"Memorandum and Articles" means the second amended and restated memorandum of association of the Company and the second amended and restated articles of association of the Company attached hereto as Exhibit A-1 and Exhibit A-2, respectively, to be adopted in accordance with applicable Law at the Closing.

"MOFCOM" means the Ministry of Commerce of the PRC or, with respect to any matter to be submitted for examination and approval by the Ministry of Commerce, any Governmental Authority which is delegated or authorized by the Ministry of Commerce to examine and approve such matter under the laws of the PRC.

"Ordinary Shares" means the Company's ordinary shares, par value US$0.0001 each, which shall be re-designated as Class A Ordinary Shares and Class B Ordinary Shares at Closing.

"Permitted Liens" means (i) Liens for Taxes not yet delinquent or the validity of which are being contested in good faith and for which there are adequate reserves on the applicable financial statements, and (ii) Liens incurred in the ordinary course of business, which (x) do not individually or in the aggregate materially detract from the value, use, or transferability of the assets that are subject to such Liens, and (y) were not incurred in connection with the borrowing of money.

"Person" means any individual, corporation, partnership, limited partnership, proprietorship, association, limited liability company, firm, trust, estate or other enterprise or entity.

"PRC" means the People's Republic of China, but solely for the purposes of this Agreement and the other Transaction Documents, excluding Hong Kong, the Macau Special Administrative Region and the islands of Taiwan.

"Public Software" means any Software that contains, or is derived in any manner (in whole or in part) from, any Software that is distributed as free Software, open source Software (*e.g.*, Linux) or similar licensing or distribution models, including, without limitation, Software licensed or distributed under any of the following licenses or distribution models, or licenses or distribution models similar to any of the following: (A) GNU's General Public License (GPL) or Lesser/Library GPL (LGPL), (B) the Artistic License (e.g., PERL), (C) the Mozilla Public License, (D) the Netscape Public License, (E) the Sun Community Source License (SCSL), (F) the Sun Industry Standards License (SISL), (G) the BSD License, and (H) the Apache License.

"Purchase Price" means US$461,600,000.

"Related Party" means (i) any Affiliate, officer, director, supervisory board member, Key Employee, or holder of any Equity Security of any Group Company (other than the Investor and its Affiliates); and (ii) any of YY or YY's Affiliates (other than the Group Companies).

"Relative" of a natural person means any spouse, parent, grandparent, child, grandchild, sibling, uncle, aunt, nephew, niece or great-grandparent of such person (whether by blood, marriage or adoption).

"Release" means any spilling, leaking, pumping, pouring, emitting, emptying, injecting, depositing, discharging, escaping, leaching, dumping or disposing into or through the environment, including ambient air, surface water, soil, sediment, groundwater, or sewage systems of any substance, material or waste (whether solid, liquid or gaseous), including the abandonment or discarding of barrels, containers, and other receptacles.

"Restructuring Agreement" means the asset restructuring agreement entered into by and among the Domestic Company, YY, the Affiliates of YY and other parties named thereto dated December 31, 2016.

"SAFE" means the State Administration of Foreign Exchange of the PRC.

"SAFE Rules and Regulations" means collectively, the Circular 37 and any other applicable SAFE rules and regulations.

"SAIC" means the State Administration of Industry and Commerce of the PRC or, with respect to the issuance of any business license or filing or registration to be effected by or with the State Administration of Industry and Commerce, any Governmental Authority which is similarly competent to issue such business license or accept such filing or registration under the Laws of the PRC.

"Securities Act" means the U.S. Securities Act of 1933, as amended and interpreted from time to time.

"Series A Investors" means New Wales Holding Limited, Legend Rank Ventures Limited, Jungle TT Limited, China Ping An Insurance Overseas (Holdings) Limited, Banyan Partners Fund II, L.P., Engage Capital Partners II Limited, Morningside China TMT Fund IV, L.P., Morningside China TMT Fund IV Co-Investment, L.P.

"Series A Preferred Shares" means the Series A Preferred Shares of the Company, par value US$0.0001 per share, which shall be re-designated as Series A-1 Preferred Shares and Series A-2 Preferred Shares at Closing.

"Series A-1 Preferred Shares" means the Series A-1 Preferred Shares of the Company, par value US$0.0001 per share, with the rights and privileges as set forth in the Memorandum and Articles.

"Series A-2 Preferred Shares" means the Series A-2 Preferred Shares of the Company, par value US$0.0001 per share, with the rights and privileges as set forth in the Memorandum and Articles.

"Series A Share Subscription Agreement" means the Series A Preferred Share Subscription Agreement dated May 16, 2017 entered into by and among the Parties to this Agreement (except for the WFOE), Mr. Li Xueling and the Series A Investors.

"Series A Shareholders Agreement" means the Shareholders Agreement dated July 10, 2017 entered into by and among the Parties to this Agreement and the Series A Investors.

"Series B Preferred Shares" means the Series B-1 Preferred Shares and the Series B-2 Preferred Shares.

"Series B-1 Preferred Shares" means the Series B-1 Preferred Shares of the Company, par value US$0.0001 per share, with the rights and privileges as set forth in the Memorandum and Articles.

"Series B-2 Preferred Shares" means the Series B-2 Preferred Shares of the Company, par value US$0.0001 per share, with the rights and privileges as set forth in the Memorandum and Articles.

"Shareholders Agreement" means the Second Amended and Restated Shareholders Agreement to be entered into by and among the parties named therein at the Closing, which shall be in substantially the form attached hereto as Exhibit B.

"Shares" means the Ordinary Shares (which shall be re-designated as Class A Ordinary Shares and Class B Ordinary Shares at the Closing), the Series A Preferred Shares (which shall be re-designated as Series A-1 Preferred Shares and Series A-2 Preferred Shares at the Closing) and the Series B Preferred Shares.

"Social Insurance" means any form of social insurance required under applicable Laws, including without limitation, the PRC national and local contributions for pensions, medical insurance, unemployment insurance, work-related injury insurance, pregnancy benefits, and housing accumulation funds.

"Software" means any and all (A) computer programs, including any and all software implementations of algorithms, models and methodologies, including all source code and executable code, whether embodied in software, firmware or otherwise, documentation, development tools, designs, files, verilog files, RTL files, HDL, VHDL, net lists, records, data and mask works; and (B) databases and compilations, including any and all data and collections of data, whether machine readable or otherwise, and all rights therein.

"Subsidiary" means, with respect to any given Person, any other Person that is Controlled directly or indirectly by such given Person. For the avoidance of doubt, (i) a branch of any Group Company shall be deemed a Subsidiary of such Group Company; and (ii) a "variable interest entity" Controlled by a Person shall be deemed to be a Subsidiary of such Person.

"Tax" or "Taxation" means (i) in the PRC: (a) any national, provincial, municipal, or local taxes, charges, fees, levies, or other assessments, including, without limitation, all net income (including enterprise income tax and individual income withholding tax), turnover (including value-added tax, business tax, and consumption tax), resource (including urban and township land use tax), special purpose (including land value-added tax, urban maintenance and construction tax, and additional education fees), property (including urban real estate tax and land use fees), documentation (including stamp duty and deed tax), filing, recording, social insurance (including pension, medical, unemployment, housing, and other social insurance withholding), tariffs (including import duty and import value-added tax), and estimated and provisional taxes, charges, fees, levies, or other assessments of any kind whatsoever, (b) all interest, penalties (administrative, civil or criminal), or additional amounts imposed by any Governmental Authority in connection with any item described in subsection (a) above, and (c) any form of transferee liability imposed by any Governmental Authority in connection with any item described in subsections (a) and (b) above and (ii) in any jurisdiction other than the PRC: all similar Liabilities as described in subsections (i)(a) and (i)(b) above.

"Tax Return" means any return, report or statement showing Taxes, used to pay Taxes, or required to be filed with respect to any Tax (including any elections, declarations, schedules or attachments thereto, and any amendment thereof), including any information return, claim for refund, amended return or declaration of estimated or provisional Tax.

"Tencent Business Cooperation Agreement" means the business cooperation agreement to be entered into among the Investor or its Affiliates and the Group Companies, which shall be in substantially the form attached hereto as Exhibit C.

"Transaction Documents" means this Agreement, the Shareholders Agreement, the Control Documents, the Memorandum and Articles, the Tencent Business Cooperation Agreement, the YY Business Cooperation Agreement, the Director Indemnification Agreement, the ESOP and each of the other agreements and documents otherwise required in connection with implementing the transactions contemplated by any of the foregoing as accepted and agreed by the relevant parties thereto and the Investor in the event the Investor is not a party to any of such agreement or document.

"Warrantors" means, collectively, the Group Companies that are parties to this Agreement, Mr. Dong and the Dong SPVs.

"YY Business Cooperation Agreement" means the business cooperation agreement to be entered into between □□□□□□□□□□□□ and □□□□□□ □□□□□□, the form and substance of which is reasonably satisfactory to the Investor.

1.2 Other Defined Terms. The following terms shall have the meanings defined for such terms in the Sections set forth below:

Agreement	Preamble
Balance Sheet	Section 3.14
Business	Recitals
Closing	Section 2.2(i)
Company	Preamble
Company Affiliate	Section 3.19(i)
Company IP	Section 3.22(i)
Disclosure Schedule	Section 3
Dispute	Section 10.7(i)
Domestic Company	Preamble
Dong SPVs	Preamble
ESOP	Section 3.2(viii)
FCPA	Section 3.19(i)
Financing Terms	Section 8.2(i)
Financial Statements	Section 3.14
Government Entity	Section 3.19(i)
Government Official	Section 3.19(i)
HK Company	Preamble
HKIAC	Section 10.7(i)
ICP License	Section 3.30
Indemnification Cap	Section 8.3(iv)
Indemnified Party	Section 8.3(i)
Investor	Preamble
Lease	Section 3.20(ii)
Licenses	Section 3.22(v)
Management Accounts	Section 3.14
Material Contracts	Section 3.18(i)
Money Laundering Laws	Section 3.19(iii)
Mr. Dong	Preamble
OFAC	Section 3.19(ii)
Party/Parties	Preamble
Required Governmental Consents	Section 3.9(ii)
Restricted List	Section 9.8

Sanctions	Section 3.19(ii)
Statement Date	Section 3.14
Subscribed Shares	Section 2.1
Tencent	Section 8.4
WFOE	Preamble

2. Subscription and Issuance of Series B-2 Preferred Shares.

2.1 Subscription and Issuance of the Series B-2 Preferred Shares. Subject to the terms and conditions of this Agreement (including but not limited to Section 6), at the Closing (as defined below), the Investor agrees to subscribe for, and the Company agrees to issue and allot to the Investor, 64,488,235 Series B-2 Preferred Shares (the "Subscribed Shares") at a price of US$7.15789477 per Series B-2 Preferred Share and the Investor agrees to pay the Purchase Price as consideration for the Subscribed Shares. The Subscribed Shares represent 31.58% of the issued share capital of the Company immediately after Closing on a fully-diluted basis (but before any increase of the ESOP pursuant to Section 3.2(viii)), and shall have the rights, privileges and restrictions set forth in the Memorandum and Articles.

2.2 Closing.

(i) **Closing.** The consummation of the sale and issuance of the Series B-2 Preferred Shares pursuant to Section 2.1 (the "Closing") shall take place remotely via the exchange of documents and signatures on the Closing Date. The Parties intend that the signing of this Agreement and the Closing shall take place simultaneously on the date hereof, which shall be the Closing Date.

(ii) **Deliveries by the Company at the Closing**. At the Closing, in addition to any items specified in Section 6, the Company shall deliver to the Investor (a) the updated register of members of the Company, certified by the registered office provider of the Company, reflecting the issuance to the Investor of the Subscribed Shares, (b) the updated register of directors of the Company, certified by the registered office provider of the Company, reflecting the appointment of the director nominated by the Investor as a director of the Board, and (c) a copy of duly executed share certificate issued in the name of the Investor representing the Subscribed Shares, with original duly executed share certificate delivered to the Investor within ten (10) Business Days after the Closing.

(iii) **Deliveries by the Investor at the Closing**. At the Closing, the Investor shall pay the Purchase Price by wire transfer of immediately available funds in U.S. dollars to an account designated by the Company in writing at least five (5) Business Days prior to the date of this Agreement whereby the Investor is already satisfied that all conditions as set forth in the Section 6 hereof, have been fulfilled in a manner satisfactory to the Investor, including the receipt by the Investor on or before the date hereof of all the closing deliverables as set forth in the Section 6 hereof, in a manner satisfactory to the Investor.

2.3 Use of Proceeds.

(i) The Company shall use the Purchase Price for purpose of the business expansion, capital expenditures and general working capital needs in accordance with the budgets and business plans of the Group duly approved in accordance with Section 16 of the Shareholders Agreement. The Group Companies shall use the Purchase Price without violating any applicable Laws, including without limitation any SAFE Rules and Regulations. The Purchase Price shall not be used in the payment of any debts or obligations of any Group Company or its Subsidiaries or in the repurchase or cancellation of securities held by any shareholders of the Group Companies or for any other purpose without the prior consent of the Investor.

(ii) The Company shall not directly or indirectly use the Purchase Price it receives pursuant to this Agreement, or lend, contribute or otherwise make available such Purchase Price to any Subsidiary, joint venture partner or other Person for the purpose of funding or facilitating any activities or business of or with any Person towards any sales or operations in Cuba, Iran, Libya, Syria, Sudan, the Democratic People's Republic of Korea, Myanmar or any other country sanctioned by OFAC (as defined below) or for the purpose of funding any operations or financing any investments in, or make any payments to, any Person targeted by or subject to any Sanctions.

3. Representations and Warranties of the Warrantors. Subject to such exceptions as may be specifically set forth in the disclosure schedule delivered by the Warrantors to the Investor as of the date hereof (the "Disclosure Schedule", attached as Schedule IV hereto) which forms part of the representation and warranties herein. Each of the Warrantors jointly and severally represents and warrants to the Investor that each of the following statements is true, correct, complete and not misleading as of the date hereof through the Closing. Each of the Warrantors hereby acknowledges that the Investor is relying on the warranties made by it in this Section 3 in entering into this Agreement and proceeding to Closing. Each of the warranties made by any Warrantor in this Section 3 shall be construed as a separate and independent warranty and shall not be limited or restricted by reference to or inference from the terms of any other warranty or any other term of this Agreement (except where expressly provided to the contrary). Disclosures contained in the Disclosure Schedule, with specific reference to the paragraphs of this Agreement to which such disclosures are related to, shall be deemed to be exceptions to the warranties only if such disclosures are fully, specifically and accurately stated therein.

3.1 Organization, Good Standing and Qualification. Each Group Company is duly organized, validly existing and in good standing (or equivalent status in the relevant jurisdiction) under, and by virtue of, the Laws of the place of its incorporation or establishment and has all requisite power and authority to own its properties and assets and to carry on the Business and its business as now conducted and as proposed to be conducted, and to perform each of its obligations under the Transaction Documents to which it is a party. Each Group Company is qualified to do business and is in good standing (or equivalent status in the relevant jurisdiction) in each jurisdiction. Each Group Company that is a PRC entity has a valid business license issued by the SAIC or its local branch or other relevant Governmental Authorities (a true and complete most up-to-date copy of which has been delivered to the Investor), and has, since its establishment, carried on its business in compliance with the business scope set forth in its business license. Each of YY and Mr. Dong has full power and legal capacity to enter into, execute and deliver this Agreement and other Transaction Documents to which it/he is a party and to undertake, perform, discharge, observe and comply with all its/his obligations and liabilities hereunder and the transactions contemplated hereby and thereby.

3.2 Capitalization and Voting Rights.

(i) **Company.** The Company's capital structure (including its authorized and issued share capital, and the holders thereof) as set forth on Schedule I is true, complete and accurate as of the time indicated therein.

(ii) **Outstanding Security Holders of the Company**. A complete and current list of all shareholders, option holders and other security holders of the Company as of the date hereof and immediately after the Closing indicating the type and number of shares, options or other securities held by each such shareholder, option holder or other security holder is set forth in Schedule I.

(iii) **HK Company**. The authorized share capital of the HK Company is and immediately following the Closing shall be US$10,000, divided into 10,000 shares of US$1.00 each, which is issued and outstanding and held by the Company.

(iv) **WFOE**. The registered capital of the WFOE is and immediately following the Closing shall be RMB70,000,000, none of which has been contributed. The HK Company owns 100% of the registered capital of the WFOE.

(v) **Domestic Company**. The registered capital of the Domestic Company is set forth opposite its name on Section 3.2(v) of the Disclosure Schedule, together with an accurate, up-to-date list of the record and beneficial owner of such registered capital. All historical changes to the share capital of the Domestic Company and historical transfers of equity interest in the Domestic Company were made in compliance with the applicable Laws.

(vi) **No Other Securities**. Except for (a) the conversion privileges of the Series B Preferred Shares, and (b) certain rights provided in the Transaction Documents, (A) there are no and at the Closing there shall be no other authorized or outstanding Equity Securities of any Group Company; (B) no Equity Securities of any Group Company are subject to any preemptive rights, rights of first refusal (except to the extent provided by applicable PRC Laws) or other rights to purchase such Equity Securities or any other rights with respect to such Equity Securities, and (C) no Group Company is a party or subject to any Contract that affects or relates to the voting or giving of written consents with respect to, or the right to cause the redemption, or repurchase of, any Equity Security of such Group Company. Except as set forth in the Shareholders Agreement, the Company has not granted any registration rights or information rights to any other Person, nor is the Company obliged to list, any of the Equity Securities of any Group Companies on any securities exchange. Except as contemplated under the Transaction Documents, there are no voting or similar agreements which relate to the share capital or registered capital of any Group Company.

(vii) **Issuance and Status**. All presently outstanding Equity Securities of each Group Company were duly and validly issued (or subscribed for) in compliance with all applicable Laws, preemptive rights of any Person, and applicable Contracts (if any). All share capital or registered capital, as the case may be, of each Group Company have been duly and validly issued, are fully paid (or subscribed for) and non-assessable, and are and as of the Closing shall be free of any and all Liens and any third party rights (except for any restrictions on transfer under the Transaction Documents and applicable Laws). Except as contemplated under the Transaction Documents, there are no (a) resolutions pending to increase the share capital or registered capital of any Group Company or cause the liquidation, winding up, or dissolution of any Group Company, nor has any distress, execution or other process been levied against any Group Company, (b) dividends which have accrued or been declared but are unpaid by any Group Company, (c) obligations, contingent or otherwise, of any Group Company to repurchase, redeem, or otherwise acquire any Equity Securities, or (d) outstanding or authorized equity appreciation, phantom equity, equity plans or similar rights with respect to any Group Company. All dividends (if any) or distributions (if any) declared, made or paid by each Group Company, and all repurchases and redemptions of Equity Securities of each Group Company (if any), have been declared, made, paid, repurchased or redeemed, as applicable, in accordance with its Charter Documents and all applicable Laws.

(viii) **ESOP.** The Company has reserved a total of up to 17,647,058 Ordinary Shares (which shall be re-designated as Class A Ordinary Shares upon Closing), representing 12.6316% of the Company's issued share capital (on a fully diluted basis) as of the date hereof and immediately prior to the Closing, for issuance pursuant to share options granted under the Company's employee share option plan (the "ESOP") adopted by the Company. The Ordinary Shares reserved under the ESOP will be re-designated as Class A Ordinary Shares at Closing. After the Closing, the Company may increase the number of Shares issuable under the ESOP by such number of Class A Ordinary Shares, representing up to 5% of the Company's issued share capital (on a fully diluted basis) at such time, provided, however that the Investor's shareholding in the Company shall not be diluted to less than 30% of the Company's issued share capital (on a fully diluted basis) immediately after such increase.

(ix) **Title**. Each Group Company is the sole record and beneficial holder of all of the Equity Securities of its applicable Subsidiary(ies) as set forth on Section 3.2(ix) of the Disclosure Schedule, free and clear of all Liens of any kind other than those arising under applicable Law or as set forth in the Control Documents.

3.3 Corporate Structure; Subsidiaries. Section 3.3 of the Disclosure Schedule sets forth a complete structure chart showing Group Companies, and indicating the ownership and Control relationships among all Group Companies, the nature of the legal entity which each Group Company constitutes, the jurisdiction in which each Group Company was organized or established, and each jurisdiction in which each Group Company is required to be qualified or licensed to do business as a foreign Person. No Group Company owns or Controls, or has ever owned or Controlled, directly or indirectly, any Equity Security, interest or share in any other Person or is or was a participant in any joint venture, partnership or similar arrangement. No Group Company is obligated to make any investment in or capital contribution in or on behalf of any other Person, other than as contemplated by the Transaction Documents. The Company was formed solely to acquire and hold the equity interests in the HK Company and has no other business, and since its formation has not incurred any Liability. The WFOE was formed solely to Control the Domestic Company through the Control Documents entered into by the WFOE, the Domestic Company and the equity holders of the Domestic Company. The HK Company was formed solely to acquire and hold the equity interests in the WFOE and has no other business, and since its formation has not incurred any Liability. The other Group Companies do not engage in any business other than the Business. None of the Key Employees, and no Person owned or Controlled by any of the foregoing Person, is engaged in the Business or has any assets in relation to the Business or any Contract relating to the Business.

3.4 Authorization. Each Warrantor has all requisite power and authority to execute and deliver the Transaction Documents to which it is a party and to carry out and perform its obligations thereunder. All actions on the part of each party to the Transaction Documents (other than the Investor or the Dong SPVs) (and, as applicable, its officers, directors and shareholders) necessary for the authorization, execution and delivery of the Transaction Documents, the performance of all obligations of each such party, and, in the case of the Company, the authorization, issuance (or reservation for issuance), sale and delivery of the Series B-2 Preferred Shares and the Conversion Shares, have been taken. Each Transaction Document has been duly executed and delivered by each party thereto (other than the Investor or Dong SPVs) and constitutes valid and legally binding obligations of such party, enforceable against such party in accordance with its terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other Laws of general application affecting enforcement of creditors' rights generally, and (ii) as limited by applicable Laws relating to the availability of specific performance, injunctive relief, or other equitable remedies.

3.5 Valid Issuance of Shares. The Subscribed Shares, when issued, delivered and paid for in accordance with the terms of this Agreement for the consideration expressed herein, will be duly and validly issued, fully paid and non-assessable, free from any Liens (except for any restrictions on transfer under applicable Laws and under the Transaction Documents). The Conversion Shares will be reserved at the Closing for issuance and, upon issuance in accordance with the terms of the Memorandum and Articles, will be duly and validly issued, fully paid and non-assessable, free from any Liens (except for any restrictions on transfer under applicable securities Laws and under the Transaction Documents). The issuance of the Subscribed Shares and the Conversion Shares is not subject to any consent rights, anti-dilution rights, preemptive rights, rights of first refusal or similar rights, except for any consent rights and/or waiver of preemptive rights in respect of the issue of the Subscribed Shares, all of which has been obtained.

3.6 Currently Issued Shares. All currently issued and outstanding shares of the Company are duly and validly issued, fully paid and non-assessable, and all outstanding shares, options, warrants and other securities of the Company and each other Group Company have been issued in full compliance with the requirements of all applicable securities laws and regulations including, to the extent applicable, the registration and prospectus delivery requirements of the Securities Act, or in compliance with applicable exemptions therefrom, and all other provisions of applicable securities laws and regulations, including, without limitation, anti-fraud provisions.

3.7 Consents; No Conflicts. All Consents from or with any Governmental Authority or any other Person required in connection with the execution, delivery and performance of the Transaction Documents, and the consummation of the transactions contemplated by the Transaction Documents, in each case on the part of any party thereto (other than the Investor) have been duly obtained or completed (as applicable) and are in full force and effect. The execution, delivery and performance of each Transaction Document by each party thereto (other than the Investor) do not, and the consummation by each such party of the transactions contemplated thereby will not, with or without notice or lapse of time or both, (i) result in any violation of, be in conflict with, or constitute a default under any provision of any Charter Document of any Group Company, (ii) result in any violation of, be in conflict with, or constitute a default under, in any material respect, any Governmental Order or any applicable Law (including without limitation the SAFE Rules and Regulations), (iii) result in any violation of, be in conflict with, or constitute a default under, or give rise to any right of termination, amendment, modification, acceleration or cancellation under, or give rise to any augmentation or acceleration of any Liability of any Group Company under, any Material Contract (as defined below), or (iv) result in the creation of any Lien upon any of the properties or assets of any Group Company other than Permitted Liens.

3.8 Offering. Subject in part to the accuracy of the Investor's representations set forth in Section 5 of this Agreement, the offer, sale and issuance of the Subscribed Shares are, and the issuance of the Conversion Shares will be, exempt from the qualification, registration and prospectus delivery requirements of the Securities Act and any other applicable securities Laws.

3.9 Compliance with Laws; Consents.

(i) Each Warrantor is, and has been, in compliance with all applicable Laws. No event has occurred and no circumstance exists that (with or without notice or lapse of time) (a) constitute or may constitute or result in a violation by any Warrantor of, or a failure on the part of such Warrantor to comply with, any applicable Laws, or (b) may give rise to any obligation on the part of any Warrantor to undertake, or to bear all or any portion of the cost of, any remedial action of any nature. None of the Warrantors has received any notice from any Governmental Authority regarding any of the foregoing. No Warrantor is under investigation, has received any Government Order, or is subject to any Action with respect to a violation of any Law.

(ii) To the knowledge of the Warrantors, all Consents from or with the relevant Governmental Authority required in respect of the due and proper establishment and operations of each Group Company as now conducted and all Consents relating to the conduction of the Business, including but not limited to the Consents from or with MOFCOM, SAIC, SAFE, the PRC Ministry of Industry and Information Technology, the PRC Ministry of Culture, Press and Publication Administration, any Tax bureau, customs authorities, product registration authorities, and health regulatory authorities and the local counterparts thereof, as applicable (or any predecessors thereof, as applicable) (collectively, the "Required Governmental Consents"), have been duly obtained or completed in accordance with all applicable Laws.

(iii) No Required Governmental Consent contains any burdensome restrictions or conditions, and each Required Governmental Consent is in full force and effect and will remain in full force and effect upon the consummation of the transactions contemplated hereby. None of the Group Companies is in default under any Required Governmental Consent or has exceeded the permitted scope of activities under any such Required Governmental Consent. To the Knowledge of the Warrantors, there is no reason to believe that any Required Governmental Consent which is subject to periodic renewal will not be granted or renewed. No Group Company has received any letter or other communication from any Governmental Authority threatening or providing notice of revocation of any Required Governmental Consent issued to any Group Company or the need for compliance or remedial actions in respect of the activities carried out directly or indirectly by any Group Company.

3.10 Non-Contravention. None of the Warrantors is or has been in, nor shall the conduct of its business as currently or proposed to be conducted result in, violation, breach or default of any term of its constitutional documents of the respective Warrantor, or in any material respect of any term or provision of any Material Contract to which such Warrantor is a party or by which it may be bound or of any provision of any judgment, decree, order, statute, rule or regulation applicable to or binding upon the Warrantor. None of the activities, agreements, commitments or rights of any Warrantor is ultra vires or invalid, or unauthorized. The execution, delivery and performance of and compliance with this Agreement and the other Transaction Documents and the consummation of the transactions contemplated hereby and thereby, will not result in any such violation, breach or default, or be in conflict with or constitute, with or without the passage of time or the giving of notice or both, either a default under any Warrantor's constitutional documents or any Material Contract to which such Warrantor is a party or by which it may be bound, or a violation of any statutes, laws, regulations or orders, or an event which results in the creation of any Lien, charge or encumbrance upon any asset of any Warrantor.

3.11 Registration Rights. Except as provided in the Shareholders Agreement, no Warrantor has granted or agreed to grant any person or entity any registration rights (including piggyback registration rights) with respect to, nor is the Company obliged to list, any of the Company's shares (or the shares of the Domestic Company) on any securities exchange. Except as contemplated under this Agreement, the Shareholders Agreement and the Control Documents, there are no voting or similar agreements which relate to the share capital of the Company or any of the equity interests of the Domestic Company.

3.12 Tax Matters.

(i) All Taxation of any nature whatsoever for which any Group Company is liable and which has fallen due for payment has been duly paid and without prejudice to the foregoing each Group Company has made all such deductions and retentions as it was obliged or entitled to make and all such payments as should have been made. In respect of any presence of a Group Company in the PRC, (i) all loss carry-forwards are valid and available under PRC Tax law to offset future taxable profits; and (ii) Tax registrations have been completed in all applicable locations in the PRC.

(ii) All notices, computations and Tax Returns which ought to have been given or made, have been properly and duly submitted by each Group Company to the relevant Taxation authorities and all information, notices, computations and returns submitted to such authorities are true, accurate and complete and are not the subject of any material dispute nor are likely to become the subject of any material dispute with such authorities. All records which any Group Company is required to keep for Taxation purposes or which would be needed to substantiate any claim made or position taken in relation to Taxation by the relevant Group Company, have been duly kept and are available for inspection at the premises of the relevant Group Company.

(iii) The amount of Taxation chargeable on any Group Company during the relevant statutory limitation period has not been affected to any extent by any concession, arrangements, agreement or other formal or informal arrangement with any Taxation authority (not being a concession, agreement or arrangement available to companies generally).

(iv) No Group Company has within the relevant statutory limitation period paid or become liable to pay, nor are there any circumstances by reason of which it is likely to become liable to pay any interest, penalty, surcharge or fine relating to Taxation.

(v) To the Knowledge of the Warrantors, no Group Company has within the past ten years or since incorporation, whichever is earlier, been subject to or is currently subject to any investigation, audit or visit by any Taxation or excise authority, and none of the Warrantors is aware of any such investigation, audit or visit planned for the next twelve months.

(vi) No Group Company is treated for any Taxation purpose as resident in a country other than the country of its incorporation and no Group Company has, or has had within the relevant statutory limitation period a branch, agency or permanent establishment in a country other than the country of its incorporation. Each Group Company is only subject to Taxation in the country of its incorporation, and each Group Company will conduct business in a manner such that it will not become subject to Taxation in any jurisdiction other than the country of its incorporation.

(vii) The assessment of any additional Taxes with respect to the applicable Group Company for periods for which Tax Returns have been filed is not expected to exceed the recorded Liability therefor in the most recent balance sheet in the Financial Statements (as defined below). Since the Statement Date (as defined below), no Group Company has incurred any liability for Taxes outside the ordinary course of business or otherwise inconsistent with past custom and practice, and each Group Company has made adequate provisions on its books of account for all Taxes, assessments and governmental charges with respect to its business, properties and operations for such period, whether or not assessed or disputed as of the date of the applicable balance sheet.

(viii) No Group Company has been the subject of any Action by any Tax authority relating to the conduct of its business or the payment or withholding of Taxes that has not been resolved or is currently the subject of any examination or investigation by any Tax authority relating to the conduct of its business or the payment or withholding of Taxes. No Group Company is responsible for the Taxes of any other Person by reason of Contract, successor liability or otherwise, except for Taxes that are incurred in the ordinary course of business of such Group Company.

(ix) The Group Companies have been in compliance with all applicable Laws relating to all Tax credits and Tax holidays enjoyed by the Group Companies established under the Laws of the PRC or otherwise under applicable Laws which is not and will not be subject to any retroactive deduction or cancellation except as a result of retroactive effect of changes) in the applicable Laws.

(x) The Company and all Group Companies have conducted all Related Party transactions on an arm's-length basis and on normal commercial terms.

3.13 Charter Documents; Books and Records. The Charter Documents of each Group Company are in the form provided to the Investor. Each Group Company has been in compliance with its Charter Documents, and none of the Group Companies has violated or breached any of their respective Charter Documents. Each Group Company has made available to the Investor or its counsel a copy of its minute books. Such copy is true, correct and complete, and contains all amendments and all minutes of meetings and actions taken by its shareholders and directors since the time of formation through the date hereof and reflects all transactions referred to in such minutes accurately in all material respects. Each Group Company maintains its books of accounts and records in the usual, regular and ordinary manner, on a basis consistent with prior practice, and which permits its Financial Statements and Management Accounts to be prepared in accordance with the applicable Accounting Standards. None of the books of account or records of any Group Company contains any falsified entries. The register of members and directors (if applicable) of each Group Company is correct, there has been no notice of any proceedings to rectify any such register, and there are no circumstances which might lead to any application for its rectification. All documents required to be filed by each Group Company with the applicable Governmental Authority in respect of the relevant jurisdiction in which the relevant Group Company is incorporated or established have been properly made up and filed.

3.14 Financial Statements. The audited consolidated balance sheet (the "Balance Sheet") as of December 31, 2016 (the "Statement Date") (the "Financial Statements") and the unaudited management accounts covering a period from January, 2017 to September, 2017 (the "Management Accounts") have been provided to the Investor. The Financial Statements and the Management Accounts (a) have been prepared in accordance with the books and records of the Group Companies, (b) fairly present in all material respects the financial condition and position of the Group Companies as of the dates indicated therein and the results of operations and cash flows of the Group Companies for the periods indicated therein, except in the case of unaudited financial statements for the omission of notes thereto and normal year-end audit adjustments that are not expected to be material, and (c) were prepared in accordance with the Accounting Standards applied on a consistent basis throughout the periods involved. All of the accounts receivable owing to any of the Group Companies, including without limitation all accounts receivable set forth on the Financial Statements or the Management Accounts (as applicable), constitute valid and enforceable claims and are current and collectible in the ordinary course of business, net of any reserves shown on the Financial Statements or the Management Accounts, as applicable (which reserves are adequate and were calculated on a basis consistent with the Accounting Standards), and no further goods or services are required to be provided in order to complete the sales and to entitle the applicable Group Company to collect in full in respect of any such receivables. There are no material contingent or asserted claims, refusals to pay, or other rights of set-off with respect to any accounts receivable of any Group Company. None of the receivables owing to any Group Company (i) has been due for more than sixty (60) days, (ii) is payable by an account debtor that is insolvent or bankrupt or (iii) has been pledged to any third party by any Group Company.

3.15 Changes. Since the Statement Date, each of the Group Companies has (i) operated its business (including the Business), in the ordinary course consistent with its past practice, (ii) used its best efforts to preserve its business (including the Business), (iii) collected receivables and paid payables and similar obligations in the ordinary course of business consistent with past practice, and (iv) not engaged in any new line of business or entered into Contracts except those in the ordinary course of business consistent with past practice. Except as listed in Section 3.15 of the Disclosure Schedule, since the Statement Date, there has not been any Material Adverse Effect or any material change in the way the Group conducts its business (including the Business), and there has not been:

(i) any purchase, acquisition, sale, lease, disposal of or other transfer of any assets that are individually or in the aggregate material to its business, whether tangible or intangible, other than the purchase or sale of inventory in the ordinary course of business consistent with its past practice;

(ii) any acquisition (by merger, consolidation or other combination, or acquisition of stock or assets, or otherwise) of any business or other Person or division thereof, or any sale or disposition of any business or division thereof;

(iii) any waiver, termination, cancellation, settlement or compromise of a valuable right, debt or claim;

(iv) any incurrence, creation, assumption, repayment, satisfaction, or discharge of (1) any Lien (other than Permitted Liens) or (2) any Indebtedness or guarantee, or the making of any loan or advance (other than reasonable and normal advances to employees for bona fide expenses that are incurred in the ordinary course of business consistent with its past practice), or the making of any investment or capital contribution;

(v) any amendment to or termination of any Material Contract (including any amendment or termination due to the Investor's subscription of Series B-2 Preferred Shares), any entering of any new Contract that would have been a Material Contract if in effect on the date hereof, or any amendment to or waiver under any Charter Document;

(vi) any material change in any compensation arrangement or Contract with any employee, or adoption of any new Benefit Plan, or made any change in any existing Benefit Plan;

(vii) any declaration, setting aside, dividend payment or other distribution in respect of any Equity Securities of any Group Company, or any issuance, transfer, redemption, purchase or acquisition of any Equity Securities by any Group Company;

(viii) any damage, destruction or loss, whether or not covered by insurance, materially and adversely affecting the assets, properties, financial condition, operation or business of any Group Company;

(ix) any change in accounting methods or practices or any revaluation of any of its assets;

(x) any change in the approved or registered business scope of any Group Company established in the PRC or any change to any Consent held by such Group Company;

(xi) except in the ordinary course of business consistent with its past practice, entry into any closing agreement in respect of material Taxes, settlement of any claim or assessment in respect of any material Taxes, or consent to any extension or waiver of the limitation period applicable to any claim or assessment in respect of any material Taxes, entry or change of any material Tax election, change of any method of accounting resulting in a material amount of additional Tax or filing of any material amended Tax Return;

(xii) any commencement or settlement of any Action;

(xiii) any authorization, sale, issuance, transfer, pledge or other disposition of any Equity Securities of any Group Company;

(xiv) any resignation or termination of any Key Employee, any indication of a Key Employee's intention to terminate his/her employment with any Group Company, or any resignation or termination of any group of employees of any Group Company;

(xv) any transaction with any Related Party; or

(xvi) any agreement or commitment to do any of the things described in the preceding paragraphs of this Section 3.15.

3.16 Actions. There is no Action pending or, to the Knowledge of the Warrantors, (w) threatened against or affecting any Group Company, any of its Subsidiaries, or any of its officers, directors or employees with respect to the Business, (x) threatened against or affecting any Group Company or any of its Subsidiaries with respect to any of their assets or properties, (y) threatened against or affecting any officers, directors or employees of any Group Company in connection with such person's respective relationship with such Group Company or the use by any employee of any Group Company of any information, technology or techniques allegedly proprietary to any of their former employers, clients or other parties, nor to the Knowledge of the Warrantors is there any basis for any of the foregoing, or (z) threatened relating to the operation of the Business, nor is any Warrantor aware of any basis for the foregoing. There is no judgment or award ruling or order including any Government Order unsatisfied (x) against any Group Company, any Key Employee or office or director of any Group Company in connection with such Person's respective relationship with any Group Company which would impact any Group Company nor is there any Governmental Order in effect and binding on any Group Company or their respective assets or properties, or (y) relating to the operation of the Business. There is no Action pending by any Group Company against any third party nor does any Group Company intend to commence any such Action. No Governmental Authority has at any time challenged or questioned in writing the legal right of any Group Company to conduct its business as presently being conducted.

3.17 Liabilities. No Group Company has any Liabilities (including the Indebtedness that it has directly or indirectly created, incurred or assumed) of the type that would be disclosed on a balance sheet in accordance with the applicable Accounting Standards, except for (i) liabilities set forth in the Balance Sheet that have not been satisfied since the Statement Date, and (ii) current liabilities incurred since the Statement Date in the ordinary course of the Group's business consistent with its past practices and which do not exceed US$50,000 in the aggregate. None of the Group Companies is a guarantor or indemnitor of any Liabilities of any other Person.

3.18 Commitments.

(i) Section 3.18(i) of the Disclosure Schedule contains a complete and accurate list of all Material Contracts. "Material Contracts" means, collectively, each Contract (x) to which a Group Company or any of its properties or assets is bound or subject to, or (y) is related to the Business, that (a) involves obligations (contingent or otherwise) or payments in excess of RMB5,000,000 per annum or has an unexpired term in excess of one year after the date hereof, (b) licenses, transfers, assigns, sales, incurs any Lien on Intellectual Property that is material to a Group Company (other than generally-available "off-the-shelf" shrink-wrap software licenses obtained by the Group Companies on non-exclusive and non-negotiated terms), (c) restricts the ability of a Group Company to compete or to conduct or engage in any business or activity or in any jurisdiction, region or territory, (d) relates to the sale, issuance, grant, exercise, award, purchase, repurchase or redemption of any Equity Securities, (e) involves any provisions providing for exclusivity, "change in control", "most favored nation", rights of first refusal or first negotiation or similar rights, or grants a power of attorney, agency or similar authorities, (f) is with a Related Party, (g) involves Indebtedness, an extension of credit, a guaranty, surety or assumption of any obligation or any secondary or contingent Liabilities, deed of trust, or the grant of a Lien, (h) involves the lease, license, sale, use, disposition or acquisition of a material amount of assets or of a business other than the sale of inventory in the ordinary course of business of a Group Company, (i) involves the waiver, compromise, or settlement of any dispute, claim, litigation or arbitration, (j) involves the ownership or lease of, title to, use of, or any leasehold or other interest in, any real or personal property, including the Leases, (k) involves the establishment, contribution to, or operation of a partnership, joint venture, alliance or similar entity, or involving a sharing of profits or losses (including joint development and joint marketing Contracts), or any investment in, loan to or acquisition or sale of the securities, equity interests or assets of any Person, (l) is between the Domestic Company and another Group Company, (m) is with a Governmental Authority, state-owned enterprise, or sole-source supplier of material product or service (other than utilities), (n) is a Benefit Plan (other than the employment Contracts), or a collective bargaining agreement or is with any labor union or other representatives of the employees, (o) is a Control Document, (p) is a brokerage or finder's agreement, or sales agency, marketing or distributorship Contract that is not in the ordinary course of business of a Group Company and inconsistent with such Group Company's past practice, or (q) is otherwise material to a Group Company, or is one on which a Group Company is substantially dependent.

(ii) A true, fully-executed copy of each Material Contract including all amendments and supplements thereto (and a written summary of all terms and conditions of each non-written Material Contract, if any) has been delivered to the Investor. Each Material Contract is a valid and binding agreement of the Group Company that is a party thereto, the performance of which does not and will not violate any applicable Law or Governmental Order (or cause a Material Adverse Effect to any Group Company as a result), and is in full force and effect and enforceable against the parties thereto, except (x) as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, and (y) as may be limited by Laws relating to the availability of specific performance, injunctive relief or other remedies in the nature of equitable remedies. Each Group Company has duly performed all of its obligations under each Material Contract in all material respect to the extent that such obligations to perform have accrued, and no breach or default, alleged breach or alleged default, or event which would (with the passage of time, notice or both) constitute a material breach or default thereunder by such Group Company or, to the Knowledge of the Warrantors, any other party or obligor with respect thereto, has occurred, or as a result of the execution, delivery, and performance of the Transaction Documents will occur. No Group Company has given notice (whether or not written) that it intends to terminate a Material Contract or that any other party thereto has breached, violated or defaulted under any Material Contract. No Group Company has received any notice (whether written or not) that it has breached, violated or defaulted under any Material Contract or that any other party thereto intends to terminate such Material Contract.

(iii) Other than the Transaction Agreements, there is no non-compete agreement or other similar commitment to which any Group Company is a party that would impose restrictions upon the Investor or its Affiliates.

3.19 Anti-Bribery, Anti-Corruption, Anti-Money Laundering and Sanctions; Absence of Government Interests.

(i) None of the Group Companies or any director, officer, agent, employee, affiliate or any other Person acting for or on behalf of the foregoing (individually and collectively, a "Company Affiliate"), is aware of or has taken any action, directly or indirectly, that would result in a violation of or has violated the U.S. Foreign Corrupt Practices Act, as amended ("FCPA"), the U.K. Bribery Act, as amended, or any other applicable anti-bribery or anti-corruption laws, including, without limitation, using any corporate funds for any unlawful contribution, gift, entertainment or other unlawful payments to any foreign or domestic governmental official or employee from corporate funds, nor has any Company Affiliate offered, paid, promised to pay, or authorized the payment of any money, or offered, given, promised to give, or authorized the giving of anything of value, to any officer, employee or any other person acting in an official capacity for any Government Entity, as defined below, to any political party or official thereof or to any candidate for political office (individually and collectively, a "Government Official") or to any person under circumstances where such Company Affiliate knew or was aware of a high probability that all or a portion of such money or thing of value would be offered, given or promised, directly or indirectly, to any Government Official, for the purpose of:

(a) influencing any act or decision of such Government Official in his official capacity;

(b) inducing such Government Official to do or omit to do any act in relation to his lawful duty;

(c) securing any improper advantage; or

(d) inducing such Government Official to influence or affect any act or decision of any Government Entity,

in order to assist any Group Company in obtaining or retaining business for or with, or directing business to such Group Company or in connection with receiving any approval of the transactions contemplated herein. None of the Company Affiliate has accepted anything of value for any of the purposes listed in subsections (a) through (d) of this section. As used in this Section 3.19, "Government Entity" means any government or any department, agency or instrumentality thereof, including any entity or enterprise owned or controlled by a government, or a public international organization.

(ii) None of (a) the Group Companies or (b) any officer, employee, director, agent, affiliate or Person acting on behalf of any Group Company, is owned or Controlled by a Person that is targeted by or the subject of any sanctions administered by the Office of Foreign Assets Control of the U.S. Department of Treasury ("OFAC"), or by the U.S. Department of State, or any sanctions imposed by the European Union (including under Council Regulation (EC) No. 194/2008), the United Nations Security Council, Her Majesty's Treasury or any other relevant governmental entity or any activities which are sanctioned under the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010, as amended or the Iran Sanctions Act, as amended (collectively, the "Sanctions").

(iii) The operations of the Group Companies are and have been conducted at all times in compliance with applicable anti-money laundering statutes of all jurisdictions, including, without limitation, all U.S. anti-money laundering laws, the rule and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental or regulatory agency (collectively, the "Money Laundering Laws"); and no action, suit or proceeding by or before any court or governmental or regulatory agency, authority or body or any arbitrator involving any Group Company with respect to the Money Laundering Laws is pending or, threatened.

(iv) The Group Companies have adopted and implemented (i) systems of internal controls (including, but not limited to, accounting systems, purchasing systems and billing systems) to ensure compliance with the FCPA, the U.K. Bribery Act, OFAC, Money Laundering Laws or any other applicable anti-bribery or anti-corruption law, and (ii) anticorruption and export control policies.

3.20 Title; Properties.

(i) **Title; Personal Property**. Each of the Group Companies has good and valid title to, or valid leasehold interest in, all of its respective assets, whether tangible or intangible (including those reflected in the Balance Sheet, together with all assets acquired thereby since the Statement Date, but excluding those that have been disposed of since the Statement Date), in each case free and clear of all Liens, other than Permitted Liens. The foregoing assets collectively represent all material assets (including all rights and properties) necessary and sufficient for the conduct of the business (including the Business) of each Group Company as presently conducted. Except for leased or licensed assets, no Person other than a Group Company owns any interest in any such assets. All leases of real or personal property to which a Group Company is a party are fully effective and afford the Group Company valid leasehold possession of the real or personal property that is the subject of the lease. All machinery, vehicles, equipment and other tangible personal property owned or leased by a Group Company are (a) in good condition and repair (reasonable wear and tear excepted) and (b) not obsolete or in need in of renewal or replacement, except for renewal or replacement in the ordinary course of business. There are no facilities, services, assets or properties which are used in connection with the business of the Group Companies and which are shared with any other Person that is not a Group Company.

(ii) **Real Property**. No Group Company owns or has legal or equitable title, leasehold interest or other right or interest in any real property other than as held pursuant to Leases. Section 3.20(ii) of the Disclosure Schedule sets forth each leasehold interest pursuant to which any Group Company holds any real property (a "Lease"), indicating the parties to such Lease, the address of the property demised under the Lease, the rent payable under the Lease and the term of the Lease. The particulars of the Leases as set forth in Section 3.20(ii) of the Disclosure Schedule are true and complete. Each Lease constitutes the entire agreement with respect to the property demised thereunder. To the Knowledge of the Warrantors, the lessor under each Lease is qualified and has obtained all Consents necessary to enter into such Lease, including any Consents required from the owner of the property demised pursuant to the Lease if the lessor is not such owner. There is no claim asserted against any Group Company, or to the Knowledge of the Warrantors, there is no claim asserted against the relevant lessor or threatened by any Person against any Group Company or the relevant lessor regarding the lessor's ownership of the property demised pursuant to each Lease. Each Lease is in compliance with all applicable Laws, including with respect to the ownership and operation of property and conduct of business as now conducted by the applicable Group Company which is a party to such Lease. Each Group Company which is party to a Lease has accepted possession of the property demised pursuant to the Lease and is in actual possession thereof and has not sublet, assigned or hypothecated its leasehold interest. No Group Company uses any real property in the conduct of its business except insofar as it has secured a Lease with respect thereto. The leasehold interests under the Leases held by each Group Company are adequate for the conduct of the business of such Group Company as currently conducted and as proposed to be conducted. There exists no pending or, to the Knowledge of the Warrantors, threatened condemnation, confiscation, eminent domain proceeding, dispute, claim, demand or similar proceeding with respect to, or which could materially and adversely affect, the continued use and enjoyment of such leasehold interests. To the Knowledge of the Warrantors, there are no circumstances that would entitle any Governmental Authority or other Person to take possession or otherwise restrict use, possession or occupation of any property subject to any Leases. The use and operation of the real properties subject to the Leases by the Group Companies is in compliance with all applicable Laws, including, without limitation, all applicable building codes, environmental, zoning, subdivision, and land use laws. None of the Group Companies has received notice from any Governmental Authority advising it of a violation (or an alleged violation) of any such laws or regulations.

(iii) **General**. The Real Properties currently owned or occupied by each Group Company are adequate for the conduct of its business as currently conducted and as proposed to be conducted. None of the Group Companies uses any real property in the conduct of its business except insofar as it holds valid land use rights or building ownership or has secured a Lease with respect thereto. No default or event of default on the part of any Group Company or event which, with the giving of notice or passage of time or both, would constitute a default or event of default has occurred and is continuing unremedied or unwaived under the terms of any of the land use rights, or the Leases. There is no claim asserted or, to the Knowledge of the Warrantors, threatened by any Person regarding the lessor's ownership of the property demised pursuant to each Lease. There exists no pending or, to the Knowledge of the Warrantors, threatened condemnation, eminent domain proceedings, confiscation, dispute, claim, demand or similar proceeding with respect to, or which could affect, the continued use and enjoyment of any owned properties or any Lease. None of the Group Companies has received, within the past three years, any notice, oral or written, of the intention or resolution of any Governmental Authority or other Person to take or use all or any part of the Real Properties.

3.21 Related Party Transactions. Except as set out in the Transaction Documents, no Related Party has any Contract, understanding, or proposed transaction with, or is indebted to, any Group Company or has any direct or indirect interest in any Group Company, nor is any Group Company indebted (or committed to make loans or extend or guarantee credit) to any Related Party (other than for accrued salaries for the current pay period, reimbursable expenses or other standard employee benefits). No Related Party has any direct or indirect interest in any Person with which a Group Company is affiliated or with which a Group Company has a material business relationship (including any Person which purchases from or sells, licenses or furnishes to a Group Company any goods, intellectual or other property rights or services) or in any Contract to which a Group Company is a party or by which it may be bound or affected, and no Related Party directly or indirectly competes with or has any interest in any Person that directly or indirectly competes with any Group Company (other than ownership of less than one percent (1%) of the stock of publicly traded companies). Except as set out in the Disclosure Schedule, no Group Company has entered into or consummated any Related Party Transaction which is not on an arm's length basis or on normal commercial terms.

3.22 Intellectual Property Rights.

(i) **Company IP**. The Group Company owns, is licensed to use or otherwise has sufficient rights (including but not limited to the rights of development, maintenance, licensing and sale) to all Intellectual Property necessary and sufficient to conduct its business (including the Business), as currently conducted by such Group Company, and as contemplated to be conducted ("Company IP") without any conflict with or infringement of the rights of any other Person. Section 3.22(i) of the Disclosure Schedule sets forth a complete and accurate list of all Company Registered IP for each Group Company, including for each the relevant name or description, registration/certification or application number, and filing, registration or issue date.

(ii) **IP Ownership**. All Company Registered IP is owned by and registered or applied for solely in the name of a Group Company, is valid and subsisting and has not been abandoned, and all necessary registration, maintenance and renewal fees with respect thereto and currently due have been satisfied. No Group Company or any of its employees, officers or directors has taken any actions or failed to take any actions that would cause any Company Owned IP to be invalid, unenforceable or not subsisting. No funding or facilities of a Governmental Authority or a university, college, other educational institution or research center was used in the development of any Company Owned IP. Except as contemplated under the Control Contracts, no Company Owned IP is the subject of any Lien, license or other Contract granting rights therein to any other Person. No Group Company is or has been a member or promoter of, or contributor to, any industry standards bodies, patent pooling organizations or similar organizations that could require or obligate a Group Company to grant or offer to any Person any license or right to any material Company Owned IP. No Company Owned IP is subject to any proceeding or outstanding Governmental Order or settlement agreement or stipulation that (a) restricts in any manner the use, transfer or licensing thereof, or the making, using, sale, or offering for sale of any Group Company's products or services, by any Group Company or (b) may affect the validity, use or enforceability of such Company Owned IP. No Group Company has (i) transferred or assigned any material Company IP; (ii) authorized the joint ownership of, any Company IP; or (iii) permitted the rights of any Group Company in any Company IP to lapse or enter the public domain.

(iii) **Infringement, Misappropriation and Claims**. No Group Company has misappropriated, or to the Knowledge of the Warrantors violated, or infringed any Intellectual Property of any other Person, nor has any Group Company received any written notice alleging any of the foregoing. To the Knowledge of the Warrantors, no Person has violated, infringed or misappropriated any Company IP of any Group Company, and no Group Company has given any written notice to any other Person alleging any of the foregoing. No Person has challenged the ownership or use of any Company IP by a Group Company. No Group Company has agreed to indemnify any Person for any infringement, violation or misappropriation of any Intellectual Property by such Person.

(iv) **Assignments and Prior IP**. All inventions and know-how conceived by employees of a Group Company related to the business of such Group Company are currently owned exclusively by a Group Company. All employees, contractors, agents and consultants of a Group Company who are or were involved in the creation of any Intellectual Property for such Group Company have executed an assignment of inventions agreement that vests in a Group Company exclusive ownership of all right, title and interest in and to such Intellectual Property, to the extent not already provided by Law. All employee inventors of Company Owned IP have received reasonable reward and remuneration from a Group Company for his/her service inventions or service technology achievements in accordance with the applicable PRC Laws. All employee assignment of invention Contracts contain provisions relating to employee technological achievements and inventions which comply with the applicable Laws of the PRC. It will not be necessary to utilize any Intellectual Property of any such Persons made prior to their employment by a Group Company, except for those that are exclusively owned by or licensed to a Group Company, and none of such Intellectual Property has been utilized by any Group Company. None of the employees, consultants or independent contractors, currently or previously employed or otherwise engaged by any Group Company, (a) is in violation of any current or prior confidentiality, non-competition or non-solicitation obligations to such Group Company or to any other Persons, including former employers, or (b) is obligated under any Contract, or subject to any Governmental Order, that would interfere with the use of his or her best efforts to promote the interests of the Group Companies or that would conflict with the business of such Group Company as presently conducted.

(v) **Licenses**. Section 3.22(v) of the Disclosure Schedule contains a complete and accurate list of the Licenses which constitute all proper Licenses necessary for the businesses of the Group Companies. The "Licenses" means collectively, (a) all licenses, sublicenses, and other Contracts to which any Group Company is a party and pursuant to which any third party is authorized to use, exercise or receive any benefit from any material Company IP, and (b) all licenses, sublicenses and other Contracts to which any Group Company is a party and pursuant to which such Group Company is authorized to use, exercise, or receive any benefit from any material Intellectual Property of another Person, in each case except for (i) agreements involving "off-the-shelf" commercially available Software, and (ii) non-exclusive licenses to customers of the Business in the ordinary course of business consistent with past practice. The Group Companies have paid all license and royalty fees required to be paid under the Licenses, if applicable.

(vi) **Protection of IP**. Each Group Company has taken reasonable and appropriate steps to protect, maintain and safeguard Company IP and made all applicable filings, registrations and payments of fees in connection with the foregoing. Without limiting the foregoing, all current and former officers, employees, consultants and independent contractors of any Group Company and all suppliers, customers, distributors, and other third parties having access to any Company IP have executed and delivered to such Group Company an agreement requiring the protection of such Company IP. To the extent that any Company IP has been developed or created independently or jointly by an independent contractor or other third party for any Group Company, or is incorporated into any products or services of any Group Company, such Group Company has a written agreement with such independent contractor or third party and has thereby obtained ownership of, and is the exclusive owner of all such independent contractor's or third party's Intellectual Property in such work, material or invention by operation of law or valid assignment.

(vii) **No Public Software**. No Public Software forms part of any product or service provided by any Group Company or otherwise involved in the Business or was or is used in connection with the development of any product or service provided by any Group Company or otherwise involved in the Business or is incorporated into, in whole or in part, or has been distributed with, in whole or in part, any product or service provided by any Group Company or otherwise involved in the Business. No Software included in any Company Owned IP has been or is being distributed, in whole or in part, or was used, or is being used in conjunction with any Public Software in a manner which would require that such Software be disclosed or distributed in source code form or made available at no charge.

3.23 Labor and Employment Matters.

(i) Each Group Company has complied with all applicable Laws related to labor or employment in all material respects, including provisions thereof relating to wages, hours, overtime working, working conditions, benefits, retirement, social welfare, housing fund contribution, equal opportunity and collective bargaining. Since the incorporation of the Group Companies, there has not been any Action, there is currently no pending Action, or to the Knowledge of the Warrantors, any threatened Action relating to any violation or alleged violation of any applicable Laws by any Group Company related to labor or employment, including any charge or complaint filed by an employee with any Governmental Authority or any Group Company. The Group Companies have caused all of their present officers and employees (including without limitation the Key Employees) to enter into standard employment agreements with the respective Group Companies.

(ii) Section 3.23(ii) of the Disclosure Schedule contains a true and complete list of each Benefit Plan, currently or previously adopted, maintained, or contributed to by any Group Company or under which any Group Company has any Liability or under which any employee or former employee of any Group Company has any present or future right to benefits. Except for required contributions or benefit accruals for the current plan year and salary compensation provided in the employment Contracts, no Liability has been or is expected to be incurred by any Group Companies under or pursuant to any applicable Laws relating to any Benefit Plan or individual employment compensation agreement, and, to the Knowledge of the Warrantors, no event, transaction or condition has occurred or exists that would result in any such Liability to any Group Companies. Each of the Benefit Plans listed in Section 3.23(ii) of the Disclosure Schedule is and has at all times been in compliance with all applicable Laws (including the SAFE Rules and Regulations, if applicable), and all contributions to, and payments for each such Benefit Plan have been timely made. There are no pending or threatened Actions involving any Benefit Plan listed in Section 3.23(ii) of the Disclosure Schedule. Each Group Company maintains, and has fully funded, each Benefit Plan and any other labor-related plans that it is required by Law or by Contract to maintain. Each Group Company is in compliance with all Laws and Contracts relating to its provision of any form of Social Insurance, and has paid, or made provision for the payment of, all Social Insurance contributions required under applicable Laws and Contracts.

(iii) There has not been, and there is not now pending or, to the Knowledge of the Warrantors, threatened, any strike, union organization activity, lockout, slowdown, picketing, or work stoppage or any unfair labor practice charge against any Group Company.

(iv) Schedule III enumerates each Key Employee, along with each such individual's title. Each such individual is currently devoting all of his or her business time to the conduct of the business of the applicable Group Company. No such individual is subject to any covenant restricting him/her from working for any Group Company. No such individual is obligated under, or in violation of any term of, any Contract or any Governmental Order relating to the right of any such individual to be employed by, or to contract with, such Group Company. No Group Company has received any notice alleging that any such violation has occurred. No such individual is currently working for, and to the Knowledge of the Warrantors, plans to work for any other Person that competes with any Group Company, whether or not such individual is or will be compensated by such Person. No such individual or any group of employees of any Group Company has given any notice of an intent to terminate their employment with any Group Company, nor does any Group Company have a present intention to terminate the employment of any such individual or any group of employees.

3.24 Insurance. Section 3.24 of the Disclosure Schedule sets forth a true, accurate and complete list of the insurance policies currently maintained by each Group Company, which are in full force and effect, with extended coverage, sufficient in amount (subject to reasonable deductibles) to allow such Group Company to reasonably replace any of its properties and assets that might be damaged or destroyed and in amounts customary for companies similarly situated. There is no claim pending thereunder as to which coverage has been questioned, denied or disputed. All premiums due and payable under all such policies and bonds have been timely paid, and each Group Company is otherwise in compliance with the terms of such policies and bonds. Each Group Company has in full force and effect, public liability insurance in amounts customary for companies similarly situated.

3.25 Suppliers. Section 3.25 of the Disclosure Schedule is a correct list of top ten (10) suppliers (by attributed expenses) (with related or affiliated Persons aggregated for purposes hereof) for the Business for the six-month period ending on the Statement Date, together with the aggregate amount of revenues received or expenses paid to such business partners during such periods. To the Knowledge of the Warrantors, each such supplier can provide sufficient and timely supplies of goods and services in order to meet the requirements of the Group Companies' Business consistent with prior practice. No Group Company has experienced or been notified of any shortage in goods or services provided by its suppliers or other providers and has no reason to believe that any Person listed on Section (*) of the Disclosure Schedule would not continue to provide to, or purchase from, or cooperate with, respectively, or that it would otherwise alter its business relationship with, the Group Companies at any time after the Closing on terms substantially similar to those in effect on the date hereof, in any case. There is not currently any dispute pending between any of the Group Companies and any Person listed on Section 3.25 of the Disclosure Schedule.

3.26 Internal Controls. Each Group Company maintains a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions by it are executed in accordance with management's general or specific authorization, (ii) transactions by it are recorded as necessary to permit preparation of financial statements in conformity with the applicable Accounting Standards and to maintain asset accountability, (iii) access to assets of it is permitted only in accordance with management's general or specific authorization, (iv) the recorded inventory of assets is compared with the existing tangible assets at reasonable intervals and appropriate action is taken with respect to any differences, (v) segregating duties for cash deposits, cash reconciliation, cash payment, proper approval is established, and (vi) no personal assets or bank accounts of the employees, directors, officers are mingled with any corporate assets or corporate bank accounts, and no Group Company uses any personal bank accounts of any employees, directors, officers for the operation of the business of the Group Companies (including but not limited to the Business). The signatories for each bank account of each Group Company are listed on Section 3.26 of the Disclosure Schedule.

3.27 Entire Business; No Undisclosed Business. No Group Company shares or provides any facilities, operational services, assets or properties with or to any other entity which is not a Group Company. Neither the Company nor any of its Subsidiaries is engaged in any insurance, banking and financial services, basic telecommunications, or public utility businesses.

3.28 No Brokers. Neither (i) any Group Company nor (ii) any of its Affiliates or any Related Party (on behalf of any Group Company and other than the Investor) has any Contract with any broker, finder or similar agent with respect to the transactions contemplated by this Agreement or by any of the Transaction Documents, or has incurred any Liability for any brokerage fees, agents' fees, commissions or finders' fees in connection with any of the Transaction Documents or the consummation of the transactions contemplated therein.

3.29 Control Documents.

(i) Each Group Company and each equity holder of the Domestic Company has the legal right, power and authority (corporate and other) to enter into and perform its obligations under each Control Document to which it is a party and has taken all necessary action (corporate and other) to authorize the execution, delivery and performance of, and has authorized, executed and delivered, each Control Document to which it is a party.

(ii) To the extent permitted by applicable Laws, each Control Document constitutes a valid and legally binding obligation of the parties named therein enforceable in accordance with its terms, except (a) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, or other laws of general application relating to or affecting the enforcement of creditors' rights generally, (b) as limited by laws relating to the availability of specific performance, injunctive relief, or other equitable remedies.

(iii) No Consents are required to be obtained for the execution and delivery of the Control Documents, the performance by the parties to each Control Document of their respective obligations thereunder and the transactions contemplated under the Control Documents, other than those Consents which (a) have already been obtained or provided for under the Control Documents, (b) remain in full force and effect, (c) are required to register any share pledge to secure the Domestic Company's obligations under the Control Documents and to make the transfer of profits from the Domestic Company to the HK Company, (d) are required for the transfer of equity interests in the Domestic Company upon exercise by the WFOE of its rights under the Exclusive Purchase Option Agreement (□□□□□□□) entered into by and among the WFOE, the Domestic Company and the equity holders of the Domestic Company, (e) do not impose any obligation, condition or restriction that would create a material burden on the parties to the Control Documents.

(iv) The execution and delivery by each party named in each Control Document, and the performance by such party of its obligations thereunder and the consummation by it of the transactions contemplated therein shall not (a) result in any violation of, be in conflict with, or constitute a default under, with or without the passage of time or the giving of notice, any provision of its constitutional documents as in effect at the date hereof, or any Material Contract to which a Group Company is a party or by which a Group Company is bound, (b) result in any violation of, be in conflict with, or constitute a default under, in any material respect, any Governmental Order or any applicable Law, (c) accelerate, or constitute an event entitling any Person to accelerate, the maturity of any Indebtedness or other liability of any Group Company or to increase the rate of interest presently in effect with respect to any Indebtedness of any Group Company, or (d) result in the creation of any Lien, claim, charge or encumbrance upon any of the properties or assets of any Group Company except for the pledge of the equity interests of the Domestic Company pursuant to Equity Pledge Agreement (□□□□□□).

(v) Each Control Document entered into is, and all such Control Documents taken as a whole are, legal, valid, enforceable and admissible as evidence under the Laws of the PRC, and constitute the legal and binding obligations of the relevant parties.

(vi) All shareholders of the Domestic Company are, to the best Knowledge of the Warrantors, acting in good faith and in the best interests of the Group Companies. There have been no disputes, disagreements, claims or any legal proceedings of any nature, raised by any Governmental Authority or any other party, pending or, to the best Knowledge of the Warrantors, threatened against or affecting any of the Domestic Company or the other Group Companies that (a) challenge the validity or enforceability of any part or all of the Control Documents taken as a whole, (b) challenge the structure of the Domestic Company and its ownership structure as set forth in the Control Documents, (c) claim any ownership, share, equity or interest in the Domestic Company or any other Group Companies, or claim any compensation for not being granted any ownership, share, equity or interest in the Domestic Company or any other Group Companies, or (d) claim any of the Control Documents or the ownership structure thereof or any arrangement or performance of or in accordance with the Control Documents was or is in violation of, or will violate any Laws of the PRC.

3.30 Restructuring. The Group Companies have duly completed the restructuring contemplated pursuant to the Restructuring Agreement, including but not limited to (a) the registration of the equity pledge granted by the Domestic Company pursuant to the Control Documents with the relevant office of the SAIC, (b) the transfer of all the trademarks set out in the Restructuring Agreement, (c) the entry by the Domestic Company of a lease agreement with respect to the premises located at 15th-17th Floors, Block B-1, North Area, Wanda Plaza, Huambo Business Area, Panyu District, Guangzhou, PRC with YY or its Affiliates for a term of at least one (1) year, and (d) the receipt by the Domestic Company of the Telecommunication and Information Service Business Operation License (□□□□□□□□□□□□□□□, or "ICP License"), as required by applicable PRC Laws for carrying out the Business, from the relevant Governmental Authority.

3.31 Circular 37 Registrations. Each of Mr. Dong and the other management employees has duly completed the foreign exchange registration with the competent local branch of the SAFE in respect of their respective legal ownership of the Company and the Dong SPVs as required under Circular 37.

3.32 Environmental, Health and Safety Laws.

(i) Each Group Company is in compliance with all Environmental, Health and Safety Laws, which compliance includes the possession by each Group Company of all permits and other Governmental Authorizations required under applicable Environmental, Health and Safety Laws and compliance with the terms and conditions thereof, except where the failure to do so would not have a Material Adverse Effect. To the best Knowledge of the Warrantors, no Group Company has received, since their respective incorporation dates, any communication from a governmental authority that alleges that it is not in such full compliance.

(ii) There is no environmental Action pending or threatened against any Group Company and there are no pending Actions, activities or circumstances related to the Release, emission, discharge, or disposal of any Hazardous Material, in each case, which would have a Material Adverse Effect.

3.33 Disclosure. No representation or warranty by the Warrantors in this Agreement and no information or materials (other than forward-looking information or materials) provided by the Warrantors to the Investor in connection with the negotiation or execution of this Agreement or any agreement contemplated hereby contains any untrue statement of a material fact, or omits to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances in which they are made, not misleading. All projections, budgets, business plans and other similar forward-looking materials provided to the Investor in connection with the negotiation or execution of this Agreement represents the best estimates of the Group Companies and were prepared in good faith by the Group Companies. Except as set forth in this Agreement or the Disclosure Schedule, to the Knowledge of the Warrantors, there is no fact or document or matter that the Company has not disclosed to the Investor in writing and of which any of its officers, directors or executive employees has knowledge and that has had or would reasonably be expected to have any Material Adverse Effect or which would could reasonably be expected by any Warrantor, being a prudent business Person, to materially adversely influence the decision of the Investor to invest in the Company.

3.34 No Fiduciary Duty. The Parties hereto acknowledge and agree that nothing in this Agreement or any other Transaction Document shall create a fiduciary duty of the Investor or its Affiliates to any Group Company or its shareholders.

4. Representations, Warranties and Covenants of YY. YY represents and warrants to each Group Company that each of the following statements is true, correct, complete and not misleading as of the date hereof through and including the Closing. YY hereby acknowledges that the Investor is relying on the warranties made by it in this Section 4 in entering into this Agreement and proceeding with Closing.

4.1 Authorization. YY has all requisite power and authority to execute and deliver the Transaction Documents to which it is a party and to carry out and perform its obligations thereunder. All actions on the part of YY (and, as applicable, its officers, directors and shareholders) necessary for the authorization, execution and delivery of the Transaction Documents to which it is a party, and the performance of all obligations of YY thereunder, have been taken. Each Transaction Document which has been duly executed and delivered by YY (to the extent that YY is a party) constitutes valid and legally binding obligations of YY, enforceable against YY in accordance with its terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other Laws of general application affecting enforcement of creditors' rights generally, and (ii) as limited by Laws relating to the availability of specific performance, injunctive relief, or other equitable remedies.

4.2 Consents; No Conflicts. All Consents from or with any Governmental Authority or any other Person required in connection with the execution, delivery and performance of the Transaction Documents, and the consummation of the transactions contemplated by the Transaction Documents, in each case on the part of YY have been duly obtained or completed (as applicable) and are in full force and effect. The execution, delivery and performance of each Transaction Document by YY does not, and the consummation by each such party of the transactions contemplated thereby will not, with or without notice or lapse of time or both, (i) result in any violation of, be in conflict with, or constitute a default under any provision of any Charter Document of YY or its related Affiliates (other than the Company), (ii) result in any violation of, be in conflict with, or constitute a default under, in any material respect, any Governmental Order or any applicable Law, or (iii) result in any violation of, be in conflict with, or constitute a default under, or give rise to any right of termination, amendment, modification, acceleration or cancellation under, or give rise to any augmentation or acceleration of any Liability of YY or its related Affiliates (other than the Company) under, any contract material to it.

4.3 Restructuring. YY has duly completed the restructuring contemplated pursuant to the Restructuring Agreement, including but not limited to (a) procuring that the relevant Group Companies have completed the registration of the equity pledge granted by the Domestic Company pursuant to the Control Documents with the relevant office of the SAIC, (b) completing the transfer of all the trademarks set out in the Restructuring Agreement, (c) entering into a lease agreement with the Domestic Company with respect to the premises located at 15th-17th Floors, Block B-1, North Area, Wanda Plaza, Panyu District, Guangzhou, PRC for a term of at least one (1) year, and (d) procuring that the Domestic Company has duly received the ICP License, as required by applicable PRC Laws for carrying out the Business, from the relevant Governmental Authority.

5. Representations and Warranties of the Investor. The Investor hereby represents and warrants to the Warrantors that each of the following statements is true, correct, complete and not misleading as of the date hereof through the Closing. The Investor hereby acknowledges that the Warrantors are relying on the warranties made by it in this Section 5 in entering into this Agreement and proceeding to Closing. Each of the warranties made by the Investor in this Section 5 shall be construed as a separate and independent warranty and shall not be limited or restricted by reference to or inference from the terms of any other warranty or any other term of this Agreement (except where expressly provided to the contrary).

5.1 Authorization. The Investor has all requisite power and authority to execute and deliver the Transaction Documents to which it is a party and to carry out and perform its obligations thereunder. All actions on the part of the Investor (and, as applicable, its officers, directors and shareholders) necessary for the authorization, execution and delivery of the Transaction Documents to which it is a party, and the performance of all obligations of the Investor thereunder, have been taken. Each Transaction Document has been duly executed and delivered by the Investor (to the extent the Investor is a party) and constitutes valid and legally binding obligations of the Investor, enforceable against the Investor in accordance with its terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other Laws of general application affecting enforcement of creditors' rights generally, and (ii) as limited by Laws relating to the availability of specific performance, injunctive relief, or other equitable remedies.

5.2 Consents; No Conflicts. All Consents from or with any Governmental Authority or any other Person required in connection with the execution, delivery and performance of the Transaction Documents, and the consummation of the transactions contemplated by the Transaction Documents, in each case on the part of the Investor have been duly obtained or completed (as applicable) and are in full force and effect. The execution, delivery and performance of each Transaction Document by the Investor does not, and the consummation by each such party of the transactions contemplated thereby will not, with or without notice or lapse of time or both, (i) result in any violation of, be in conflict with, or constitute a default under any provision of any Charter Document of the Investor or its related Affiliates, (ii) result in any violation of, be in conflict with, or constitute a default under, in any material respect, any Governmental Order or any applicable Law, or (iii) result in any violation of, be in conflict with, or constitute a default under, or give rise to any right of termination, amendment, modification, acceleration or cancellation under, or give rise to any augmentation or acceleration of any Liability of the Investor or its related Affiliates under, any contract material to it.

5.3 Purchase for Own Account. The Subscribed Shares and the Conversion Shares are acquired for the Investor's own account, not as a nominee or agent, and not with a view to or in connection with the sale or distribution of any part thereof.

5.4 Status of Investor. The Investor has the knowledge, sophistication and experience necessary to make an investment decision like that involved in the subscription of the Subscribed Shares and can bear the economic risk of its investment in the Series B-2 Preferred Shares.

5.5 Restricted Securities. The Investor understands that the Subscribed Shares and the Conversion Shares are restricted securities within the meaning of Rule 144 under the Securities Act and that the Subscribed Shares and the Conversion Shares are not registered or listed publicly and must be held indefinitely unless they are subsequently registered or listed publicly or an exemption from such registration or listing is available.

5.6 Not U.S. Person. The Investor is not a "U.S. person" as defined in Rule 902 of Regulation S under the Securities Act.

5.7 Offshore Transaction. The Investor has been advised and acknowledges that the issue of the Subscribed Shares by the Company is made in reliance upon the exemption from registration provided by Regulation S of the Securities Act. The Investor is acquiring the Subscribed Shares in an offshore transaction in reliance upon the exemption from registration provided by Regulation S under the Securities Act. The Investor further agrees that all offers and sales of the Subscribed Shares from the date hereof and through the expiration of any restricted period set forth in Rule 903 of Regulation S (as the same may be amended from time to time hereafter) shall not be made to U.S. Persons or for the account or benefit of U.S. Persons and shall otherwise be made in compliance with the provisions of Regulation S and any other applicable provisions of the Securities Act. The Investor acknowledges that the Company will refuse to register any transfer of any of the Subscribed Shares not made in accordance with the provisions of Regulation S, pursuant to an effective registration statement under the Securities Act or pursuant to an available exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

5.8 U.S. legend. The Investor acknowledges and agrees that the certificate(s) representing the Subscribed Shares will bear a legend substantially as follows:

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND ARE RESTRICTED SECURITIES AS THAT TERM IS DEFINED IN RULE 144 UNDER THE SECURITIES ACT. THE SHARES HAVE BEEN ISSUED IN AN OFFSHORE TRANSACTION BY HUYA INC., IN RELIANCE UPON AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY REGULATION S. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD OR OTHERWISE TRANSFERRED, EITHER DIRECTLY OR INDIRECTLY, IN THE UNITED STATES (AS DEFINED IN REGULATION S) OR TO U.S. PERSONS EXCEPT IN ACCORDANCE WITH REGULATION S, PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT, THE AVAILABILITY OF WHICH IS TO BE ESTABLISHED TO THE REASONABLE SATISFACTION OF HUYA INC. HEDGING TRANSACTIONS INVOLVING THE SECURITIES MAY NOT BE CONDUCTED UNLESS IN COMPLIANCE WITH THE SECURITIES ACT.

5.9 Mr. Dong. As of the date hereof, Mr. Dong legally owns all the outstanding Equity Securities of the Dong SPVs, free and clear of any Liens. The Dong SPVs are not engaged in any business or activities except the holding of Shares of the Company.

6. Conditions of the Investor's Obligations at the Closing.

6.1 Conditions of the Investor's Obligations. The obligations of the Investor to consummate the Closing under Section 2 of this Agreement on the date of this Agreement are subject to the fulfillment of the following conditions, all of which shall have been fulfilled on or prior to the date hereof:

(i) **Representations and Warranties**. Each of the representations and warranties of the Warrantors contained in Section 3 and the representations and warranties of YY contained in Section 4 are true and complete as of the date hereof through and including the Closing with the same effect as though such representations and warranties had been made on and as of the Closing, except for those representations and warranties that address matters only as of a particular date, which representations will have been true and complete as of such particular date, subject to changes contemplated by this Agreement.

(ii) **Performance.** Each of the parties to each of the Transaction Documents (other than the Investor) shall have performed and complied with all agreements, obligations and conditions contained in the Transaction Documents that are required to be performed or complied with by it on or before the Closing.

(iii) **No Prohibition; Authorizations.** No provision of any applicable Laws prohibits or shall prohibit the consummation of any transactions contemplated by the Transaction Documents. All Consents of any competent Governmental Authority or of any other Person that are required to be obtained by any Group Company in connection with the consummation of the transactions contemplated by the Transaction Documents (including but not limited to those related to the lawful issuance and sale of the Subscribed Shares and the Conversion Shares, and any waivers of notice requirements, rights of first refusal, preemptive rights, put or call rights), including necessary board and shareholder approvals of the Group Companies, shall have been duly obtained and effective as of the Closing, and evidence thereof shall have been delivered to the Investor.

(iv) **Proceedings and Documents.** All corporate and other proceedings in connection with the transactions to be completed at the Closing and all documents ancillary thereto, including without limitation, written approval from all of the then current holders of equity interests of each Group Company, as applicable, with respect to this Agreement and the other Transaction Documents and the transactions contemplated hereby and thereby, shall have been completed in form and substance reasonably satisfactory to the Investor, and the Investor shall have received all such counterpart original or other copies of such documents as it may reasonably request.

(v) **Re-designation of share capital.** The Company shall have completed the re-designation of its share capital as set out in Part B of Schedule 1.

(vi) **Memorandum and Articles.** The Memorandum and Articles, in substantially the forms attached hereto as Exhibit A-1 and Exhibit A-2, respectively, shall have been duly adopted by all necessary action of the Board of Directors and the members of the Company, and such adoption shall have become effective and remain in full force and effect with no alternation or amendment as of the Closing, and reasonable evidence thereof shall have been delivered to the Investor. The Charter Documents of each of the other Group Companies shall be in form and substance reasonably satisfactory to the Investor.

(vii) **Transaction Documents.** Each of the parties to the Transaction Documents, other than the Investor, shall have executed and delivered the Transaction Documents to the Investor.

(viii) **Tencent Business Cooperation Agreement.** The Tencent Business Cooperation Agreement shall have been duly executed and delivered to the Investor and shall remain in full force and effect.

(ix) **YY Business Cooperation Agreement.** The YY Business Cooperation Agreement shall have been duly executed and delivered to the Investor and shall remain in full force and effect.

(x) **YY Non-Compete Agreement.** YY and the Company shall have caused their respective Affiliates to enter into a non-compete agreement reasonably satisfactory to the Investor.

(xi) **Opinions of Counsels.** The Investor shall have received the following legal opinions in form and substance acceptable to the Investor and dated as of the Closing Date: (a) a Cayman Islands legal opinion issued by Maples and Calder (Hong Kong) LLP, Cayman legal counsel to the Group Companies; and (b) a PRC legal opinion issued by Commerce & Finance Law Offices, PRC legal counsel to the Group Companies.

(xii) **Control Documents.** The Control Documents shall remain in full force and effect.

(xiii) **Financial Statements**. The Company shall have delivered the Financial Statements and the Management Accounts to the Investor.

(xiv) **Employment and Related Agreements.** The employment agreements, the confidentiality, non-compete, non-solicitation and invention assignment agreement or the employment agreement containing confidentiality, non-compete, non-solicitation and invention assignment provisions entered into by each Key Employee with the Group Company shall remain in full force and effect.

(xv) **Board of Directors.** The Company shall have taken all necessary corporate actions such that immediately following the Closing, the Board of Directors shall have no more than three (3) directors, and a director nominated by the Investor shall have been duly appointed to the Board of Directors.

(xvi) **Director Indemnification Agreement**. The Director Indemnification Agreement shall have been duly executed by the Company and delivered to the Investor.

(xvii) **No Material Adverse Effect**. There shall not have been any event or events which, individually or in the aggregate, has had or would reasonably been expected to have or result in a Material Adverse Effect on the Group Companies.

(xviii) **Business Plan and Financial Budget**. The Group Companies shall have delivered to the Investor a one-year business plan and financial budget for its business, in the form and substance satisfactory to the Investor.

(xix) **Closing Certificate**. The chief executive officer of the Company shall have executed and delivered to the Investor a certificate dated as of the Closing (i) stating that the conditions specified in this Section 6 have been fulfilled as of the Closing and there have been no Material Adverse Change in the business, affairs, prospects, operations, properties, assets or conditions of the Group Companies, and (ii) attaching thereto (a) the Charter Documents of the Group Companies as then in effect, (b) copies of all resolutions approved by the shareholders and boards of directors of each Group Company (as applicable) relating to the approval of (1) the entry by the Company into the Transaction Documents, (2) the transactions contemplated under the Transaction Documents, (3) the appointment of a person nominated by the Investor as a director of the Company, (4) the adoption of the Memorandum and Articles in substantially the forms attached hereto as Exhibit A-1 and Exhibit A-2, and (5) the issue of the Subscribed Shares to the Investor, free and clear of all Liens, and (c) with respect to the Group Companies which are incorporated under the Laws of the PRC, the valid business licenses of such entity.

7. Conditions of the Company's Obligations at the Closing. The obligations of the Company owed to the Investor to consummate the Closing under Section 2 of this Agreement on the date this Agreement, unless otherwise waived in writing by the Company, are subject to the fulfillment of the following conditions:

7.1 Representations and Warranties. The representations and warranties of the Investor contained in Section 5 shall have been true and complete as of the date hereof through and including the Closing with the same effect as though such representations and warranties had been made on the Closing , except for those representations and warranties that address matters only as of a particular date, which representations will have been true and complete as of such particular date.

7.2 Performance. The Investor shall have performed and complied with all covenants, obligations and conditions contained in this Agreement that are required to be performed or complied with at Closing.

7.3 Execution of Transaction Documents. The Investor shall have executed and delivered to the Company the Transaction Documents that are required to be executed by it at Closing.

8. Other Agreements.

8.1 Facilitating the Closing. (a) Each of the Warrantors shall use its best efforts to cause the satisfaction of all the conditions precedent set forth in Section 6 hereof, and (b) YY shall use its best efforts to cause the satisfaction of the conditions precedent set forth in (i) Section 6.1(ix) and (ii) Section 6.1(x) hereof.

8.2 Confidentiality.

(i) **Disclosure of Terms.** The terms and conditions of the Transaction Documents and all exhibits, restatements and amendments hereto and thereto (collectively, the "Financing Terms"), including their existence, shall be considered confidential information and shall not be disclosed by any of the Parties to any other Person except as permitted in accordance with the provisions set forth below.

(ii) **Press Releases.** None of the Parties hereto (other than the Investor) shall issue a press release or make any public announcement or other public disclosure with respect to any of the transactions contemplated herein without obtaining the prior written consent of the Investor and the Company, or use the name of YY, □□□□ or any of its Affiliates without obtaining in each instance the prior written consent of YY.

(iii) **Permitted Disclosure**. Notwithstanding the foregoing, (a) the Company may disclose the existence or content of any of the Financing Terms to its current or bona fide prospective investors, directors, officers, employees, shareholders, investment bankers, lenders, accountants, auditors, insurers, business or financial advisors, and attorneys, in each case only where such Persons are under appropriate nondisclosure obligations imposed by professional ethics, law or otherwise; (b) the Investor may disclose the existence or content of any of the Financing Terms to its Affiliates, the fund manager, auditor, insurer, accountant, consultant or an officer, director, general partner, limited partner, shareholder, investor, bona fide potential investor, counsel, advisor, employee of the Investor and/or its Affiliates, and bona fide prospective purchasers/investors of any Equity Securities of the Company so long as such Persons shall be advised of the confidential nature of the information or are under appropriate nondisclosure obligations imposed by professional ethics, law or otherwise; and (c) the Investor may disclose the existence or content of any of the Financing Terms for reporting purposes and any information contained in press releases or public announcements of the Company pursuant to Section 8.4(ii). Any Party hereto may also provide disclosure in order to comply with applicable Laws, as set forth in Section 8.4(iv) below.

(iv) **Legally Compelled Disclosure**. If any Party is requested or becomes legally compelled (including without limitation, pursuant to any applicable Tax, securities, or other Laws and regulations of any jurisdiction or by subpoena or any requirement by governmental, judicial or regulatory body or any stock exchange) to disclose the existence or content of any of the Financing Terms in contravention of the provisions of this Section, such Party shall, to the extent legally permissible, promptly provide the other Parties with written notice of that fact so that such other Parties may seek a protective order, confidential treatment or other appropriate remedy and in any event shall furnish only that portion of the information that is legally required and shall exercise reasonable efforts to obtain reliable assurance that confidential treatment will be accorded such information.

(v) **Other Exceptions**. The confidentiality obligations of the Parties set out in this Section 8.2 shall not apply to (a) information which was in the public domain or otherwise known to the relevant Party before it was furnished to it by another Party hereto or, after it was furnished to that Party, entered the public domain otherwise than as a result of (x) a breach by that Party of this Section 8.2 or (y) a breach of a confidentiality obligation by a third party discloser, where the breach was actually known to that relevant Party; (b) information disclosed by any director or observer of the Company to its appointer or any of its Affiliates or to any Person to whom disclosure would be permitted in accordance with the foregoing provisions of this Section 8.2.

8.3 Indemnity.

(i) **General Indemnity.** Each Warrantor hereby agrees to jointly and severally indemnify and hold harmless the Investor and its Affiliates, and their respective directors, officers, employees, agents and assigns (each an "Indemnified Party"), from and against any and all Indemnifiable Losses suffered by such Indemnified Party, directly or indirectly, as a result of, or based upon or arising from any inaccuracy in or breach or non-performance of any of the representations, warranties, covenants or agreements made by any Warrantor in or pursuant to this Agreement or any other Transaction Document to which it is a party. The Investor hereby agrees to indemnify and hold harmless each Group Company and YY, from and against any and all Indemnifiable Losses suffered by such Group Company or YY, directly or indirectly, as a result of, or based upon or arising from any inaccuracy in or breach of any of the representations, warranties, covenants or agreements made by the Investor in or pursuant to this Agreement or any other Transaction Document to which it is a party.

(ii) **Tax Indemnity.** Notwithstanding anything contained in the Disclosure Schedule (as amended, if applicable), each Warrantor shall jointly and severally indemnify and hold harmless each Indemnified Party from and against any Indemnifiable Losses attributable to (x) any Taxes of any Group Company for all taxable periods ending on or before the Closing and the portion through the end of the Closing for any taxable period that includes (but does not end on) the Closing, (y) all liability for any Taxes of any other person imposed by any Governmental Authority on any Group Company as a transferee, successor, withholding agent, or accomplice in connection with an event or transaction occurring before the Closing, and (z) all liability for Taxes attributable to any misrepresentation or breach of warranty made in Section 3.12 of this Agreement.

(iii) **Special Indemnity.** Other than with respect to matters expressly contained in the Disclosure Schedule (as amended, if applicable), (x) each Warrantor shall jointly and severally indemnify and hold harmless each Indemnified Party from and against any and all Indemnifiable Losses suffered by such Indemnified Party, directly or indirectly, as a result of, or based upon or arising from any activities, businesses and operations of any Group Company at any time from its establishment to the date of the Closing (including any non-compliance with any applicable Laws or Contracts, any dispute with a third party with respect to the Group's Intellectual Properties, or the failure to timely obtain any Consent (including but not limited to the value-added telecommunication license) from the competent Governmental Authority in accordance with the applicable Laws, or the non-payment or underpayment of Social Insurance or housing fund contributions, or any action, suit, arbitration or other court proceeding, pending or threatened, due to the facts existing prior to the Closing even if the liability is actually incurred after the Closing), (y) YY shall indemnify at all times and hold harmless each Indemnified Party from and against any and all Indemnifiable Losses suffered by such Indemnified Party for any breach or violation of its representations, warranties, covenants and obligations under Sections 4, 8.1(b), and 9.8 of this Agreement to the extent that the Indemnifiable Losses of such Indemnified Party, in its capacity as a shareholder of any Group Company, have not otherwise been indemnified, compensated or remedied by YY; and (z) Mr. Dong and the Dong SPVs shall jointly and severally indemnify and hold harmless each Indemnified Party and each Group Company, from and against any and all Indemnifiable Losses suffered by such Indemnified Party or such Group Company, directly or indirectly, as a result of, or based upon any claim or Action that any of the Series A Investors may have against any of the Group Companies, in each case, arising out of or in connection with any of the representations, warranties, covenants and indemnities made by each of them under or in connection with or pursuant to (1) the Series A Share Subscription Agreement, (2) the Series A Shareholders Agreement and/or (3) the investment in the Group Companies by any Series A Investor. This Section 8.3(iii) shall automatically terminate and be of no further force or effect upon expiration of a term of twenty-four (24) months after the Closing; provided, however, this Section 8.3(iii) shall not terminate if any claim made with reasonable specificity by the party seeking to be indemnified under this Section 8.3(iii) exists at the expiration of such term, and this Section 8.3(iii) shall remain valid and in force until such claim is finally and fully resolved. Notwithstanding anything to the contrary provided in this Agreement, the aforementioned limitation on term of validity of this Section 8.3(iii) shall not apply in the event of any fraud, willful misconduct, gross negligence or willful default or willful misrepresentation on the part of any Warrantor or YY.

(iv) **Indemnification Cap**. Other than (a) a breach of any of the Fundamental Representations or (b) a breach of any of the covenants in Section 9 (other than Sections 9.2(ii) and 9.3), the maximum aggregate liability of the Warrantors (other than Mr. Dong) for indemnification to the Indemnified Parties under Sections 8.3(i), (ii) and (iii) shall be limited to the Purchase Price (the "Indemnification Cap"). Other than a breach of the covenants in Section 8.1(b)(ii) and Section 9.8, the maximum aggregate liability of YY for indemnification to the Indemnified Parties under Section 8.3(iii)(y) shall be limited to the Indemnification Cap. For the avoidance of doubt, (i) the Indemnification Cap shall not apply in the event of any fraud, willful misconduct, gross negligence or willful default or willful misrepresentation either (x) on the part of any Warrantor, in which case the Indemnification Cap shall remain applicable for YY's liability for indemnification under Section 8.3(i), (ii) and (iii), or (y) on the part of YY, in which case the Indemnification Cap shall remain applicable for the Warrantors' liability for indemnification under Section 8.3(iii)(y); and (ii) the maximum aggregate liability of Mr. Dong for indemnification to any Indemnified Party under Sections 8.3(i), (ii) and (iii) shall be the Indemnification Cap less any amounts which remain due and owing by Mr. Dong to D.I. Alpha Media Company Limited pursuant to the Loan Documents, on the date that such a claim is made by an Indemnified Party under this Section 8.3.

(v) **Indemnification Threshold**. The Warrantors shall not be liable for indemnification to any Indemnified Party under Section 8.3(i) and (ii) unless the aggregate liability of the Warrantors is in excess of RMB 5,000,000 (the "Deductible"), in which case the Warrantors shall be liable for all amounts related to such Indemnifiable Losses (including the amounts otherwise constituting the Deductible) in accordance with Section 8.3(i) and (ii), as the case may be.

(vi) **Survival of Warranties**. The representations and warranties in Section 3, Section 4 and Section 5 of this Agreement shall survive for a term of twenty-four (24) months after the Closing (save for the Fundamental Representations which shall survive until the expiration of the applicable statutory limitation periods, and the tax representations set out in Section 3.12 which shall survive for a term of thirty-six (36) months after the Closing) and shall in no way be affected by any investigation of the subject matter thereof made by or on behalf of any Party hereof; provided, however, that any claim made with reasonable specificity by the party seeking to be indemnified within such survival period shall survive until such claim is finally and fully resolved. Notwithstanding anything to the contrary provided in this Agreement, the aforementioned limitation on survival period shall not apply in the event of any fraud, willful misconduct, gross negligence or willful default or willful misrepresentation on the part of any Party.

8.4 No Promotion.

The Company agrees that it will not, without the prior written consent of the Investor or Tencent Holdings Limited ("Tencent") (regardless of whether or not Tencent or its Affiliates are shareholders of the Company), in each instance, (a) use in advertising, publicity, or otherwise the name of Tencent, or any Affiliate of Tencent or any partner or employee of any Affiliate of Tencent nor any trade name, trademark, trade device, service mark, symbol or any abbreviation, contraction or simulation thereof owned by Tencent or its Affiliates (whether alone or in combination thereof), or (b) represent, directly or indirectly, that any product or any service provided by the Company has been approved or endorsed by Tencent or an Affiliate of Tencent. The Company further agrees that it shall obtain the written consent from Tencent prior to the Company's issuance of any public statement detailing Tencent's subscription of the Subscribed Shares pursuant to this Agreement.

9. Covenants

9.1 Compliance with Laws.

(i) Each Group Company undertakes that it shall not, and shall not permit any of its Subsidiaries or Affiliates or any of its respective directors, officers, managers, employees, independent contractors, representatives or agents to, promise, authorize or make any payment to, or otherwise contribute any item of value, directly or indirectly, to any third party, including any Government Official, in each case, in violation of the FCPA, the U.K. Bribery Act, or any other applicable anti-bribery or anti-corruption law. Each Group Company further undertakes that it shall, and shall cause each of its Subsidiaries and Affiliates to, cease all of their respective activities, as well as remedy any actions taken by any Group Company, its Subsidiaries or Affiliates, or any of their respective directors, officers, managers, employees, independent contractors, representatives or agents in violation of the FCPA, the U.K. Bribery Act, or any other applicable anti-bribery or anti-corruption law. Each Group Company further represents that it shall, and shall cause each of its Subsidiaries and Affiliates to, maintain systems of internal controls (including, but not limited to, accounting systems, purchasing systems and billing systems) to ensure compliance with the FCPA, the U.K. Bribery Act, or any other applicable anti-bribery or anti-corruption law.

(ii) Each Group Company undertakes that it shall ensure that its operations and the operations of each of its Subsidiaries and Affiliates shall continue to be conducted at all times in material compliance with all applicable financial recordkeeping and reporting requirements and the Money Laundering Laws.

(iii) Each Group Company shall use its respective best efforts to comply with all applicable Laws, including but not limited to applicable PRC Laws relating to the Business, Intellectual Property, taxation, employment and social welfare and benefits. Without prejudicing the generality of the foregoing, after the Closing and upon the written request by the Investor, the relevant Group Company shall use best efforts to rectify any non-compliance with applicable Laws.

9.2 Key Employees' Commitments to the Company. Mr. Dong hereby agrees to (i) devote, and (ii) cause each of the other Key Employees to devote, substantially all of his or her working time to the business and operations of the Group Companies and not devote any of their time to any (competitive or other) business.

9.3 WFOE Capital Contribution. The Company agrees to procure that all the registered capital of the WFOE shall be contributed by the relevant Group Company within 3 months from the Closing Date, and shall provide satisfactory evidence thereof to the Investor within such 3 month period.

9.4 Trademark Transfer. The Company agrees to complete the transfer of all the trademarks that have not beentransferred to the Domestic Company as set out in Schedule V hereto, pursuant to the trademarks transfer agreement between the Domestic Company and Guangzhou Huaduo Internet Technology Company Limited (□□□□□□□□□□□□) dated December 26, 2016 within 6 months from the Closing Date.

9.5 Update of ICP License. The Company shall update its ICP License and complete the registration of the domain names which have not been registered as set out in Schedule VI hereto within 6 months from the Closing Date.

9.6 Domestic Company. If the Investor holds not less than 30% of the issued share capital of the Company after the completion of a Qualified IPO (as defined in the Shareholders Agreement) and at the request of the Investor, the Warrantors shall, as soon as practicable, procure that the relevant Group Company (i) contribute such an amount to the Domestic Company as registered capital of the Domestic Company resulting in the Investor (or its nominee) holding such a percentage of the equity interests of the Domestic Company which is proportionate to the Investor's shareholding in the Company at such time, (ii) obtain all necessary Consents in connection with the contribution of such registered capital, (iii) amend the constitutional documents of the Domestic Company to reflect such contribution, and (iv) terminate the Control Documents then in force and effect, and enter into new Control Documents with the WFOE, the Domestic Company and the equity holders of the Domestic Company.

9.7 Most Favored Nation. From the date hereof, if the Company proposes to issue any Equity Security to any Person, or any of the Warrantors enters into any agreement with any Person in connection with the subscription for Equity Securities in the Company by such Person, which, in the opinion of the Investor, is on terms or provides rights which are more favorable to such Person than those to the Investor contained in the Transaction Documents, the Warrantors shall promptly notify the Investor thereof and agree to, and shall cause all necessary third parties to, agree to such amendments to the Transaction Documents and/or enter into any other agreements with the Investor or any relevant Persons to ensure that those same terms or rights are provided to the Investor.

9.8 Non-competition.

(i) YY shall procure its Affiliate □□□□□□□□□□□□ to enter into a non-compete agreement with □□□□□□□□□□□□, pursuant to which, from the Closing Date until the fourth anniversary of the Closing Date, all platform websites and platform software owned, controlled and operated by □□□□□□□ □□□□□ and/or its Subsidiaries to provide application software (including game software) access service for itself and third parties shall not, (a) livestream, promote or distribute any online game titles notified by □□□□□□□□□□□□ to □□□□□□□□□□□□ (the "Restricted List"), and (b) livestream, promote or distribute any online game titles operated by certain competitors to be mutually agreed by the Company, YY and the Investor.

(ii) The Restricted List may be updated by □□□□□□□□□□□□ on a quarterly basis, and any updates to the Restricted List must be reviewed and approved in writing, and for as long as the Investor and its Affiliates collectively hold more than one-third (1/3) of the Series B Preferred Shares that the Investor acquired at the Closing, such approval shall be duly signed, by (a) the Director nominated by the Investor to the Board of Directors; or (b) such person designated in writing by the Investor to approve any updates to the Restricted List in the event the Investor no longer has the right to appoint a Director to the Board of Directors.

10. Miscellaneous.

10.1 Disclosure Schedule References. The Parties agree that any reference in a particular Section of the Disclosure Schedule shall be deemed to be an exception to (or, as applicable, a disclosure for purposes of) (i) the representations and warranties (or covenants, as applicable) of the relevant Party that are contained in the corresponding Section of this Agreement and (ii) any other representations and warranties of such Party that is contained in this Agreement (regardless of the absence of an express reference or cross reference thereto), but only if the relevance of that reference is an exception to (or a disclosure for the purposes of) such representations and warranties would be reasonably apparent. The Parties acknowledge and agree that the Disclosure Schedule may include certain items and information solely for informational purposes for the convenience of the Investor, and the disclosure by the Company of any matter in the Disclosure Schedule shall not be deemed to constitute an acknowledgment by the Company that the matter is required to be disclosed by the terms of this Agreement or that the matter is material.

10.2 Further Assurances. Upon the terms and subject to the conditions herein, each of the Parties hereto agrees to use its best efforts to take or cause to be taken all actions, to do or cause to be done, to execute such further instruments, and to assist and cooperate with the other Parties hereto in doing, all things necessary, proper or advisable under applicable Laws or otherwise to consummate and make effective, in the most expeditious manner practicable, the transactions contemplated by this Agreement and the other Transaction Documents (it being understood that no Party shall be obligated to grant any waiver of any condition or other waiver hereunder).

10.3 Successors and Assigns. Except as otherwise provided herein, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the Parties hereto whose rights or obligations hereunder are affected by such terms and conditions. This Agreement and the rights and obligations therein may be assigned or transferred by the Investor to its Affiliates but may not be assigned or transferred by any Warrantor or YY without the prior written consent of the Investor. Nothing in this Agreement, express or implied, is intended to confer upon any Party other than the Parties hereto or their respective successors and assigns any rights, remedies, obligations, or Liabilities under or by reason of this Agreement, except as expressly provided in this Agreement. Without prejudice to the foregoing provisions, the Investor may by prior written notice to the Company assign all its rights and obligations under this Agreement to a wholly owned Subsidiary of the Investor (the "**Designee**"). For the avoidance of doubt, upon the assignment by the Investor to the Designee pursuant to this Section 10.3, the Investor shall be relieved from its obligations under this Agreement.

10.4 Joint and Several Liability. Other than as specifically set out in this Agreement, all the obligations and liabilities of, and indemnities given by, the Warrantors and YY pursuant to this Agreement and the Transaction Documents shall be several and not joint, except that the obligations and liabilities of, and indemnities given by, the Group Companies, Mr. Dong and the Dong SPVs hereunder shall be joint and several.

10.5 Third Party Rights. Except as provided in Section 8.3, a Person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Ordinance (Chapter 623 of the Laws of Hong Kong) to enforce any term of, or enjoy any benefit under, this Agreement. Notwithstanding any benefits possibly conferred by this Agreement on any third party by virtue of the Contracts (Rights of Third Parties) Ordinance (Chapter 623 of the Laws of Hong Kong), the Parties may amend, vary, waive, terminate or rescind this Agreement at any time and in any way without the consent of such Person.

10.6 Governing Law. This Agreement shall be governed by and construed under the Laws of Hong Kong, without regard to principles of conflict of Laws thereunder.

10.7 Dispute Resolution.

(i) Any dispute, controversy or, claim or difference of any kind whatsoever arising out of, relating to or in connection with this Agreement, including the existence, validity, interpretation, performance, breach or termination thereof, the validity, scope and enforceability of this arbitration provision and any dispute regarding no-contractual obligations arising out of or relating to it (the "Dispute") shall be referred to and finally resolved by arbitration administered by the Hong Kong International Arbitration Center (the "HKIAC") in accordance with the HKIAC Administered Arbitration Rules in force at the time of the commencement of the arbitration. However, if such rules are in conflict with the provisions of this Section 10.7, including the provisions concerning the appointment of arbitrators, the provisions of this Section 10.7 shall prevail.

(ii) The law of this arbitration section shall be Hong Kong law. The seat of arbitration shall be Hong Kong.

(iii) The number of arbitrators shall be three and the language of the arbitration proceedings and written decisions or correspondence shall be English.

(iv) Any party to the Dispute shall be entitled to seek preliminary injunctive relief, if possible, from any court of competent jurisdiction pending the constitution of the tribunal.

10.8 Notices. Any notice required or permitted pursuant to this Agreement shall be given in writing and shall be given either personally or by sending it by next-day or second-day courier service, fax, electronic mail or similar means to the address of the relevant Party as shown on Schedule II (or at such other address as such Party may designate by fifteen (15) days' advance written notice to the other Parties to this Agreement given in accordance with this Section). Where a notice is sent by next-day or second-day courier service, service of the notice shall be deemed to be effected by properly addressing, pre-paying and sending by next-day or second-day service through an internationally-recognized courier a letter containing the notice, with a written confirmation of delivery, and to have been effected at the earlier of (i) delivery (or when delivery is refused) and (ii) expiration of two (2) Business Days after the letter containing the same is sent as aforesaid. Where a notice is sent by fax or electronic mail, service of the notice shall be deemed to be effected by properly addressing, and sending such notice through a transmitting organization, with a written confirmation of delivery, and to have been effected on the day the same is sent as aforesaid, if such day is a Business Day and if sent during normal business hours of the recipient, otherwise the next Business Day. Notwithstanding the foregoing, to the extent a "with a copy to" address is designated, notice must also be given to such address in the manner above for such notice, request, consent or other communication hereunder to be effective.

10.9 Rights Cumulative; Specific Performance. Each and all of the various rights, powers and remedies of a party hereto will be considered to be cumulative with and in addition to any other rights, powers and remedies which such Party may have at Law or in equity in the event of the breach of any of the terms of this Agreement. The exercise or partial exercise of any right, power or remedy will neither constitute the exclusive election thereof nor the waiver of any other right, power or remedy available to such Party. Without limiting the foregoing, the Parties hereto acknowledge and agree irreparable harm may occur for which money damages would not be an adequate remedy in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Parties shall be entitled to injunctive relief to address breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement.

10.10 Fees and Expenses. The Company shall pay all of its own costs and expenses incurred in connection with the negotiation, execution, delivery and performance of this Agreement and other Transaction Documents and the transactions contemplated hereby and thereby (including the fees and expenses incurred by its agents or other intermediaries). In addition, subject to the last sentence of this Section 10.10, the Company shall pay or reimburse all reasonable costs and expenses (including fees and expenses for lawyers, accountants, auditors, financial advisors, technical consultants and other professions) incurred or to be incurred by the Investor of up to a maximum of US$500,000 (the "Reimbursement") in connection therewith and in connection with the preparation, negotiation, execution and delivery of the Transaction Documents and the Investor's due diligence investigation. Such expense shall be paid directly to third parties upon receipt of the relevant invoices by the Company. If any action at Law or in equity is necessary to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to reasonable attorney's fees, costs and necessary disbursements in addition to any other relief to which such party may be entitled. For the avoidance of doubt, in the event that the Closing does not take place due to the fault of the Investor, the Company and the Investor shall bear their respective legal or financial costs and expenses, and the Company shall be not liable for the Reimbursement.

10.11 Severability. In case any provision of this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby. If, however, any provision of this Agreement shall be invalid, illegal, or unenforceable under any such applicable Law in any jurisdiction, it shall, as to such jurisdiction, be deemed modified to conform to the minimum requirements of such Law, or, if for any reason it is not deemed so modified, it shall be invalid, illegal, or unenforceable only to the extent of such invalidity, illegality, or limitation on enforceability without affecting the remaining provisions of this Agreement, or the validity, legality, or enforceability of such provision in any other jurisdiction.

10.12 Amendments and Waivers. Any term of this Agreement may be amended, only with the written consent of each of the Company and the Investor. Any amendment effected in accordance with this paragraph shall be binding upon each of the Parties hereto. Notwithstanding the foregoing, the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively) only with the written consent of the Party against whom such waiver is sought.

10.13 No Waiver. Failure to insist upon strict compliance with any of the terms, covenants, or conditions hereof will not be deemed a waiver of such term, covenant, or condition, nor will any waiver or relinquishment of, or failure to insist upon strict compliance with, any right, power or remedy power hereunder at any one or more times be deemed a waiver or relinquishment of such right, power or remedy at any other time or times.

10.14 Delays or Omissions. No delay or omission to exercise any right, power or remedy accruing to any Party under this Agreement, upon any breach or default of any other Party under this Agreement, shall impair any such right, power or remedy of such non-breaching or non-defaulting Party nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any Party of any breach or default under this Agreement, or any waiver on the part of any Party of any provisions or conditions of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing.

10.15 No Presumption. The Parties acknowledge that any applicable Law that would require interpretation of any claimed ambiguities in this Agreement against the Party that drafted it has no application and is expressly waived. If any claim is made by a Party relating to any conflict, omission or ambiguity in the provisions of this Agreement, no presumption or burden of proof or persuasion will be implied because this Agreement was prepared by or at the request of any Party or its counsel.

10.16 Headings and Subtitles; Interpretation. 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. Unless a provision hereof expressly provides otherwise: (i) the term "or" is not exclusive; (ii) words in the singular include the plural, and words in the plural include the singular; (iii) the terms "herein", "hereof", and other similar words refer to this Agreement as a whole and not to any particular section, subsection, paragraph, clause, or other subdivision; (iv) the term "including" will be deemed to be followed by, "but not limited to", (v) the masculine, feminine, and neuter genders will each be deemed to include the others; (vi) the terms "shall", "will", and "agrees" are mandatory, and the term "may" is permissive; (vii) the term "day" means "calendar day", and "month" means calendar month, (viii) all references in this Agreement to designated "Sections" and other subdivisions are to the designated Sections and other subdivisions of the body of this Agreement, (ix) all references in this Agreement to designated Schedules, Exhibits and Appendices are to the Schedules, Exhibits and Appendices attached to this Agreement, (x) the phrase "directly or indirectly" means directly, or indirectly through one or more intermediate Persons or through contractual or other arrangements, and "direct or indirect" has the correlative meaning, (xi) references to laws include any such law modifying, re-enacting, extending or made pursuant to the same or which is modified, re-enacted, or extended by the same or pursuant to which the same is made, (xii) each representation, warranty, agreement, and covenant contained herein will have independent significance, regardless of whether also addressed by a different or more specific representation, warranty, agreement, or covenant, (xiii) all accounting terms not otherwise defined herein have the meanings assigned under the Accounting Standards, (xiv) pronouns of either gender or neuter shall include, as appropriate, the other pronoun forms, (xv) references to this Agreement, any other Transaction Documents and any other document shall be construed as references to such document as the same may be amended, supplemented or novated from time to time, and (xvi) all references to dollars or to "US$" are to currency of the United States of America and all references to RMB are to currency of the PRC (and each shall be deemed to include reference to the equivalent amount in other currencies).

10.17 Counterparts. This Agreement may be executed 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. Facsimile and e-mailed copies of signatures shall be deemed to be originals for purposes of the effectiveness of this Agreement.

10.18 Entire Agreement. This Agreement and the Transaction Documents, together with all schedules and exhibits hereto and thereto, constitute the full and entire understanding and agreement among the Parties with regard to the subjects hereof and thereof, and supersede all other agreements between or among any of the Parties with respect to the subject matters hereof and thereof (including without limitation the Term Sheet between the Company and the Investor dated February 3, 2018).

10.19 Use of English Language. This Agreement has been executed and delivered in the English language. Any translation of this Agreement into another language shall have no interpretive effect. All documents or notices to be delivered pursuant to or in connection with this Agreement shall be in the English language or, if any such document or notice is not in the English language, accompanied by an English translation thereof, and the English language version of any such document or notice shall control for purposes thereof.

[*The remainder of this page has been left intentionally blank*]

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

COMPANY:

HUYA INC.

By: /s/ DONG Rongjie
Name: DONG Rongjie (□□□)
Title: Director

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

HK COMPANY:

HUYA LIMITED

By: /s/ ZHANG Haifeng
Name: ZHANG Haifeng (□□□)
Title: Director

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

DOMESTIC COMPANY:

□□□□□□□□□□□□
(Guangzhou Huya Information Technology Co., Ltd.)
(Company Seal)

By: /s/ DONG Rongjie
Name: DONG Rongjie (□□□)
Title: Legal Representative

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

WFOE:

□□□□□□□□□□
(Guangzhou Huya Technology Co., Ltd.)
(Company Seal)

By: /s/ DONG Rongjie
Name: DONG Rongjie
Title: Legal Representative

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

The undersigned (a) understands that this Agreement imposes obligations on him, (b) understands English and has read and understands the terms of this Agreement or has had this Agreement translated and explained to him, and (c) has considered this Agreement with his own tax and legal advisors and has relied solely on such advisors for tax and legal advice and will be responsible for his own liabilities resulting from this Agreement.

[illegible]

DONG Rongjie ([illegible])

By: /s/ DONG Rongjie
Name: DONG Rongjie ([illegible])

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

YY:

YY INC.

By: /s/ LI Xueling
Name: LI Xueling (□□□)
Title: Authorized Signatory

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

DONG SPV

ORIENTAL LUCK INTERNATIONAL LIMITED

By: /s/ DONG Rongjie
Name: DONG Rongjie (□□□)
Title: Authorized Signatory

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

DONG SPV

ALL WORTH LIMITED

By: /s/ DONG Rongjie
Name: DONG Rongjie (□□□)
Title: Authorized Signatory

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

INVESTOR

LINEN INVESTMENT LIMITED

By: /s/ Huateng MA
Name: Huateng MA
Title: Authorized Signatory

EXHIBIT A-1

FORM OF AMENDED AND RESTATED MEMORANDUM OF ASSOCIATION

EXHIBIT A-2

FORM OF AMENDED AND RESTATED ARTICLES OF ASSOCIATION

EXHIBIT B

SHAREHOLDERS AGREEMENT

EXHIBIT C

TENCENT BUSINESS COOPERATION AGREEMENT

Exhibit 4.37

Execution Version

AMENDED AND RESTATED SHAREHOLDERS AGREEMENT

This AMENDED AND RESTATED SHAREHOLDERS AGREEMENT (this "Agreement") is entered into on March 8, 2018 (the "Signing Date"), by and among:

1. HUYA Inc., an exempted company incorporated with limited liability under the Laws of the Cayman Islands with its registered office at Vistra (Cayman) Limited, P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 (the "Company");

2. HUYA Limited, a company organized and existing under the Laws of Hong Kong (the "HK Company");

3. Guangzhou Huya Technology Co., Ltd., (□□□□□□□□□□), a wholly foreign-owned enterprise incorporated under the Laws of the PRC (the "WFOE");

4. Guangzhou Huya Information Technology Co., Ltd. (□□□□□□□□□□□□), a company incorporated under the Laws of the PRC (the "Domestic Company");

5. DONG Rongjie (□□□), a citizen of the PRC, with identification card number 330227197702176836 ("Mr. Dong");

6. LI Xueling (□□□), a citizen of the PRC, with identification card number640204197410230034 ("Mr. Li");

7. YY Inc., an exempted company incorporated with limited liability under the Laws of the Cayman Islands ("YY");

8. each of the Persons listed in Part A of the Schedule I-B hereof ("Dong SPV" and collectively, "Dong SPVs");

9. the Person listed in Part B of the Schedule I-B hereof ("Li SPV");

10. each of the Persons listed in Part C of the Schedule I-B hereof ("Management SPV" and collectively, "Management SPVs"); and

11. each of the Persons listed in Part D of the Schedule I-B hereof (together with any such Person's Affiliates, successors and permitted assigns and transferees, the "Investors", an each an "Investor").

Each of the parties to this Agreement is referred to herein individually as a "Party" and collectively as the "Parties".

RECITALS

A. The Group is engaged in the business of providing products and services relating to audio and video broadcast and live streaming of online games (the "Business").

B. The Company holds 100% of the equity interest of the HK Company. The HK Company holds 100% of the registered capital of the WFOE, which in turn Controls the Domestic Company through Control Documents (as defined below).

C. Certain Investors and Dong SPV subscribed from the Company, and the Company issued to such Investors and Dong SPV, certain Series A Preferred Shares of the Company on the terms and conditions set forth in the Series A Preferred Share Subscription Agreement dated May 16, 2017, by and among the Company, the HK Company, the Domestic Company, Mr. Dong, the Investors and other parties thereto (the "Prior Subscription Agreement") and, in connection therewith, the relevant Parties entered into a Shareholders Agreement on July 10, 2017, to record the respective information, registration and other rights and obligations of the shareholders of the Company (the "Prior Agreement").

D. Tencent has agreed to subscribe from the Company, and the Company has agreed to issue to Tencent on the date hereof, certain Series B-2 Preferred Shares of the Company on the terms and conditions set forth in the Series B-2 Preferred Share Subscription Agreement on the date hereof by and among the Company, Tencent and the other parties thereto (the "Subscription Agreement").

E. The existing ordinary and preferred share capital of the Company has been re-designated to be comprised of Class A Ordinary Shares, Class B Ordinary Shares, Series A-1 Preferred Shares and Series A-2 Preferred Shares, prior to or upon the Closing (as defined in the Subscription Agreement).

F. The shareholding structure of the Company immediately after the Closing (as defined in the Subscription Agreement) is as set out in Schedule I-E hereof.

G. The Subscription Agreement provides that the execution and delivery of this Agreement shall be a condition precedent to the Closing (as defined in the Subscription Agreement).

H. The Parties desire to enter into this Agreement, which shall amend, replace and supersede the Prior Agreement in its entirety, and make the respective representations, warranties, covenants and agreements set forth herein on the terms and conditions set forth herein.

WITNESSETH

NOW, THEREFORE, in consideration of the foregoing recitals, the mutual promises hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties intending to be legally bound hereto hereby agree as follows:

1. Definitions.

1.1 The following terms shall have the meanings ascribed to them below:

"Accounting Standards" means the generally accepted accounting principles and practices of the United States of America as in effect from time to time.

"Affiliate" means, with respect to a Person, (i) any other Person that, directly or indirectly, Controls, is Controlled by or is under common Control with such Person, and (ii) if such Person is a natural person, any Relative or spouse of such Person, or any spouse of such Relative. In the case of the Investor, the term "Affiliate" also includes (v) any of the Investor's general partners, (w) the fund manager managing or advising such Investor and other funds managed or advised by such fund manager, (x) trusts Controlled by or for the benefit of any such Person referred to in (v) or (w), and (y) any fund or holding company formed for investment purposes that is promoted, sponsored, managed, advised or serviced by the Investor.

“Agreed Vesting Schedule” means a four-year vesting schedule where 25% of awards shall vest at each anniversary of the grant date.

“Applicable Securities Laws” means (i) with respect to any offering of securities in the United States, or any other act or omission within that jurisdiction, the securities laws of the United States, including the Exchange Act and the Securities Act, and any applicable Law of any state of the United States, and (ii) with respect to any offering of securities in any jurisdiction other than the United States, or any related act or omission in that jurisdiction, the applicable Laws of that jurisdiction.

“Associate” means, with respect to any Person, (x) a corporation or organization (other than the Group Companies) of which such Person is an officer or partner or is, directly or indirectly, the record or beneficial owner of ten (10) percent or more of any class of Equity Securities of such corporation or organization, or (y) any trust or other estate in which such Person has a substantial beneficial interest or as to which such Person serves as trustee or in a similar capacity.

“Auditor” means the Person for the time being performing the duties of auditor of the Company (if any), whose appointment and removal shall be approved by Board.

“Banyan” means Banyan Partners Fund II, L.P., with its registered office located at c/o Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands, together with its Affiliates, successors and permitted assigns.

“Board” or “Board of Directors” 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 law to be closed in the PRC, Hong Kong, the British Virgin Islands or the Cayman Islands.

“CFC” means a controlled foreign corporation as defined in the Code.

“Charter Documents” means, with respect to a particular legal entity, the articles of incorporation, certificate of incorporation, formation or registration (including, if applicable, certificates of change of name), memorandum of association, articles of association, bylaws, articles of organization, limited liability company agreement, trust deed, trust instrument, operating agreement, joint venture agreement, business license, or similar or other constitutive, governing, or charter documents, or equivalent documents, of such entity.

“Circular 37” means the Circular on Foreign Exchange Administration of Offshore Investment, Financing and Return Investment by Domestic Residents Utilizing Special Purpose Vehicles (□□□□□□□□□□□□□□□□□□□□□□□□□□□□□□) issued by SAFE with effect from July 14, 2014 and superseding the Circular 75 issued by SAFE on October 21, 2005, as amended from time to time.

“Class A Ordinary Shares” means the Company’s Class A Ordinary Shares, par value US$0.0001 per share and entitling the holder to 1 vote per share.

"Class B Ordinary Shares" means the Company's Class B Ordinary Shares, par value US$0.0001 per share and entitling the holder to 10 vote per share.

"Closing" has the meaning set forth in the Subscription Agreement.

"Closing Date" has the meaning set forth in the Subscription Agreement.

"Code" means the United States Internal Revenue Code of 1986, as amended.

"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 offering or sale of securities in that jurisdiction.

"Consent" means any consent, approval, authorization, waiver, permit, grant, franchise, concession, agreement, license, exemption or order of, registration, certificate, declaration or filing with, or report or notice to, any Person, including any Governmental Authority.

"Control" of a given Person means the power or authority, whether exercised or not, to direct the business, management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; provided, that such power or authority shall conclusively be presumed to exist upon possession of beneficial ownership or power to direct the vote of more than fifty percent (50%) of the votes entitled to be cast at a meeting of the members or shareholders of such Person or power to control the composition of a majority of the board of directors of such Person. The terms "Controlled" and "Controlling" have meanings correlative to the foregoing.

"Control Documents" has the meaning set forth in the Subscription Agreement.

"Conversion Shares" means Ordinary Shares issuable upon conversion of any Preferred Shares.

"Deemed Liquidation Event" means any of the following events: (i) any consolidation, amalgamation, scheme of arrangement or merger of any Group Company with or into any other Person or other reorganization in which the shareholders of such Group Company immediately prior to such consolidation, amalgamation, merger, scheme of arrangement or reorganization own less than fifty percent (50%) of such Group Company's voting power in the aggregate immediately after such consolidation, merger, amalgamation, scheme of arrangement or reorganization, or any transaction or series of related transactions in which in excess of fifty percent (50%) of such Group Company's voting power is transferred; (ii) a sale, transfer, lease or other disposition of all or substantially all of the assets (either in terms of quantities or value) of any Group Company (or any series of related transactions resulting in such sale, transfer, lease or other disposition of all or substantially all of the assets (either in terms of quantities or value) of such Group Company); or (iii) the exclusive licensing of all or substantially all of any Group Company's Intellectual Property to a third party.

"Director" means a director serving on the Board.

"Engage" means Engage Capital Partners II Limited, an exempted company organized and existing under the Laws of the British Virgin Islands (together with its Affiliates, successors and permitted assigns).

"Equity Securities" means, with respect to any Person that is a legal entity, any and all shares of capital stock, membership interests, units, profits interests, ownership interests, equity interests, registered capital, and other equity securities of such Person, and any right, warrant, option, call, commitment, conversion privilege, preemptive right or other right to acquire any of the foregoing, or security convertible into, exchangeable or exercisable for any of the foregoing.

"Exchange Act" means the United States Securities Exchange Act of 1934, as amended.

"Form F-3" means Form F-3 promulgated by the Commission under the Securities Act or any successor form or substantially similar form then in effect.

"Form S-3" means Form S-3 promulgated by the Commission under the Securities Act or any successor form or substantially similar form then in effect.

"fully diluted basis" means, for the purposes of calculating share numbers, such calculation shall be made assuming that all outstanding options, warrants and other securities convertible into or exercisable or exchangeable for Shares (whether or not by their terms then currently convertible, exercisable or exchangeable), have been so converted, exercised or exchanged, and, in case of calculating the numbers of the Shares, giving effect to the Closing (as defined in the Subscription Agreement) and the Ordinary Shares reserved for issuance under the ESOP.

"Governmental Authority" means any government of any nation, federation, province or state or any other political subdivision thereof, any entity, authority or body exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including any governmental authority, agency, department, board, commission or instrumentality of the PRC or any other country, or any political subdivision thereof, any court, tribunal or arbitrator, and any self-regulatory organization.

"Governmental Order" means any applicable order, ruling, decision, verdict, decree, writ, subpoena, mandate, precept, command, directive, consent, approval, award, judgment, injunction or other similar determination or finding by, before or under the supervision of any Governmental Authority.

"Group Company" means each of the Company, the HK Company, the WFOE and the Domestic Company, together with each Subsidiary of any of the foregoing and each other Person Controlled by the Company, and "Group" refers to all of Group Companies collectively.

"Holders" means the holders of Registrable Securities who are parties to this Agreement from time to time, and their permitted transferees that become parties to this Agreement from time to time.

"Hong Kong" means the Hong Kong Special Administrative Region of the PRC.

"Indebtedness" of any Person means, without duplication, each of the following of such Person: (i) all indebtedness for borrowed money, (ii) all obligations issued, undertaken or assumed as the deferred purchase price of property or services (other than trade payables entered into in the ordinary course of business), (iii) all reimbursement or payment obligations with respect to letters of credit, surety bonds and other similar instruments, (iv) all obligations evidenced by notes, bonds, debentures or similar instruments, including obligations so evidenced that are incurred in connection with the acquisition of properties, assets or businesses, (v) all indebtedness created or arising under any conditional sale or other title retention agreement, or incurred as financing, in either case with respect to any property or assets acquired with the proceeds of such indebtedness (even though the rights and remedies of the seller or bank under such agreement in the event of default are limited to repossession or sale of such property), (vi) all obligations that are capitalized (including capitalized lease obligations), (vii) all obligations under banker's acceptance, letter of credit or similar facilities, (viii) all obligations to purchase, redeem, retire, defease or otherwise acquire for value any Equity Securities of such Person, (ix) all obligations in respect of any interest rate swap, hedge or cap agreement, and (x) all guarantees issued in respect of the Indebtedness referred to in clauses (i) through (ix) above of any other Person, but only to the extent of the Indebtedness guaranteed, and (xi) any accrued and unpaid interest on any of the foregoing.

"Initiating Holders" means, with respect to a request duly made under Section 2.1 or Section 2.2 to Register any Registrable Securities, the Holders initiating such request.

"Intellectual Property" means any and all (i) patents, patent rights and applications therefor and reissues, reexaminations, continuations, continuations-in-part, divisions, and patent term extensions thereof, (ii) inventions (whether patentable or not), discoveries, improvements, concepts, innovations and industrial models, (iii) registered and unregistered copyrights, copyright registrations and applications, mask works and registrations and applications therefor, author's rights and works of authorship (including artwork, software, computer programs, source code, object code and executable code, firmware, development tools, files, records and data, and related documentation), (iv) URLs, web sites, web pages and any part thereof, (v) technical information, know-how, trade secrets, drawings, designs, design protocols, specifications, proprietary data, customer lists, databases, proprietary processes, technology, formulae, and algorithms and other intellectual property, (vi) trade names, trade dress, trademarks, domain names, service marks, logos, business names, and registrations and applications therefor, and (vii) the goodwill symbolized or represented by the foregoing.

"IPO" means the first firm underwritten registered public offering by the Company of its Ordinary Shares pursuant to a Registration Statement that is filed with and declared effective by either the Commission under the Securities Act or another Governmental Authority for a public offering in a jurisdiction other than the United States.

"Key Employees" means the persons listed in Schedule I-A.

"Law" or "Laws" means any and all provisions of any applicable constitution, treaty, statute, law, regulation, ordinance, code, rule, or rule of common law, any governmental approval, concession, grant, franchise, license, agreement, directive, requirement, or other governmental restriction or any similar form of decision of, or determination by, or any formally issued written interpretation or administration of any of the foregoing by, any Governmental Authority, in each case as amended, and any and all applicable Governmental Orders.

"Lien" means any claim, charge, easement, encumbrance, lease, covenant, security interest, lien, option, pledge, rights of others, or restriction (whether on voting, sale, transfer, disposition or otherwise), whether imposed by contract, understanding, law, equity or otherwise.

"Majority Series A Preferred Holders" means the holders of two-third (2/3) of the then issued and outstanding Series A Preferred Shares (voting together as a single class and calculated on as-converted basis).

"Majority Series B Preferred Holders" means the holders of more than 50% of the then issued and outstanding Series B Preferred Shares (voting together as a single class and calculated on as-converted basis).

"Memorandum and Articles" means the Second Amended and Restated Memorandum of Association of the Company and the Second Amended and Restated Articles of Association of the Company, as each may be amended and/or restated from time to time.

"Morningside" means collectively, Morningside China TMT Fund IV, L.P., with its registered office located at 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands, and Morningside China TMT Fund IV Co-Investment, L.P., with its registered office located at 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands, together with their respective Affiliates, successors and permitted assigns.

"Ordinary Share Equivalents" means any Equity Security which is by its terms convertible into or exchangeable or exercisable for Ordinary Shares or other share capital of the Company, including without limitation, the Preferred Shares.

"Ordinary Shares" means Class A Ordinary Shares and Class B Ordinary Shares.

"Person" means any individual, corporation, partnership, limited partnership, proprietorship, association, limited liability company, firm, trust, estate or other enterprise or entity.

"PFIC" means passive foreign investment company as defined in the Code.

"Ping An" means, collectively, D.I. Alpha Media Company Limited and HY Streaming Company Limited, together with their respective Affiliates, successors and permitted assigns.

"PRC" means the People's Republic of China, but solely for the purposes of this Agreement, excluding Hong Kong, the Macau Special Administrative Region and the islands of Taiwan.

"PRC Companies" means the Domestic Company and its Subsidiaries.

"Preferred Shareholder" means any holder of the Preferred Shares.

"Preferred Shares" means the Series A Preferred Shares and the Series B Preferred Shares.

"Public Official" means any executive, official, or employee of a Governmental Authority, political party or member of a political party, political candidate; executive, employee or officer of a public international organization; or director, officer or employee or agent of a wholly owned or partially state-owned or controlled enterprise, including a PRC state-owned or controlled enterprise.

"Qualified IPO" means a firm commitment underwritten public offering of the Ordinary Shares of the Company (or depositary receipts or depositary shares thereof) in the United States on the New York Stock Exchange or the Nasdaq Global Market pursuant to an effective registration statement under the United States Securities Act of 1933, as amended, or on the Main Board of Hong Kong Stock Exchange or another internationally recognized stock exchange approved by the Majority Series A Preferred Holders and the Majority Series B Preferred Holders, each voting as a separate class, in any case, with an offering per-share price (net of underwriting commissions and expenses) that is not less than the Series B Issue Price (as defined in the Memorandum and Articles).

"Registrable Securities" means (i) the Ordinary Shares issued or issuable upon conversion of the Preferred Shares, and (ii) any Ordinary Shares issued or issuable as a dividend or other distribution with respect to, in exchange for, or in replacement of the Preferred Shares, and the shares referenced in (i) herein; excluding in all cases, however, any of the foregoing sold by a Person in a transaction other than an assignment pursuant to Section 18.4.

"Registration" means a registration effected by preparing and filing a Registration Statement and the declaration or ordering of the effectiveness of that Registration Statement; and the terms "Register" and "Registered" have meanings concomitant with the foregoing.

"Registration Statement" means a registration statement prepared on Form F-1, F-3, S-1, or S-3 under the Securities Act, or on any comparable form in connection with registration in a jurisdiction other than the United States.

"Related Party" means (i) any Affiliate, officer, director, supervisory board member, Key Employee, or holder of any Equity Security of any Group Company; and (ii) any of YY or YY's Affiliates (other than the Group Companies).

"Relative" of a natural person means any spouse, parent, grandparent, child, grandchild, sibling, uncle, aunt, nephew, niece or great-grandparent of such person (whether by blood, marriage or adoption).

"Restructuring" has the meaning set forth in the Subscription Agreement.

"SAFE" means the State Administration of Foreign Exchange of the PRC.

"SAFE Rules and Regulations" means collectively, the Circular 37 and any other applicable SAFE rules and regulations.

"Securities Act" means the United States Securities Act of 1933, as amended and interpreted from time to time.

"Series A Preferred Shares" means the Series A-1 Preferred Shares and the Series A-2 Preferred Shares.

"Series A-1 Preferred Shares" means the Series A-1 Preferred Shares of the Company, par value US$0.0001 per share, with the rights and privileges as set forth in the Memorandum and Articles.

"Series A-2 Preferred Shares" means the Series A-2 Preferred Shares of the Company, par value US$0.0001 per share, with the rights and privileges as set forth in the Memorandum and Articles.

"Series B Preferred Shares" means the Series B-1 Preferred Shares and the Series B-2 Preferred Shares.

"Series B-1 Preferred Shares" means the Series B-1 Preferred Shares of the Company, par value US$0.0001 per share, with the rights and privileges as set forth in the Memorandum and Articles.

"Series B-2 Preferred Shares" means the Series B-2 Preferred Shares of the Company, par value US$0.0001 per share, with the rights and privileges as set forth in the Memorandum and Articles.

"Shares" means the Ordinary Shares and the Preferred Shares.

"Share Sale" means a transaction or series of related transactions in which a Person, or a group of related Persons, acquires any Equity Securities of the Company such that, immediately after such transaction or series of related transactions, such Person or group of related Persons holds Equity Securities of the Company representing more than fifty percent (50%) of the outstanding voting power of the Company.

"Subsidiary" means, with respect to any given Person, any other Person that is Controlled directly or indirectly by such given Person. For the avoidance of doubt, a branch of any Group Company shall be deemed a Subsidiary of such Group Company.

"Tencent" means Linen Investment Limited, together with its Affiliates, successors and permitted assigns.

"Transaction Documents" has the meaning set forth in the Subscription Agreement.

"Transfer" means, with respect to any Equity Securities, directly or indirectly sell, assign, transfer, pledge, hypothecate, or otherwise encumber or dispose of in any way or otherwise grant any interest or right with respect to all or any part of any interest in such Equity Securities.

"U.S." means the United States of America.

1.2 **Other Defined Terms**. The following terms shall have the meanings defined for such terms in the Sections set forth below

Additional Number	Section 7.5(ii)
Agreement	Preamble
Business	Recitals
Company	Preamble
Co-Sale Notice	Section 11.1
Co-Sale Shares	Section 11.1
Deed of Adherence	Section 7.8
Disposal	Section 8.3(i)

Dispute	Section 18.6(i)
Domestic Company	Preamble
Dong SPV	Preamble
Drag Transaction	Section 10.1
Drag Notice	Section 10.1
Drag-Along Transferors	Section 10.1
ESOP	Section 7.4(ii)
Exempt Registrations	Section 3.4
Exercising Shareholder	Section 9.2(ii)
Financing Terms	Section 17.12(i)
First Participation Notice	Section 7.5(i)
High Vote Holders	Section 8.3(i)
High Vote Shares	Section 17.13(i)
High Voting Rights	Section 17.13(ii)
HK Company	Preamble
HKIAC	Section 18.6(i)
Investment Policy	Section 16.1(viii)
Investor	Preamble
Low Vote Shares	Section 17.13(i)
Li SPV	Preamble
Management SPV	Preamble
Money Laundering Laws	Section 17.6(i)
Mr. Dong	Preamble
Mr. Li	Preamble
New Offering	Section 8.9(ii)
New Securities	Section 7.4
Non-Transferring Parties	Section 10.1
Observer	Section 15.2
Offered Shares	Section 9.1(i)
Option Period	Section 9.2(i)(a)
Oversubscription Participants	Section 7.5(ii)
Party	Preamble
Permitted Transferee	Section 12.4
PFIC Shareholder	Section 17.5(iii)
Preemptive Pro Rata Share	Section 7.3
Preemptive Right	Section 7.1
Prior Agreement	Recitals
Prior Subscription Agreement	Recitals
Purchase Right Period	Section 8.9(i)
Qualified Financing	Section 8.9(iii)
Restraint Period	Section 17.9
Restricted Business	Section 17.9
Rights Holder	Section 7.1
Second Notice	Section 9.2(ii)
Second Participation Notice	Section 7.5(ii)
Second Participation Period	Section 7.5(ii)
Security Holder	Section 17.2
Signing Date	Preamble
Subscription Agreement	Recitals
Transferor	Section 9.1(i)
Transfer Notice	Section 9.1(i)
Violation	Section 5.1(i)
WFOE	Preamble
YY	Preamble

1.3 **Interpretation.** For all purposes of this Agreement, except as otherwise expressly herein provided, (i) the terms defined in this Section 1 shall have the meanings assigned to them in this Section 1 and include the plural as well as the singular, (ii) all accounting terms not otherwise defined herein have the meanings assigned under the Accounting Standards, (iii) all references in this Agreement to designated "Sections" and other subdivisions are to the designated Sections and other subdivisions of the body of this Agreement, (iv) pronouns of either gender or neuter shall include, as appropriate, the other pronoun forms, (v) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Section or other subdivision, (vi) all references in this Agreement to designated Schedules, Exhibits and Appendices are to the Schedules, Exhibits and Appendices attached to this Agreement, (vii) references to this Agreement, any other Transaction Documents and any other document shall be construed as references to such document as the same may be amended, supplemented or novated from time to time, (viii) the term "or" is not exclusive, (ix) the term "including" will be deemed to be followed by ", but not limited to," (x) the terms "shall," "will," and "agrees" are mandatory, and the term "may" is permissive, (xi) the phrase "directly or indirectly" means directly, or indirectly through one or more intermediate Persons or through contractual or other arrangements, and "direct or indirect" has the correlative meaning, (xii) the term "voting power" refers to the number of votes attributable to the Shares (on an as-converted basis) in accordance with the terms of the Memorandum and Articles and, for the avoidance of doubt, Class B Ordinary Shares, Series A-2 Preferred Shares and Series B-2 Preferred Shares shall have 10 votes per Share, whereas Class A Ordinary Shares, Series A-1 Preferred Shares and Series B-1 Preferred Shares shall have 1 vote per Share (in each case, on an as-converted basis), (xiii) the headings used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement, (xiv) references to laws include any such law modifying, re-enacting, extending or made pursuant to the same or which is modified, re-enacted, or extended by the same or pursuant to which the same is made, and (xv) all references to dollars or to "US$" are to currency of the United States of America and all references to RMB are to currency of the PRC (and each shall be deemed to include reference to the equivalent amount in other currencies).

2. Demand Registration.

2.1 **Registration Other Than on Form F-3 or Form S-3.** Subject to the terms of this Agreement, at any time or from time to time after the earlier of (i) the fourth (4th) anniversary of the Closing Date or (ii) the date that is six (6) months after the consummation of the IPO, Holders holding twenty-five percent (25%) or more of the voting power of the then outstanding Registrable Securities held by all Holders may request in writing that the Company effect a Registration of Registrable Securities (together with the Registrable Securities which the other Holders elect to include in such Registration) on any internationally recognized exchange that is reasonably acceptable to such requesting Holders. Upon receipt of such a request, the Company shall (x) promptly give written notice of the proposed Registration to all other Holders of Registrable Securities and (y) as soon as practicable, use its reasonable best efforts to cause the Registrable Securities specified in the request, together with any Registrable Securities of any Holder who requests in writing to join such Registration within fifteen (15) days after the Company's delivery of written notice, to be Registered and/or qualified for sale and distribution in such jurisdiction as the Initiating Holders may request. The Company shall be obligated to consummate (i) no more than three (3) Registrations initiated by Holders holding pursuant to this Section 2.1 that have been declared and ordered effective, provided that if the Registrable Securities sought to be included in the Registration pursuant to this Section 2.1 are not fully included in the Registration for any reason other than solely due to the action or inaction of the Holders including Registrable Securities in such Registration, such Registration shall not be deemed to constitute one of the Registration rights granted pursuant to this Section 2.1.

2.2 **Registration on Form F-3 or Form S-3.** The Company shall use its best efforts to qualify for registration on Form F-3 or Form S-3. Subject to the terms of this Agreement, if the Company qualifies for registration on Form F-3 or Form S-3 (or any comparable form for Registration in a jurisdiction other than the United States), any Holder of Registrable Securities may request the Company to file, in any jurisdiction in which the Company has had a registered underwritten public offering, a Registration Statement on Form F-3 or Form S-3 (or any comparable form for Registration in a jurisdiction other than the United States), including without limitation any registration statement filed under the Securities Act providing for the registration of, and the sale on a continuous or a delayed basis by the Holders of, all of the Registrable Securities pursuant to Rule 415 under the Securities Act and/or any similar rule that may be adopted by the Commission. Upon receipt of such a request, the Company shall (i) promptly give written notice of the proposed Registration to all other Holders of Registrable Securities and (ii) as soon as practicable, use its best efforts to cause the Registrable Securities specified in the request, together with any Registrable Securities of any Holder who requests in writing to join such Registration within fifteen (15) days after the Company's delivery of written notice, to be Registered and qualified for sale and distribution in such jurisdiction. The Company shall be obligated to consummate (i) no more than eight (8) Registrations initiated by Holders holding Registrable Securities, that have been declared and ordered effective pursuant to this Section 2.2; provided that if the Registrable Securities sought to be included in the Registration pursuant to this Section 2.2 are not fully included in such Registration for any reason other than solely due to the action or inaction of the Holders of Registrable Securities including Registrable Securities in such Registration, such Registration shall not be deemed to constitute one of the Registration rights granted pursuant to this Section 2.2.

2.3 **Right of Deferral.**

(i) The Company shall not be obligated to Register or qualify Registrable Securities pursuant to this Section 2:

(1) if, within ten (10) days of the receipt of any request of the Holders to Register any Registrable Securities under Section 2.1 or Section 2.2, the Company gives notice to the Initiating Holders of its bona fide intention to effect the filing for its own account of a Registration Statement of Ordinary Shares within sixty (60) days of receipt of that request; provided, that the Company is actively employing in good faith its reasonable best efforts to cause that Registration Statement to become effective within sixty (60) days of receipt of that request; provided, further, that the Holders are entitled to join such Registration in accordance with Section 3 (other than an Exempt Registration);

(2) during the period starting with the date of filing by the Company of, and ending six (6) months following the effective date of any Registration Statement pertaining to Ordinary Shares of the Company other than an Exempt Registration; provided, that the Holders are entitled to join such Registration in accordance with Section 3; or

(3) in any jurisdiction in which the Company would be required to execute a general consent to service of process in effecting such Registration or qualification, unless the Company is already subject to service of process in such jurisdiction.

(ii) If, after receiving a request from Holders pursuant to Section 2.1 or Section 2.2 hereof, the Company furnishes to the Holders a certificate signed by the chief executive officer of the Company stating that, in the good faith judgment of the Board, it would be materially detrimental to the Company or its members for a Registration Statement to be filed in the near future, then the Company shall have the right to defer such filing for a period during which such filing would be materially detrimental, provided, that the Company may not utilize this right for more than ninety (90) days on any one occasion or more than once during any twelve (12) month period; provided, further, that the Company may not Register any other its securities during such period (except for Exempt Registrations).

2.4 **Underwritten Offerings**. If, in connection with a request to Register the Registrable Securities under Section 2.1 or Section 2.2, the Initiating Holders seek to distribute such Registrable Securities in an underwritten offering, they shall so advise the Company as a part of the request, and the Company shall include such information in the written notice to the other Holders described in Section 2.1 and Section 2.2. In such event, the right of any Holder to include its Registrable Securities in such Registration shall be conditioned upon such Holder's participation in such underwritten offering and the inclusion of such Holder's Registrable Securities in the underwritten offering (unless otherwise mutually agreed by the Initiating Holders and such Holder) to the extent provided herein. All Holders proposing to distribute their securities through such underwritten offering shall enter into an underwriting agreement in customary form with the underwriter or underwriters of internationally recognized standing selected for such underwritten offering by the Company and reasonably acceptable to the holders of at least two-thirds of the voting power of all Registrable Securities proposed to be included in such Registration (calculated on an as-converted basis). Notwithstanding any other provision of this Agreement, if the managing underwriter advises the Company that marketing factors (including without limitation the aggregate number of securities requested to be Registered, the general condition of the market, and the status of the Persons proposing to sell securities pursuant to the Registration) require a limitation of the number of Registrable Securities to be underwritten in a Registration pursuant to Section 2.1 or Section 2.2, the underwriters may exclude up to seventy-five percent (75%) of the Registrable Securities requested to be Registered but only after (i) first excluding all other Equity Securities (including the Equity Securities held by employees and directors of the Company) from the Registration and underwritten offering, and (ii) second excluding all Registrable Securities from the Registration and underwritten offering, and so long as the number of shares to be included in the Registration on behalf of the non-excluded Holders is allocated among all such non-excluded Holders in proportion, as nearly as practicable, to the respective amounts of Registrable Securities requested by such Holders to be included; provided that any Initiating Holder shall have the right to withdraw its request for Registration from the underwriting by written notice to the Company and the underwriters delivered at least ten (10) days prior to the effective date of the Registration Statement, and such withdrawal request for Registration shall not be deemed to constitute one of the Registration rights granted pursuant to Section 2.1 or Section 2.2, as the case may be. If any Holder disapproves the terms of any underwriting, the Holder may elect to withdraw therefrom by written notice to the Company and the underwriters delivered at least ten (10) days prior to the effective date of the Registration Statement. Any Registrable Securities excluded or withdrawn from such underwritten offering shall be withdrawn from the Registration. To facilitate the allocation of shares in accordance with the above provisions, the Company or the underwriters may round the number of shares allocated to a Holder to the nearest one hundred (100) shares.

3. Piggyback Registrations.

3.1 **Registration of the Company's Securities.** Subject to the terms of this Agreement, if the Company proposes to Register for its own account any of its Equity Securities, or for the account of any holder of Equity Securities any of such holder's Equity Securities, in connection with the public offering of such securities (except for Exempt Registrations), the Company shall promptly give each Holder written notice of such Registration and, upon the written request of any Holder given within fifteen (15) days after delivery of such notice, the Company shall use its reasonable best efforts to include in such Registration any Registrable Securities thereby requested to be Registered by such Holder. If a Holder decides not to include all or any of its Registrable Securities in such Registration 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, all upon the terms and conditions set forth herein.

3.2 **Right to Terminate Registration.** The Company shall have the right to terminate or withdraw any Registration initiated by it under Section 3.1 prior to the effectiveness of such Registration, whether or not any Holder has elected to participate therein. The expenses of such withdrawn Registration shall be borne by the Company in accordance with Section 4.3.

3.3 **Underwriting Requirements**.

(i) In connection with any offering involving an underwriting of the Company's Equity Securities, the Company shall not be required to Register the Registrable Securities of a Holder under this Section 3 unless such Holder's Registrable Securities are included in the underwritten offering and such Holder enters into an underwriting agreement in customary form with the underwriter or underwriters of internationally recognized standing selected by the Company and setting forth such terms for the underwritten offering as have been agreed upon between the Company and the underwriters. In the event the underwriters advise Holders seeking Registration of Registrable Securities pursuant to this Section 3 in writing that market factors (including the aggregate number of Registrable Securities requested to be Registered, the general condition of the market, and the status of the Persons proposing to sell securities pursuant to the Registration) require a limitation of the number of Registrable Securities to be underwritten, the underwriters may exclude all of the Registrable Securities requested to be Registered in the IPO and up to seventy-five percent (75%) of the Registrable Securities requested to be Registered in any other public offering, but in any case only after (i) first excluding all other Equity Securities (including the Equity Securities held by employees and directors of the Company and except for securities sold for the account of the Company) from the Registration and underwriting, and (ii) second excluding all Registrable Securities from the Registration and underwriting, and so long as the Registrable Securities to be included in such Registration on behalf of any non-excluded Holders are allocated among all non-excluded Holders in proportion, as nearly as practicable, to the respective amounts of Registrable Securities requested by such Holders to be included. To facilitate the allocation of shares in accordance with the above provisions, the Company or the underwriters may round the number of shares allocated to a Holder to the nearest one hundred (100) shares.

(ii) If any Holder disapproves the terms of any underwriting, the Holder may elect to withdraw therefrom by written notice to the Company and the underwriters delivered at least ten (10) days prior to the effective date of the Registration Statement. Any Registrable Securities excluded or withdrawn from the underwritten offering shall be withdrawn from the Registration.

3.4 **Exempt Registrations.** The Company shall have no obligation to Register any Registrable Securities under this Section 3 in connection with a Registration by the Company (i) relating solely to the sale of securities to participants in a Company share incentive plan, (ii) relating to a corporate reorganization or other transaction under Rule 145 of the Securities Act (or comparable provision under the Laws of another jurisdiction, as applicable), (iii) on any form that does not include substantially the same information as would be required to be included in a registration statement covering the sale of the Registrable Securities and does not permit secondary sales (collectively, "Exempt Registrations").

4. Registration Procedures.

4.1 **Registration Procedures and Obligations.** Whenever required under this Agreement to effect the Registration of any Registrable Securities held by the Holders, the Company shall, as expeditiously as reasonably possible:

(i) Prepare and file with the Commission a Registration Statement with respect to those Registrable Securities and use its reasonable best efforts to cause that Registration Statement to become effective, and, upon the request of the Holders holding at least two-thirds in voting power of the Registrable Securities Registered thereunder (calculated on an as-converted basis), keep the Registration Statement effective until the distribution thereunder has been completed;

(ii) Prepare and file with the Commission amendments and supplements to that Registration Statement and the prospectus used in connection with the Registration Statement as may be necessary to comply with the provisions of Applicable Securities Laws with respect to the disposition of all securities covered by the Registration Statement;

(iii) Furnish to the Holders the number of copies of a prospectus, including a preliminary prospectus, required by Applicable Securities Laws, and any other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by them;

(iv) Use its reasonable best efforts to Register and qualify the securities covered by the Registration Statement under the securities Laws of any jurisdiction, as reasonably requested by the Holders, provided, that the Company shall not be required to qualify to do business or file a general consent to service of process in any such jurisdictions;

(v) In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in customary form, with the managing underwriter(s) of the offering;

(vi) Promptly notify each Holder of Registrable Securities covered by the Registration Statement at any time when a prospectus relating thereto is required to be delivered under Applicable Securities Laws of (a) the issuance of any stop order by the Commission, or (b) the happening of any event or the existence of any condition as a result of which any prospectus included in the 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 under which they were made, or if in the opinion of counsel for the Company it is necessary to supplement or amend such prospectus to comply with law, and at the request of any such Holder promptly prepare and furnish to such Holder a reasonable number of copies of a supplement to or an amendment of such prospectus as may be necessary so that, as thereafter delivered to the purchasers of such securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances under which they were made or such prospectus, as supplemented or amended, shall comply with law;

(vii) Furnish, at the request of any Holder requesting Registration of Registrable Securities pursuant to this Agreement, on the date that such Registrable Securities are delivered for sale in connection with a Registration pursuant to this Agreement, (A) an opinion, dated the date of the sale, of the counsel representing the Company for the purposes of the Registration, in form and substance as is customarily given to underwriters in an underwritten public offering; and (B) comfort letters dated as of (x) the effective date of the final registration statement covering such Registrable Securities, and (y) the closing date of the sale of the Registrable Securities, 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;

(viii) Otherwise comply with all applicable rules and regulations of the Commission to the extent applicable to the applicable Registration Statement and use its reasonable best efforts to make generally available to its security holders (or otherwise provide in accordance with Section 11(a) of the Securities Act) an earnings statement satisfying the provisions of Section 11(a) of the Act, no later than forty-five (45) days after the end of a twelve (12) month period (or ninety (90) days, if such period is a fiscal year) beginning with the first month of the Company's first fiscal quarter commencing after the effective date of such registration statement, which statement shall cover such twelve (12) month period, subject to any proper and necessary extensions;

(ix) Not, without the written consent of the holders of at least two-thirds of voting power of the then outstanding Registrable Securities (calculated on an as-converted basis), make any offer relating to the Securities that would constitute a "free writing prospectus," as defined in Rule 405 promulgated under the Act;

(x) Provide a special legal opinion issued by a qualified counsel, at the cost of the Group Companies, if any special legal opinion is requested by the Company, the Company's underwriter or underwriters, or any of their counsels;

(xi) Provide a transfer agent and registrar for all Registrable Securities Registered pursuant to the Registration Statement and, where applicable, a number assigned by the Committee on Uniform Securities Identification Procedures for all those Registrable Securities, in each case not later than the effective date of the Registration; and

(xii) Take all reasonable action necessary to list the Registrable Securities on the primary exchange on which the Company's securities are then traded or, in connection with a Qualified IPO, the primary exchange on which the Company's securities will be traded.

4.2 **Information from Holder.** It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Agreement with respect to the Registrable Securities of any Holder that such Holder shall furnish to the Company such information regarding itself, the Registrable Securities held by it, and the intended method of disposition of such securities as shall be required to effect the Registration of such Holder's Registrable Securities.

4.3 **Expenses of Registration.** All expense, but excluding the underwriting discounts, selling commissions, expenses charged by the depositary bank and transfer tax applicable the sale of Registrable Securities pursuant to this Agreement (which shall be borne by the Holders requesting Registration on a pro rata basis in proportion to their respective numbers of Registrable Securities sold in such Registration), incurred in connection with Registrations, filings or qualifications pursuant to this Agreement, including (without limitation) all Registration, filing and qualification fees, printers' and accounting fees, fees and disbursements of counsel for the Company and reasonable fees and disbursements of one (1) counsel for all selling Holders, shall be borne by the Company.

5. Registration-Related Indemnification.

5.1 **Company Indemnity.**

(i) In the event of a Registration under this Agreement, to the maximum extent permitted by Law, the Company will indemnify and hold harmless (absent fraud, willful default or misconduct of such Person being indemnified) each Holder, such Holder's partners, officers, directors, employees, shareholders, members, and legal counsel, any underwriter (as defined in the Securities Act) and each Person, if any, who controls (as defined in the Securities Act) such Holder or underwriter, against any losses, claims, damages or liabilities (joint or several) to which they may become subject under Laws which are applicable to the Company and relate to action or inaction required of the Company in connection with any Registration, qualification, or compliance, 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 (each a "Violation"): (a) any untrue statement or alleged untrue statement of a material fact contained in such Registration Statement, on the effective date thereof (including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto), (b) the omission or alleged omission to state in the Registration Statement, on the effective date thereof (including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto), a material fact required to be stated therein or necessary to make the statements therein not misleading, or (c) any violation or alleged violation by the Company of Applicable Securities Laws, or any rule or regulation promulgated under Applicable Securities Laws. The Company will reimburse, as incurred, each such Holder, underwriter or Person who controls (as defined in the Securities Act) such Holder or underwriter for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action.

(ii) The indemnity agreement contained in this Section 5.1 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 or delayed), 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 solely out of or is solely based upon a Violation that occurs in reliance upon and in conformity with written information furnished for use in connection with such Registration by any such Holder, such Holder's partners, officers, directors, and legal counsel, any underwriter (as defined in the Securities Act) and each Person, if any, who controls (as defined in the Securities Act) such Holder or underwriter.

(iii) The indemnity agreement contained in this Section 5.1 shall be in addition to any liability the Company may otherwise have. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such Holder or any indemnified party under this Section 5.1 and shall survive the transfer of securities by such Holder or any indemnified party.

5.2 **Holder Indemnity.**

(i) In the event of a Registration under this Agreement, to the maximum extent permitted by Law, each selling Holder that has included Registrable Securities in a Registration will, severally but not jointly, indemnify and hold harmless the Company, its directors, officers, employees, and legal counsel, each other Holder selling securities in connection with such Registration, any underwriter (as defined in the Securities Act), and each Person, if any, who controls (within the meaning of the Securities Act) the Company, such underwriter or other Holder, against any losses, claims, damages or liabilities (joint or several) to which any of the foregoing persons may become subject, under Applicable Securities Laws, or any rule or regulation promulgated under Applicable Securities 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 solely in reliance upon and in conformity with written information furnished by such Holder for use in connection with such Registration; and each such Holder will reimburse, as incurred, any Person intended to be indemnified pursuant to this Section 5.2, for any legal or other expenses reasonably incurred by such Person in connection with investigating or defending any such loss, claim, damage, liability or action. No Holder's liability under this Section 5.2 (when combined with any amounts paid by such Holder pursuant to Section 5.4) shall exceed the net proceeds received by such Holder from the offering of securities made in connection with that Registration.

(ii) The indemnity contained in this Section 5.2 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 or delayed).

5.3 **Notice of Indemnification Claim.** Promptly after receipt by an indemnified party under Section 5.1 or Section 5.2 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 Section 5.1 or Section 5.2, deliver to the indemnifying party a written notice of the commencement thereof 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 indemnifying parties. An indemnified party (together with all other indemnified parties that may be represented without conflict by one counsel) shall have the right to retain one separate counsel, with the reasonably incurred fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing 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, if prejudicial to its ability to defend such action, shall relieve such indemnifying party, to the extent so prejudiced, of any liability to the indemnified party under this Section 5, but the omission to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 5. No indemnifying party, in the defense of any such claim or litigation, shall, except with the consent of each indemnified party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or the plaintiff to such indemnified party of a release from all liability in respect to such claim or litigation.

5.4 **Contribution.** If any indemnification provided for in Section 5.1 or Section 5.2 is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any loss, liability, claim, damage or expense referred to herein, the indemnifying party, in lieu of indemnifying such indemnified party hereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such loss, liability, claim, damage or expense in such proportion as is appropriate to reflect the relative fault of the indemnifying party, on the one hand, and of the indemnified party, on the other, in connection with the statements or omissions that resulted in such loss, liability, claim, damage or expense, as well as any other relevant equitable considerations. The relative fault of the indemnifying party and of the indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information, and opportunity to correct or prevent such statement or omission; provided, however, that, in any such case: (A) no Holder will be required to contribute any amount (after combined with any amounts paid by such Holder pursuant to Section 5.2) in excess of the net proceeds to such Holder from the sale of all such Registrable Securities offered and sold by such Holder pursuant to such Registration Statement; 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.

5.5 **Underwriting Agreement.** To the extent that the provisions on indemnification and contribution contained in the underwriting agreement entered into in connection with the underwritten public offering are in conflict with the foregoing provisions, the provisions in the underwriting agreement shall control.

5.6 **Survival.** The obligations of the Company and Holders under this Section 5 shall survive the completion of any offering of Registrable Securities in a Registration Statement under this Agreement, regardless of the expiration of any statutes of limitation or extensions of such statutes.

6. Additional Registration-Related Undertakings.

6.1 **Reports under the Exchange Act.** With a view to making available to the Holders the benefits of Rule 144 promulgated under the Securities Act and any comparable provision of any Applicable Securities Laws that may at any time permit a Holder to sell securities of the Company to the public without Registration or pursuant to a Registration on Form F-3 or Form S-3 (or any comparable form in a jurisdiction other than the United States), the Company agrees to:

(i) make and keep public information available, as those terms are understood and defined in Rule 144 (or comparable provision, if any, under Applicable Securities Laws in any jurisdiction where the Company's securities are listed), at all times following ninety (90) days after the effective date of the first Registration under the Securities Act filed by the Company for an offering of its securities to the general public;

(ii) file with the Commission in a timely manner all reports and other documents required of the Company under all Applicable Securities Laws; and

(iii) at any time following ninety (90) days after the effective date of the first Registration under the Securities Act filed by the Company for an offering of its securities to the general public by the Company, promptly furnish to any Holder holding Registrable Securities, upon request (a) a written statement by the Company that it has complied with the reporting requirements of all Applicable Securities Laws at any time after it has become subject to such reporting requirements or, at any time after so qualified, that it qualifies as a registrant whose securities may be resold pursuant to Form F-3 or Form S-3 (or any form comparable thereto under Applicable Securities Laws of any jurisdiction where the Company's securities are listed), (b) a copy of the most recent annual or quarterly report of the Company and such other reports and documents as filed by the Company with the Commission, (c) such other information as may be reasonably requested in availing any Holder of any rule or regulation of the Commission, that permits the selling of any such securities without Registration or pursuant to Form F-3 or Form S-3 (or any form comparable thereto under Applicable Securities Laws of any jurisdiction where the Company's Securities are listed), and (d) a special legal opinion issued by a qualified counsel, at the cost of the Group Companies, confirming that the respective Holder meets the requirements of Rule 144 of the Securities Act (or any rules comparable thereto under Applicable Securities Laws of any jurisdiction where the Company's Securities are listed).

6.2 **Limitations on Subsequent Registration Rights.** From and after the date of this Agreement, the Company shall not, without the written consent of holders of at least two thirds of the voting power of the then outstanding Registrable Securities held by all Holders (calculated on an as-converted basis), enter into any agreement with any holder or prospective holder of any Equity Securities of the Company that would allow such holder or prospective holder (i) to include such Equity Securities in any Registration filed under Section 2 or Section 3, unless under the terms of such agreement such holder or prospective holder may include such Equity Securities in any such Registration only to the extent that the inclusion of such Equity Securities will not reduce the amount of the Registrable Securities of the Holders that are included, (ii) to demand Registration of their Equity Securities, or (iii) cause the Company to include such Equity Securities in any Registration filed under Section 2 or Section 3 hereof on a basis pari passu with or more favorable to such holder or prospective holder than is provided to the Holders of Registrable Securities.

6.3 **Termination of Registration Rights.** The registration rights set forth in Section 2 and Section 3 of this Agreement shall terminate on the earlier of (i) the date that is five (5) years from the date of closing of a Qualified IPO, (ii) with respect to any Holder, the date on which such Holder may sell all of such Holder's Registrable Securities under Rule 144 of the Securities Act in any ninety (90)-day period provided that such Holder has received a special legal opinion issued by a qualified counsel, at the cost of the Group Companies, confirming that such Holder meets the requirements of Rule 144 of the Securities Act (or any rules comparable thereto under Applicable Securities Laws of any jurisdiction where the Company's Securities are listed).

6.4 **Exercise of Ordinary Share Equivalents.** Notwithstanding anything to the contrary provided in this Agreement, the Company shall have no obligation to Register Registrable Securities which, if constituting Ordinary Share Equivalents, have not been exercised, converted or exchanged, as applicable, for Ordinary Shares as of the effective date of the applicable Registration Statement, but the Company shall cooperate and facilitate any such exercise, conversion or exchange as requested by the applicable Holder.

6.5 **Intent**. The terms of Sections 2 through 6 are drafted primarily in contemplation of an offering of securities in the United States of America. The Parties recognize, however, the possibility that securities may be qualified or registered for offering to the public in a jurisdiction other than the United States of America where registration rights have significance or that the Company might effect an offering in the United States of America in the form of American Depositary Receipts or American Depositary Shares. Accordingly:

(i) it is their intention that, whenever this Agreement refers to a Law, form, process or institution of the United States of America but the Parties wish to effectuate qualification or registration in a different jurisdiction where registration rights have significance, reference in this Agreement to the Laws or institutions of the United States shall be read as referring, mutatis mutandis, to the comparable Laws or institutions of the jurisdiction in question; and

(ii) in the event that the Company will undertake any listing of American Depositary Receipts, American Depositary Shares or any other security derivative of the Ordinary Shares, the Company is committed to take such actions as are necessary such that the Holders will enjoy rights corresponding to the rights hereunder to sell their Registrable Securities in a public offering in the United States of America as if the Company had listed Ordinary Shares in lieu of such derivative securities.

7. Preemptive Right.

7.1 **Preemptive Right**. Subject to Section 8.9, the Company hereby grants (a) to each of the Investors (for so long as such Investor holds any Shares of the Company) (collectively, the "Rights Holders") the right of first refusal to purchase such Rights Holder's Preemptive Pro Rata Share (as defined in Section 7.3 below) pursuant to Section 7.5(i) below, and (b) to each of the Rights Holders participating in (a) above the right to purchase any New Securities unpurchased in (a) pursuant to Section 7.5(ii) below, of all (or any part) of any New Securities (as defined below) that the Company may from time to time issue after the date of this Agreement ((a) and (b) collectively, the "Preemptive Right"). For the avoidance of doubt, each Party agrees that the Preemptive Rights of each Investor pursuant to this Section 7 will not apply to any issuance of Equity Securities by the Company to Tencent during the Purchase Right Period in accordance with Section 8.9.

7.2 **[Reserved]**

7.3 **Preemptive Pro Rata Share**. A Rights Holder's "Preemptive Pro Rata Share" for purposes of the Preemptive Rights under this Section 7 is the ratio of (a) the number of Ordinary Shares (including Preferred Shares on an as-converted basis) held by such Rights Holder, to (b) the total number of Ordinary Shares (including Preferred Shares on an as-converted basis) then outstanding immediately prior to the issuance of New Securities giving rise to the Preemptive Rights.

7.4 **New Securities**. For purposes hereof, "New Securities" shall mean any Equity Securities of the Company issued after the date hereof, except for:

(i) any Equity Securities of the Company issued pursuant to the Subscription Agreement;

(ii) up to 17,647,058 Ordinary Shares (as adjusted in connection with share splits or share consolidation, reclassification or other similar event) and/or options or warrants therefor issued to employees, officers, directors, contractors, advisors or consultants of the Group Companies pursuant to the Company's employee share option plans ("ESOP") duly approved in accordance with Section 16;

(iii) any Equity Securities of the Company issued in connection with any share split, share dividend, reclassification or other similar event duly approved in accordance with Section 16;

(iv) any Equity Securities of the Company issued pursuant to the Qualified IPO;

(v) any Equity Securities of the Company issued pursuant to the acquisition of another corporation or entity by the Company by consolidation, merger, purchase of assets, or other reorganization in which the Company acquires, in a single transaction or series of related transactions, all or substantially all assets (either in terms of quantities or value) of such other corporation or entity, or fifty percent (50%) or more of the equity ownership or voting power of such other corporation or entity, in any case, duly approved in accordance with Section 16;

(vi) any Ordinary Shares issued upon the conversion of the Preferred Shares; and

(vii) any issuance of Equity Securities by the Company to Tencent during the Purchase Right Period in accordance with Section 8.9.

7.5 **Procedures.**

(i) 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 Rights Holder written notice of its intention to issue New Securities (the "First Participation Notice"), describing the amount and type of New Securities, the price and the general terms upon which the Company proposes to issue such New Securities. Each Rights Holder shall have ten (10) Business Days from the date of receipt of any such First Participation Notice to agree in writing to purchase up to such Rights Holder's Preemptive 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 Rights Holder's Preemptive Pro Rata Share). If any Rights Holder fails to so respond in writing within such ten (10) Business Day period, then such Rights Holder shall forfeit the right hereunder to purchase its Preemptive Pro Rata Share of such New Securities, but shall not be deemed to forfeit any right with respect to any other issuance of New Securities.

(ii) Second Participation Notice; Oversubscription. If any Rights Holder fails or declines to exercise its Preemptive Rights in accordance with subsection (i) above, the Company shall promptly give notice (the "Second Participation Notice") to the participating Rights Holders who exercised in full their Preemptive Rights (the "Oversubscription Participants") in accordance with subsection (i) above. Each Oversubscription Participant shall have five (5) Business Days from the date of the Second Participation Notice (the "Second Participation Period") to notify the Company of its desire to purchase more than its Preemptive Pro Rata Share of the New Securities, stating the number of the additional New Securities it proposes to buy (the "Additional Number"). Such notice may be made by telephone if confirmed in writing within two (2) Business Days. If, as a result thereof, such oversubscription exceeds the total number of the remaining New Securities available for purchase, each Oversubscription Participant will be cut back by the Company with respect to its oversubscription to such number of remaining New Securities equal to the lesser of (x) the Additional Number and (y) 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 Ordinary Shares (including Preferred Shares on an as-converted basis) held by such Oversubscription Participant and the denominator of which is the total number of Ordinary Shares (including Preferred Shares on an as-converted basis) held by all the Oversubscription Participants.

7.6 **Failure to Exercise**. Upon the expiration of the Second Participation Period, or in the event no Rights Holder exercises the Preemptive Rights within ten (10) Business Days following the issuance of the First Participation Notice, the Company shall have ninety (90) days thereafter to complete the sale of the New Securities described in the First Participation Notice with respect to which the Preemptive Rights 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 the event that the Company has not issued and sold such New Securities within such ninety (90) day period, then the Company shall not thereafter issue or sell any New Securities without again first offering such New Securities to the Rights Holders pursuant to this Section 7.

7.7 **Closing.** If any Rights Holder elects to purchase New Securities, then payment for the New Securities to be purchased by such Rights Holder in accordance with this Section 7 shall be made by wire transfer in immediately available funds of the appropriate currency, against delivery of such New Securities (including the delivery of share certificates or other instruments evidencing the issue of New Securities thereof) to be purchased, at a time and place agreed to by the Company and the Rights Holders that have elected to purchase a majority of the New Securities, but if they cannot agree, then at the principal place of business of the Company on the 45th day after the Company's receipt of the Rights Holder's notice to the Company in respect of its election to purchase New Securities.

7.8 **Adherence to this Agreement.** The Company shall cause each subscriber of New Securities who is not a Party to this Agreement to execute and deliver a deed of adherence in substantially the form attached hereto as Exhibit A (the "Deed of Adherence") to join in and be bound by the terms of this Agreement as an "Investor" (if not already a Party hereto) upon and after such issuance.

8. Restriction on Transfers.

8.1 **Restrictions.** Notwithstanding any other provision herein to the contrary, for so long as Tencent holds 95% of the Series B Preferred Shares it acquired at the Closing, Tencent shall have a veto right on any proposed transaction that would constitute a Deemed Liquidation Event with, issuance and sale of any securities of any Group Company to, and sale by YY or Mr. Dong of any securities of any Group Company to, the persons on the list attached hereto as Schedule I-D.

8.2 **Investors.** For the avoidance of doubt, each Investor may Transfer any Equity Securities of the Company now or hereafter owned or held by it subject to: (i) such Transfer is effected in compliance with all applicable Laws; (ii) the transferee shall execute and deliver a Deed of Adherence to join in and be bound by the terms of this Agreement as an "Investor" (if not already a Party hereto) upon and after such Transfer; (iii) each Investor shall not Transfer any Equity Securities of the Company now or hereafter owned or held by it to any competitor of the Company without the prior written consent of the Company, it being agreed that the list of such competitors is attached hereto as Schedule I-C, and that the list may be updated by the Company and the Investors jointly by written consent from time to time; and (iv) such Transfer shall be subject to Sections 8.9, 9, 11 and 12 below. The Company shall update its register of members upon the consummation of any such permitted Transfer. Each Investor shall be entitled to disclose to any bona fide proposed transferee any information, documents or materials concerning the Company known to or in possession of such Investor, and the Company shall provide any assistance or cooperation reasonably requested by such Investor or the proposed transferee in connection with such proposed transferee's due diligence investigation of the Company.

8.3 **Conversion Upon Disposal of High Vote Shares.** Notwithstanding anything herein to the contrary,

(i) prior to the consummation of a Qualified IPO, in the event of any direct or indirect sale, transfer, assignment or disposition ("Disposal") of any High Vote Shares to a party other than any of Mr. Dong, YY or Tencent or their respective Affiliates (collectively, the "High Vote Holders"), such High Vote Shares shall, automatically and immediately upon and after such Disposal, convert into an equal number of Class A Ordinary Shares (in the case of a Disposal of Class B Ordinary Shares), Series A-1 Preferred Shares (in the case of a Disposal of Series A-2 Preferred Shares) and Series B-1 Preferred Shares (in the case of a Disposal of Series B-2 Preferred Shares); provided that the creation of any pledge, charge, encumbrance or other third party right of whatever description on any High Vote Shares to secure a holder's contractual or legal obligations shall not be deemed as a Disposal of such High Vote Shares hereunder unless and until any such pledge, charge, encumbrance or other third party right is enforced and results in the third party holding legal title to the related High Vote Shares, in which case a Disposal shall be deemed to have occurred and all the related High Vote Shares shall, automatically and immediately upon and after such Disposal, entitle their holders to only 1 vote per Share (without prejudice to any other rights and privileges of such High Vote Shares as set forth in the Memorandum and Articles);

(ii) upon and after the consummation of a Qualified IPO, in the event of any Disposal of any Class B Ordinary Shares to a party other than the High Vote Holders, such Class B Ordinary Shares shall, automatically and immediately upon and after such Disposal, convert into an equal number of Class A Ordinary Shares; provided that the creation of any pledge, charge, encumbrance or other third party right of whatever description on any Class B Ordinary Shares to secure a holder's contractual or legal obligations shall not be deemed as a Disposal of such Class B Ordinary Shares hereunder unless and until any such pledge, charge, encumbrance or other third party right is enforced and results in the third party holding legal title to the related Class B Ordinary Shares, in which case a Disposal shall be deemed to have occurred and all the related Class B Ordinary Shares shall, automatically and immediately upon and after such Disposal, convert into an equal number of Class A Ordinary Shares; and

(iii) this Section 8.3 shall survive the completion of a Qualified IPO.

8.4 **Prohibited Transfers Void.** Any Transfer of Equity Securities of the Company not made in compliance with this Agreement shall be null and void as against the Company, shall not be recorded on the books of the Company and shall not be recognized by the Company or any other Party.

8.5 **No Indirect Transfers.** Each holder of the Shares agrees not to circumvent or otherwise avoid the transfer restrictions or intent thereof set forth in this Agreement, whether by holding the Equity Securities of the Company indirectly through another Person or by causing or effecting, directly or indirectly, the Transfer or issuance of any Equity Securities by any such Person, or otherwise.

8.6 **Performance.** Mr. Dong irrevocably agrees to cause and guarantee the performance by each Dong SPV of all of its covenants and obligations under this Agreement. Mr. Li irrevocably agrees to cause and guarantee the performance by Li SPV of all of its covenants and obligations under this Agreement.

8.7 **No other Restrictions.** Other than this Agreement and the Memorandum and Articles, each Party acknowledges that there are no other agreements between or among any Parties hereto imposing any restrictions on transfer by such Person of Equity Securities of the Company.

8.8 **Legend.** Each existing or replacement certificate for the Ordinary Shares now owned or hereafter acquired by any holder and its permitted transferees shall bear the following legend:

"THE SALE, PLEDGE, HYPOTHECATION, ASSIGNMENT OR TRANSFER OF THESE SECURITIES IS SUBJECT TO THE TERMS AND CONDITIONS OF A CERTAIN SHAREHOLDERS AGREEMENT (AS AMENDED FROM TIME TO TIME) BY AND BETWEEN THE SHAREHOLDER, THE COMPANY AND CERTAIN OTHER PARTIES THERETO."

The Company may annotate its register of members with an appropriate, corresponding legend. At such time as the related Equity Securities are no longer subject to this Agreement, the Company shall, at the request of the holder of such Equity Securities, issue replacement certificates for such Equity Securities without such legend.

In order to ensure compliance with the terms of this Agreement, the Company may issue appropriate "stop transfer" instructions to its transfer agent, if any, and, if the Company acts as transfer agent for its own securities, it may make appropriate notations to the same effect in its own records.

8.9 **Tencent's Right to Purchase Additional Shares.**

(i) Within a period commencing on the second anniversary of the Closing and ending on the third anniversary of the Closing (the "Purchase Right Period"), so long as Tencent holds a number of Shares no less than 95% of the Shares that it acquires at the Closing (or the equivalent amount of Ordinary Shares, if such Shares have been converted), Tencent shall at its sole discretion have an exclusive right but not an obligation to purchase such number of Shares directly from the Company and/or from YY (subject to any applicable co-sale right of holders of Series A Preferred Shares pursuant to Section 11) so that Tencent's total voting power in the Company shall be 50.10% on an as-converted and fully-diluted basis immediately upon the completion of such purchase; provided that the purchase price per Share shall be the Fair Market Price.

(ii) If and when Tencent exercises its purchase right during the Purchase Right Period, YY has the priority to sell its Shares (subject to any applicable co-sale right of holders of Series A Preferred Shares pursuant to Section 11) to Tencent at its discretion. If YY decides not to sell any or sells only a portion of the Shares (subject to any applicable co-sale right of holders of Series A Preferred Shares pursuant to Section 11) that Tencent intends to purchase, the Company shall issue new Shares, all of which shall have High Voting Rights, in a new offering (a "New Offering") to Tencent so that immediately after the completion of YY's transfer (subject to any applicable co-sale right of holders of Series A Preferred Shares pursuant to Section 11), a New Offering or a combination of the foregoing, Tencent's total voting power in the Company will be no less than 50.10%, on an as-converted and fully diluted basis.

(iii) For purposes of this Agreement, a "Qualified Financing" means a bona fide financing of the Company with the total investment proceeds of no less than US$50 million or with the new issuance of shares in an amount equivalent to no less than 3% of the total issued share capital of the Company calculated on a fully diluted basis prior to the closing of such financing, and the "Fair Market Price" means the higher of (i) the price per Share based on the Company's post-money valuation upon the Closing, and (ii) either (1) a per Share issue price for the most recent Qualified Financing of the Company, if the Company has not then completed a Qualified IPO at the time of Tencent's exercise of such purchase right, or (2) the average of closing trading prices in the last 20 trading days prior to the Company's and YY's receipt of Tencent's written notice to exercise such purchase right, if the Company is then a public company.

(iv) Tencent's right to purchase additional shares pursuant to this Section 8.9 is non-transferrable and can only be exercised once during the Purchase Right Period. Such right to purchase additional shares shall be terminated from and after the time when Tencent holds a number of shares less than 95% of shares that it acquires at the Closing (or the equivalent amount of Ordinary Shares, if such Shares have been converted).

(v) This Section 8.9 shall survive the completion of a Qualified IPO.

9. Rights of First Refusal.

9.1 **Transfer Notice.**

(i) If any holder of Shares proposes to Transfer any Shares or any interest therein to any Person that is not an Affiliate of such holder, then such holder shall give each of YY (unless YY is such holder, and so long as YY holds any Share in the Company) and Tencent (unless Tencent is such holder, and so long as Tencent holds at least 95% of the Shares that it acquired at the Closing) (each such holder, when Transferring Equity Securities of the Company, shall be referred to as a "Transferor"), written notice of the Transferor's intention to make the Transfer (the "Transfer Notice"), which shall include (a) a description of the Shares to be transferred (the "Offered Shares"), (b) the identity and address of the prospective transferee and (c) the consideration and the material terms and conditions upon which the proposed Transfer is to be made.

(ii) The Transfer Notice shall certify that the Transferor has received a definitive 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 Transfer Notice. The 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.

9.2 **Option of Tencent and YY.**

(i)

(a) In the event that any Transferor (other than Tencent and YY) is proposing to Transfer any Shares to any third party purchaser that is not an Affiliate of such Transferor, Tencent (for so long as Tencent holds at least 95% of Series B Preferred Shares that it acquired at the Closing) and YY shall have an option for a period of ten (10) Business Days following receipt of the Transfer Notice (the "Option Period") to elect to purchase all or any portion of the Offered Shares at the same price and subject to the same terms and conditions as described in the Transfer Notice, on a pro rata basis in proportion to the aggregate number of Ordinary Shares held by Tencent and YY (including any Preferred Shares on an as-converted to Ordinary Share basis), by notifying the Transferor in writing before expiration of the Option Period as to the number of such Offered Shares that it wishes to purchase.

(b) In the event that either Tencent or YY is the Transferor proposing to Transfer any Shares to any third party purchaser that is not an Affiliate of such Transferor, Tencent (in the event that YY is the Transferor, and for so long as Tencent holds at least 95% of Series B Preferred Shares that it acquired at the Closing) or YY (in the event Tencent is the Transferor) shall have an option in the Option Period to elect to purchase all or any portion of the Offered Shares, subject to any applicable co-sale right of holders of Series A Preferred Shares pursuant to Section 11, at the same price and subject to the same terms and conditions as described in the Transfer Notice, by notifying the Transferor in writing before expiration of the Option Period as to the number of such Offered Shares that it wishes to purchase.

(ii) If either YY or Tencent, as applicable, does not exercise its right to purchase its full entitlement of the Offered Shares pursuant to Section 9.2(i)(a), the Transferor shall deliver written notice thereof (the "Second Notice"), within five (5) days after the expiration of the Option Period, to the other Investor between YY and Tencent that has exercised its right to purchase its full entitlement of the Offered Shares pursuant to Section 9.2(i)(a), and such other Investor shall be entitled to, and may elect to, purchase the unpurchased Offered Shares (an "Exercising Shareholder") at the same price and subject to the same terms and conditions as described in the Transfer Notice. The Exercising Shareholder may exercise the right to purchase such unpurchased Offered Shares by notifying the Transferor in writing within ten (10) Business Days after receipt of the Second Notice.

(iii) Subject to applicable securities Laws, each of Tencent and YY, as applicable, shall be entitled to apportion the Offered Shares to be purchased among its Affiliates, provided that it notifies the Transferor in writing and such Affiliates shall execute and deliver such documents and take such other actions as may be necessary for such Affiliates to join in and be bound by the terms of this Agreement as an "Investor" (if not already a Party hereto) upon and after such Transfer.

9.3 **Procedure**. If Tencent or YY, as applicable, gives the Transferor notice that it desires to purchase Offered Shares and the Transferor delivers to the Company a validly executed instrument of transfer, then payment for the Offered Shares to be purchased (subject to any applicable co-sale right of holders of Series A Preferred Shares pursuant to Section 11) shall be made by check (if agreeable to the Transferor), or by wire transfer in immediately available funds of the appropriate currency, and the Company will deliver an updated register of members reflecting Tencent or YY, as applicable, as the holder of such Offered Shares purchased (subject to any applicable co-sale right of holders of Series A Preferred Shares pursuant to Section 11), at a place agreed to by the Transferor and the Exercising Shareholder and at the time of the scheduled closing therefor, but if they cannot agree, then at the principal executive offices of the Company on the 45th day after the Company's receipt of the Transfer Notice, unless such notice contemplated a later closing date with the prospective transferee or unless the value of the purchase price has not yet been established pursuant to Section 9.4, in which case the closing shall be on such later date or as provided in Section 9.4(iv). The Company shall update its register of members upon the consummation of any such Transfer.

9.4 **Valuation of Property**.

(i) Should the purchase price specified in the Transfer Notice be payable in property other than cash or evidences of indebtedness, the Exercising Shareholder shall have the right to pay the purchase price in the form of cash equal in amount to the fair market value of such property.

(ii) If the Transferor and the Exercising Shareholder cannot agree on such cash value within the Option Period, the valuation shall be made by an appraiser of internationally recognized standing jointly selected by agreement of the Transferor and the Exercising Shareholder or, if they cannot agree on an appraiser within the Option Period, the Transferor on one side and the Exercising Shareholder on the other side shall each select an appraiser of internationally recognized standing and such appraisers shall designate another appraiser of internationally recognized standing, whose appraisal shall be determinative of such value and shall be final and binding on the Transferor and the Exercising Shareholder.

(iii) The cost of such appraisal shall be shared equally by the Transferor, on the one hand, and the Exercising Shareholder pro rata based on the number of Offered Shares such Exercising Shareholder is purchasing, on the other hand.

(iv) If the value of the purchase price offered by the prospective transferee is not determined within 45 days following the Company's receipt of the Transfer Notice from the Transferor, the closing of the purchase of Offered Shares by the Exercising Shareholder shall be held on or prior to the fifth (5th) Business Day after such valuation shall have been made pursuant to this Section 9.4(iv).

10. Drag-Along

10.1 Prior to a Qualified IPO, if (A) holders of a majority of the Ordinary Shares and (B) Majority Series B Preferred Holders (collectively, the "Drag-Along Transferors"), propose to Transfer all their interests in the Company in a transaction that would constitute a Deemed Liquidation Event (a "Drag Transaction"), the Drag-Along Transferors shall have the right to require, by written notice of the identity of the counterparty and the pricing and payment terms of the Drag Transaction (the "Drag Notice"), each of the remaining holders of Shares (the "Non-Transferring Parties") to, and each of the Non-Transferring Parties shall, approve, and take all actions reasonably necessary or appropriate to enable, the consummation of such Drag Transaction, including but not limited to:

(i) Transfer, at the same time as the Drag-Along Transferors Transfer to the potential purchaser in the Drag Transaction, all of its interests in the Company, on the same terms and conditions and for the same price that the interests of the Drag-Along Transferors will be Transferred,

(ii) vote all of its Shares (A) in favor of such Drag Transaction, (B) against any other transaction that would interfere with, delay, restrict, or otherwise adversely affect such Drag Transaction, and (C) against any action or agreement that would result in a breach of any covenant, representation or warranty or any other obligation or agreement of the Company under the definitive agreement(s) relating to such Drag Transaction or that could result in any of the conditions to the closing obligations under such agreement(s) not being fulfilled, and, in connection therewith, to be present (in person or by proxy) at all relevant meetings of the shareholders of the Company (or adjournments thereof) or to approve and execute all relevant written consents in lieu of a meeting;

(iii) not exercise any dissenters' or appraisal rights under applicable Law with respect to such Drag Transaction;

(iv) take all necessary actions in connection with the consummation of such Drag Transaction as reasonably requested by the Drag-Along Transferors, including but not limited to the execution and delivery of any share transfer or other agreements prepared in connection with such Drag Transaction, and the delivery, at the closing of such Drag Transaction involving a sale of Shares, of all certificates representing Shares held or controlled by such holder, duly endorsed for transfer or accompanied by a duly executed share transfer form, or affidavits and indemnity undertakings with respect to lost certificates; and

(v) restructure such Drag Transaction, as and if reasonably requested by the Drag-Along Transferors, as a merger, consolidation, restructuring or similar transaction, or a sale of all or substantially all of the assets (either in terms of quantities or value) of the Company, or otherwise.

10.2 In the event that any such Non-Transferring Party fails for any reason to take any of the foregoing actions in Section 10.1 after receipt of the Drag Notice, such Non-Transferring Party hereby grants an irrevocable power of attorney and proxy to any Drag-Along Transferor to take all necessary actions and to execute and deliver all documents deemed by such Drag-Along Transferor to be reasonably necessary or appropriate to effectuate the terms of Section 10.1.

10.3 None of the transfer restrictions set forth in this Agreement shall apply in connection with a Drag Transaction, notwithstanding anything contained to the contrary herein.

11. Right of Co-Sale.

11.1 Prior to a Qualified IPO, if (x) YY is the Transferor and (y) the Transfer will cause a change of Control of the Group, then (a) YY shall deliver to each holder of Series A Preferred Shares a written notice (the "Co-Sale Notice") specifying (1) a description of the Offered Shares, including the number of the Offered Shares (the "Co-Sale Shares") and the maximum number of Series A Preferred Shares that such holder of Series A Preferred Shares may participate in sale, (2) the identity and address of the prospective transferee, and (3) the consideration and the material terms and conditions upon which the proposed Transfer is to be made, and (b) each holder of Series A Preferred Shares shall be entitled to, and may elect to, participate in the Transfer by YY to the prospective transferee identified in the Co-Sale Notice of the Offered Shares on the same terms and conditions as specified in the Co-Sale Notice, by delivering to YY, within ten (10) days following delivery of the Co-Sale Notice, a written notice indicating the number of Series A Preferred Shares that the holder wishes to sell under its right to participate, provided that, if Tencent is the transferee pursuant to Tencent's exercise of its purchase right in accordance with Section 8.9, any Series A-1 Preferred Shares Transferred to Tencent pursuant to this Section 11 shall, automatically and immediately upon and after such Transfer, convert into an equal number of Series A-2 Preferred Shares.

11.2 The maximum number of Series A Preferred Shares that each holder thereof may elect to sell under its right to participate shall be equal to the product of (i) the aggregate number of the Co-Sale Shares (on an as-converted basis) being transferred to the prospective transferee identified in the Co-Sale Notice, multiplied by (ii) a fraction, the numerator of which is the number of Series A Preferred Shares (on an as-converted basis) owned by such holder and the denominator of which is the sum of (x) the total number of Series A Preferred Shares (on an as-converted basis) owned by all holders thereof, and (y) the total number of Shares (on an as-converted basis) owned by YY, in each case on the date of the Co-Sale Notice.

11.3 Each holder of Series A Preferred Shares shall effect its participation in the sale of the Co-Sale Shares by promptly delivering to YY for transfer to the prospective transferee, before the applicable closing, one or more certificates, properly endorsed for transfer, which represent the type and number of Series A Preferred Shares that such holder elects to sell.

11.4 The share certificate or certificates that a holder of Series A Preferred Shares delivers to YY pursuant to Section 11.3 shall be transferred to the prospective transferee in consummation of the sale of the Co-Sale Shares pursuant to the terms and conditions specified in the Co-Sale Notice, and YY shall concurrently therewith remit to such holder of Series A Preferred Shares that portion of the sale proceeds to which such holder is entitled by reason of its participation in such sale. The Company will update its register of members upon the consummation of any such Transfer.

11.5 To the extent that any prospective transferee prohibits the participation by, or otherwise refuses to purchase Series A Preferred Shares from, any holder of Series A Preferred Shares exercising its co-sale rights hereunder, YY shall not sell to such prospective transferee any Shares unless and until, simultaneously with such sale, YY shall purchase from such holder such Series A Preferred Shares that such holder would otherwise be entitled to sell to the prospective transferee pursuant to its co-sale rights hereunder for the same consideration and on the same terms and conditions as the proposed Transfer described in the Co-Sale Notice.

12. Non-Exercise of Rights of First Refusal and Co-Sale; Limitations to Right of First Refusal and Co-Sale.

12.1 If Tencent and YY, as applicable, do not elect to purchase all of the Offered Shares in accordance with Section 9, then, subject to the right of holders of Series A Preferred Shares to participate in the sale of the Offered Shares within the time periods specified in Section 11, the Transferor shall have a period of sixty (60) days from the expiration of the Option Period in which to sell the remaining Offered Shares that have not been taken up under Section 9 and Section 11, to the transferee identified in the Transfer Notice upon terms and conditions (including the purchase price) no more favorable to the purchaser than those specified in the Transfer Notice, so long as any such sale is effected in accordance with all applicable Laws. The Parties agree that each such transferee, prior to and as a condition to the consummation of any sale, shall execute and deliver to the Parties documents and other instruments assuming the obligations of such Transferor under this Agreement and the Memorandum and Articles, and the transfer shall not be effective and shall not be recognized by any Party until such documents and instruments are so executed and delivered.

12.2 In the event the Transferor does not consummate the sale of such Offered Shares (subject to any applicable co-sale right of holders of Series A Preferred Shares pursuant to Section 11) to the transferee identified in the Transfer Notice within such sixty (60) day period, the rights of Tencent and YY under Section 9 and the right of holders of Series A Preferred Shares under Section 11, as applicable, shall be re-invoked and shall be applicable to each subsequent disposition of such Offered Shares by the Transferor until such rights lapse in accordance with the terms of this Agreement.

12.3 The exercise or non-exercise of the rights of Tencent and YY under Section 9 to purchase Equity Securities from a Transferor shall not adversely affect their rights to make subsequent purchases from the Transferor of Equity Securities.

12.4 Subject to the requirements of applicable Law hereof, the restrictions under Section 8 and the right of first refusal under Section 9 shall not apply to (a) any repurchase by the Company of any Equity Securities of the Company now or hereafter held by a holder in accordance with such Person's any other written agreement with the Company (if any) that is approved by the Majority Series A Preferred Holders and the Majority Series B Preferred Holders, each voting as a separate class, (b) any sale of Equity Securities of the Company to the public pursuant to a Qualified IPO, (c) Transfer of any Equity Securities of the Company now or hereafter held by a shareholder or a special purpose vehicle of such shareholder to the parents, children, spouse of such shareholder, or to a trustee, executor, or other fiduciary for the benefit of such shareholder or his/her parents, children, spouse for bona fide estate planning purposes (each such transferee pursuant to clause (c) above, a "Permitted Transferee", and collectively, the "Permitted Transferees"), (d) Transfer of any Equity Securities of the Company now or hereafter held by any Investor to its Affiliates and (e) any Transfer of Equity Securities to Tencent by YY pursuant to Tencent's exercise of its purchase right in accordance with Section 8.9; provided, that (i) such Transfer is effected in compliance with all applicable Laws, including without limitation, the SAFE Rules and Regulations, (ii) respecting any transfer pursuant to clause (c) above, the transferring shareholder has provided Tencent and YY with reasonable evidence of the bona fide estate planning purposes for such transfer and reasonable evidence of the satisfaction of all applicable filings or registrations required by SAFE under the SAFE Rules and Regulations, (iii) such Transfer will not result in a change of Control of the Company (other than as otherwise contemplated pursuant to the exercise by Tencent of its purchase right in accordance with Section 8.9), and (iv) each such Permitted Transferee, prior to the completion of the Transfer, shall have executed the Deed of Adherence assuming the obligations of the holder of such Equity Securities of the Company under this Agreement and the Memorandum and Articles, with respect to the transferred Equity Securities; provided further, that the Transferor shall remain liable for any breach by such Permitted Transferee of any provision under this Agreement and the Memorandum and Articles.

13. Lock-Up.

13.1 In addition to but not in lieu of any other transfer restriction contained herein, each of the holders of any Equity Securities of the Company agrees that such Person will not during the period commencing on the date of the final prospectus relating to the first underwritten registered public offering of the Ordinary Shares and ending on the date specified by the Company and the managing underwriter (i) lend, offer, pledge, hypothecate, hedge, sell, make any short sale of, loan, 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 Equity Securities of the Company (other than those included in such offering) 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 Equity Securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Equity Securities of the Company or other securities, in cash or otherwise. The underwriters in connection with such public offering are intended third party beneficiaries of this Section 13 and shall have the right, power and authority to enforce the provisions hereof as though they were a party hereto. Each of the holders agrees to execute and deliver to the underwriters a lock-up agreement containing customary terms and conditions.

14. Information and Inspection Rights.

14.1 **Delivery of Financial Statements and Other Information.** The Group Companies shall deliver to each Investor holding at least 10,769,535 Ordinary Shares (on an as-converted basis) the following documents or reports:

(i) within ninety (90) days after the end of each fiscal year of the Company, a consolidated income statement and statement of cash flows for the Company for such fiscal year and a consolidated balance sheet for the Company as of the end of the fiscal year, audited and certified by the Auditor, and a management report including a comparison of the financial results of such fiscal year with the corresponding annual budget, all prepared in English or Chinese and in accordance with the Accounting Standards consistently applied throughout the period;

(ii) within thirty (30) days of the end of each of the first three fiscal quarters, an unaudited consolidated income statement and statement of cash flows for such quarter and an unaudited consolidated balance sheet for the Company as of the end of such quarter, and a comparison of the financial results of such quarter with the corresponding quarterly budget, all prepared in English or Chinese and in accordance with the Accounting Standards consistently applied throughout the period (except for customary year-end adjustments and except for the absence of notes), and certified by the chief financial officer of the Company;

(iii) within thirty (30) days of the end of each month, a consolidated unaudited income statement and statement of cash flows for such month and a consolidated unaudited balance sheet for the Company as of the end of such month, and a comparison of the financial results of such month with the corresponding monthly budget, all prepared in English or Chinese and in accordance with the Accounting Standards consistently applied throughout the period (except for customary year-end adjustments and except for the absence of notes), and certified by the chief financial officer of the Company;

(iv) a draft annual capital expenditure and operating budget and strategic plan within fifteen (15) days prior to the end of each fiscal year, setting forth: the projected detailed budgets, balance sheets, income statements and statements of cash flows on a month-to-month basis for the upcoming fiscal year of each Group Company; any dividend or distribution projected to be declared or paid; the projected incurrence, assumption or refinancing of Indebtedness; and all other material matters relating to the operation, development and business of the Group Companies; and

(v) copies of all documents or other information sent to all other shareholders and any reports publicly filed by the Company with any relevant securities exchange, regulatory authority or governmental agency, no later than five (5) days after such documents or information are filed by the Company.

The Company shall cause the chief financial officer and the financial controller of the Company to timely provide the above information.

14.2 **Inspection Rights.** The Group Companies covenant and agree that YY and each Investor holding at least 10,769,535 Ordinary Shares (on an as-converted basis) shall have the right, at its own expenses, to reasonably inspect facilities, properties, records and books of each Group Company at any time during regular working hours on reasonable prior notice to such Group Company and the right to discuss the business, operation and conditions of a Group Company with any Group Company's directors, officers, employees, accountants, legal counsels, auditors and investment bankers. Such inspection rights shall terminate upon an IPO; however, statutory inspection rights granted under applicable laws shall remain unaffected.

15. Election of Directors.

15.1 **Board of Directors.**

(i) Upon and after the Closing and prior to a Qualified IPO of the Company, the Company shall have, and the Parties hereto agree to cause the Company to have, a Board consisting of three (3) Directors, each having one (1) vote for each of the matters submitted to the Board and being appointed as follows: (a) the holders of Series B Preferred Shares shall have the right to appoint one Director (the "Series B Director"), who (1) shall be designated by Tencent for so long as Tencent holds all of the Series B Preferred Shares it acquired at the Closing and (2) shall be included on any committee of the Board, and (b) YY shall have the right to appoint two Directors.

(ii) Upon and after the consummation of a Qualified IPO, the Board shall consist of at least five (5) Directors including no less than two (2) independent Directors and, for as long as Tencent and its Affiliates collectively hold 20% of the issued share capital of the Company on a fully diluted basis, Tencent shall have the right to appoint at least one (1) Director. Notwithstanding the foregoing, any holder of a majority of the voting power in the Company shall have the right to appoint up to the lowest number of Directors that (x) constitutes a majority of the Directors and (y) is no less than proportionate to its voting power in the Company.

(iii) Any Director designated pursuant to Sections 15.1(i) and (ii) may be removed from the Board, either for or without cause, only upon the vote or written consent of the Person or group of Persons then entitled to designate such Director pursuant to Sections 15.1(i) and (ii), and the Parties agree not to seek, vote for or otherwise effect the removal of any such Director without such vote or written consent. Any Person or group of Persons then entitled to designate any individual to be elected as a Director on the Board shall have the exclusive right at any time or from time to time to remove any such Director occupying such position and to fill any vacancy caused by the death, disability, retirement, resignation or removal of any Director occupying such position or any other vacancy therein, and each other Party agrees to cooperate with such Person or group of Persons in connection with the exercise of such right. Prior to a Qualified IPO of the Company, each Party that is a holder of voting securities of the Company agrees to always vote such holder's respective voting securities of the Company at a meeting of the members of the Company (and give written consents in lieu thereof) in support of the foregoing. It is agreed that this Section 15.1(iii) shall be subject to the applicable corporate governance requirements under the listing rules of the stock exchange on which the Company's shares are listed upon and after the completion of a Qualified IPO of the Company.

(iv) The Series B Director appointed by Tencent shall be entitled to (A) enter into an indemnification agreement with the Company in form and substance reasonably satisfactory to Tencent, (B) a veto right on the grant of awards under the ESOP if the vesting schedule for such award materially deviates from the Agreed Vesting Schedule or the exercise price of such award is substantially lower than the then fair value of the Ordinary Shares at the time of such grant, and (C) the right to review and discuss the Company's draft annual budget or annual business and financial plan with the management of the Company.

(v) Frequency, location, notices and quorum of meetings of the Board, and the voting rights of each Director, shall be set out in the Memorandum and Articles.

15.2 **Observer.** Each of Ping An and Engage shall be entitled to appoint one observer (the "Observer") to attend all meetings of the Board and all subcommittees of the Board, in a nonvoting observer capacity and the Company shall give such Observer copies of all notices, minutes, consents, and other materials that the Company provides to the Company's Directors at the same time and in the same manner as provided to such Directors. Each Observer shall be entitled to be reimbursed for all reasonable out-of-pocket expenses incurred in connection with attending board or committee meetings.

16. Protective Provisions.

16.1 Each Group Company shall not, and Mr. Dong shall cause each Group Company not to, take, permit to occur, approve, authorize, or agree or commit to do any of the following matters, whether in a single transaction or a series of related transactions, whether directly or indirectly, and whether or not by amendment, merger, consolidation, scheme of arrangement, amalgamation, or otherwise, unless approved in writing in advance by (a) holders of at least 75% of the Series B Preferred Shares on an as converted basis, and (b) the Majority Series A Preferred Holders:

(i) any amendment or change of the rights, preferences, privileges or powers of, or the restrictions provided for the benefit of, the Series B Preferred Shares;

(ii) any action that creates, authorizes the creation of or issues any other security convertible into or exercisable for any equity security, having rights, preferences or privileges senior to or on parity with the Series B Preferred Shares, or increase the authorized number of the Series B Preferred Shares;

(iii) any purchase, repurchase, redemption or retirement of any Equity Securities, other than (A) repurchases pursuant to the ESOP or pursuant to other contractual agreements approved by the Board upon termination of a director, employee or consultant and (B) repurchases, redemption or cancellation of Series A Preferred Shares or Series B Preferred Shares pursuant to these Articles;

(iv) any amendment or modification to or waiver under any of the Charter Documents of any Group Company in a manner adverse to the Series B Preferred Shares;

(v) adoption, material amendment or termination of the ESOP or any other equity incentive, purchase or participation plan for the benefit of employees, officers, directors, contractors, advisors or consultants of any of the Group Companies;

(vi) any transaction with a Related Party, which either is outside the ordinary course of business of any Group Company or which individually, or in a series of transactions, exceeds US$15,000,000 in aggregate in any fiscal year (including but not limited to any expenses and fees payable in respect of any payment channels, bandwith or property leases);

(vii) the commencement of or consent to any proceeding seeking (A) to adjudicate it as bankrupt or insolvent, (B) liquidation, winding up, dissolution, reorganization, or other arrangement of any of the Group Companies under any Law relating to bankruptcy, insolvency or reorganization or relief of debtors, or (C) the entry of an order for relief or the appointment of a receiver, trustee, or other similar official for it or for any substantial part of its property;

(viii) any investment in a subsidiary, partnership or joint venture that exceeds US$15,000,000, unless an investment and/or internal control policy (the "Investment Policy") governing such investment exists (in which case, such investment shall solely be subject to compliance with the Investment Policy);

(ix) any amendment or termination of the Investment Policy that exists at the Closing;

(x) any divestiture or sale of all or substantially all the asset or business of a Group Company or more than 50% of voting power of a Group Company;

(xi) any Deemed Liquidation Event;

(xii) an initial public offering of any Equity Securities of any Group Company other than a Qualified IPO;

(xiii) incurrence of indebtedness or guarantees of indebtedness in excess of equivalent to 10% of the total assets of the Group, whether in a single or series of related transaction(s), except for the purpose of securing borrowings from banks or other financial institutions in the ordinary course of business not exceeding US$25,000,000 (or its equivalence in other currency or currencies), whether in a single or series of related transaction(s), at any time in any fiscal year;

(xiv) any change in the equity ownership of the Domestic Company or any restatement, amendment, termination or modification to or waiver under any of the Control Documents or entering into any agreements between the Domestic Company or any other entity which relates to the contractual Control of the Domestic Company;

(xv) any material change to the business scope or nature of business, or cessation of any business line or entering into any new business lines; and

(xvi) any change of the size of the board of directors of any Group Company other than changes pursuant to and in compliance with Section 15 hereof, and any modifications to the powers of the board of directors of any Group Company.

It is agreed that if the director designated by Tencent gives his/her explicit consent to items subject to these protective provisions or any other matters that need Tencent's consent, the consent from such director shall constitute the consent from Tencent regarding these matters as required under the Transaction Documents and, without limiting the generality of the foregoing, Tencent shall authorize such director designee to sign any documents relating to the Company's proposed initial public offering of any Equity Securities that need to be executed by Tencent as a shareholder.

Where any Special Resolution (as defined in the Memorandum and Articles) is required to approve any of the matters referred to in this Section 16 and such matter has not received the written approval of (i) holders of at least 75% of the Series B Preferred Shares on an as-converted basis, and (ii) the Majority Series A Preferred Holders, as required by this Section 16, the holders of the Preferred Shares who vote against the Special Resolution (as defined in the Memorandum and Articles) shall have the number of votes equal to (i) the votes of all holders of the Shares who vote for the resolution, plus (ii) one.

17. Additional Covenants.

17.1 **Business of the Group Companies**. The Company shall procure that the Group Companies shall (i) conduct their respective business in compliance with all material respects with all applicable Laws and (ii) obtain, make and maintain in effect, all Consents, permits, approvals, authorizations, registrations and filings from the relevant Governmental Authority or other Persons required (including any required approvals under Section 16) in respect of the due and proper establishment and operations of each Group Company as now conducted in accordance with applicable Laws and regulations.

17.2 **SAFE Registration**. If any holder or beneficial owner of any Equity Security of the Company (other than the Investors) (each, a "Security Holder") is a "Domestic Resident" as defined in Circular 37 and is subject to the SAFE registration or reporting requirements under Circular 37, the Parties (other than the Investors) shall use their best efforts to promptly obtain a Power of Attorney in the form attached hereto as Exhibit B from such Security Holder, and shall use their best efforts to cause the designated representative under such Power of Attorney to promptly take such actions and execute such instruments on behalf of such Security Holder to comply with the applicable SAFE registration or reporting requirements under SAFE Rules and Regulations.

17.3 **Control Documents**. Mr. Dong and the Group Companies shall ensure that each party to the relevant Control Documents fully perform its/his/her respective obligations thereunder and carry out the terms and the intent of the Control Documents. Any termination, material modification or waiver of, or extension to, any Control Documents shall require the written consent of the Majority Series A Preferred Holders and the Majority Series B Preferred Holders, as provided in Section 16 hereof. If any of the Control Documents becomes illegal, void or unenforceable under PRC Laws after the date hereof, the Parties (other than the Investors) shall devise a feasible alternative legal structure reasonably satisfactory to the Majority Series A Preferred Holders and the Majority Series B Preferred Holders which gives effect to the intentions of the parties in each Control Document and the economic arrangement thereunder as closely as possible.

17.4 **Control of Subsidiaries.** The Company shall institute and keep in place such arrangements as are reasonably satisfactory to the Majority Series A Preferred Holders and the Majority Series B Preferred Holders such that the Company (i) will at all times Control the operations of each other Group Company, and (ii) will at all times be permitted to properly consolidate the financial results for each other Group Company in the consolidated financial statements for the Company prepared under the Accounting Standards.

17.5 **US Tax Matters.**

(i) The Company will use, and will cause each of the other Group Companies to use, commercially reasonable best efforts to avoid classification as a PFIC as defined in the Internal Revenue Code of 1986, as amended (the "Code") for the current year or any subsequent year.

(ii) The Company shall promptly provide the Investors with written notice if it (or any of the other Group Companies) becomes a PFIC. Such notice shall include a reasonably detailed analysis of the determination that the Company (or any of the other Group Companies) has become a PFIC.

(iii) The Company shall make due inquiry with its tax advisors on at least an annual basis regarding its status as a PFIC, and if Company is informed by its tax advisors that any such entity has become a PFIC, or that there is a likelihood of any such entity being classified as a PFIC for any taxable year, the Company shall promptly notify the Investors of such status or risk, as the case may be. The Company agrees to make available to the Investors upon request, the books and records of the Company and the other Group Companies, and to provide information to the Investors pertinent to the Company's status or potential status as a PFIC. Upon a determination by the Company, the Investors or any taxing authority that the Company has been or is likely to become a PFIC, the Company will provide the following information to the Investors and each of their direct or indirect beneficial owners (a "PFIC Shareholder"): (i) all information reasonably available to the Company to permit such PFIC Shareholder to (a) accurately prepare its US tax returns and comply with any other reporting requirements , if any, arising from its investment in the Company and relating to the Company or any of its Subsidiaries' classification as a PFIC and (b) make any election (including, without limitation, a "qualified electing fund" election under Section 1295 of the Code), with respect to the Company (or any of its Subsidiaries); and (ii) a completed "PFIC Annual Information Statement" as described under Treasury Regulation Section 1.1295-1(g).

17.6 **Compliance with Laws; Registrations.**

(i) The Group Companies shall cause the Group Companies to, conduct their respective business in compliance with all applicable Laws, including but not limited to Laws regarding foreign investments, corporate registration and filing, import and export, customs administration, foreign exchange, telecommunication and e-commerce, Intellectual Property rights, labor and social welfare and benefit (including housing fund contribution), taxation, and applicable anti-money laundering statutes of all jurisdictions, including, without limitation, all U.S. anti-money laundering laws, the rule and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental or regulatory agency (collectively, the "Money Laundering Laws"), and obtain, make and maintain in effect, all Consents from the relevant Governmental Authority or other Person required in respect of the due and proper establishment and operations of each Group Company as now conducted in accordance with applicable Laws. Without limiting the generality of the foregoing, none of the Group Companies shall, and the Parties (other than the Investors) shall cause each Group Company not to, and the Parties shall ensure that its and their respective Affiliates and its respective officers, directors, and representatives shall not, directly or indirectly, (a) offer or give anything of value to any Public Official with the intent of obtaining any improper advantage, affecting or influencing any act or decision of any such Person, assisting any Group Company in obtaining or retaining business for, or with, or directing business to, any Person, or constituting a bribe, kickback or illegal or improper payment to assist any Group in obtaining or retaining business, (b) take any other action, in each case, in violation of the Foreign Corrupt Practices Act of the United States of America, as amended (as if it were a U.S. Person), or any other applicable similar anti-corruption, recordkeeping and internal controls Laws, or (c) establish or maintain any fund or assets in which any Group Company has proprietary rights that have not been recorded in its books and records of Group Company.

(ii) None of the Group Companies shall directly or indirectly (i) take any action in furtherance of any boycott sanctioned by the United States; (ii) engage in transactions with any Governmental Authority, agent, representative or resident of, or any entity based or resident in, any of the following countries: Cuba, Iran, Libya, Syria, Sudan, the Democratic People's Republic of Korea, Myanmar or any other country sanctioned by the Office of Foreign Assets Control of the U.S. Department of Treasury; or (iii) will otherwise engaged in transactions with any entity or person that is the target of U.S. economic sanctions, as designated by the Office of Foreign Assets Control of the U.S. Department of Treasury, including "Specially Designated Nationals" and "Blocked Persons"; or (iv) will receive unlicensed donations or engage in financial transactions with respect to which the Company or any Group Company knows or has reasonable cause to believe that the financial transaction poses a risk of furthering terrorist attacks anywhere in the world.

(iii) Without limiting the generality of the foregoing, each Group Company shall ensure that all filings and registrations with the PRC Governmental Authorities so required by them shall be duly completed in accordance with the relevant rules and regulations, including without limitation any such filings and registrations with the Ministry of Commerce, the Ministry of Information Industry, the State Administration of Industry and Commerce, the State Administration for Foreign Exchange, tax bureau, customs authorities, product registration authorities, health regulatory authorities, and the local counterpart of each of the aforementioned governmental authorities, in each case, as applicable.

17.7 **Intellectual Property Protection**. Except with the written consent of the Majority Series A Preferred Holders and the Majority Series B Preferred Holders, the Group Companies shall take all reasonable steps to protect their respective material Intellectual Property rights, including without limitation (a) registering their material respective trademarks, brand names, domain names and copyrights, and (b) requiring each employee and consultant of each Group Company to enter into an employment agreement, a confidential information and intellectual property assignment agreement and a non-competition and non-solicitation agreement requiring such persons to protect and keep confidential such Group Company's confidential information, intellectual property and trade secrets, prohibiting such persons from competing with such Group Company for a reasonable time after their termination of employment with any Group Company, and requiring such persons to assign all ownership rights in their work product to such Group Company.

17.8 **Internal Control System.** The Group Companies shall maintain their books and records in accordance with sound business practices and implement and maintain an adequate system of procedures and controls with respect to finance, management, and accounting that meets international standards of good practice to provide reasonable assurance that (i) transactions by it are executed in accordance with management's general or specific authorization, (ii) transactions by it are recorded as necessary to permit preparation of financial statements in conformity with the Accounting Standards and to maintain asset accountability, (iii) access to assets of it is permitted only in accordance with management's general or specific authorization, (iv) the recorded inventory of assets is compared with the existing tangible assets at reasonable intervals and appropriate action is taken with respect to any material differences, (v) segregating duties for cash deposits, cash reconciliation, cash payment, proper approval is established, and (vi) no personal assets or bank accounts of the employees, directors, officers are mingled with the corporate assets or corporate bank account, and no Group Company uses any personal bank accounts of any employees, directors, officers thereof during the operation of the business.

17.9 **Non-compete by Key Person.** Unless the Majority Series A Preferred Holders and the Majority Series B Preferred Holders otherwise consent in writing, Mr. Dong shall and shall cause each of the Key Employees for so long as such individual is a director, officer, manager or a direct or indirect holder of Equity Securities of a Group Company, in no event earlier than the first anniversary date of the IPO, devote his/her full time and attention to the business of the Group Companies and will use his/her best efforts to develop the business and interests of the Group Companies, unless an alternative arrangement with terms and conditions more favorable to Mr. Dong and/or the Key Employees is approved by the Majority Series A Preferred Holders and the Majority Series B Preferred Holders. Mr. Dong, (a) for so long as he is a director, officer, manager or a direct or indirect holder of Equity Securities of a Group Company and, each of the holding companies of Mr. Dong, (b) for so long as such holding company is a direct or indirect holder of Equity Securities of a Group Company or has the right to appoint any director, officer, manager to the Group Companies (together with the periods in paragraphs (a), the "Restraint Period"), and for two (2) years after Mr. Dong is no longer a director, officer, or manager of a Group Company and for two (2) years after Mr. Dong is no longer a direct or indirect holder of Equity Securities of a Group Company and Dong SPV is no longer a direct or indirect holder of Equity Securities of a Group Company or ceases to have any right to appoint any director, officer, manager to the Group Companies, shall not, and shall cause his/its Affiliate or Associate not to, directly or indirectly, within the entire world, the PRC, Hong Kong, Macau and Taiwan (i) own, manage, engage in, operate, control, work for, consult with, render services for, do business with, maintain any interest in (proprietary, financial or otherwise) or participate in the ownership, management, operation or control of, any business, whether in corporate, proprietorship or partnership form or otherwise, that is related or similar to the Businesses, provided, however, that the restrictions contained in this clause (i) shall not restrict Mr. Dong's holding or increase in the holding of equity interests in YY or YY's Affiliates, directly or indirectly, or the acquisition by Mr. Dong or Key Employee, directly or indirectly, of less than one percent (1%) of the outstanding share capital of any publicly traded company engaged in the business of any Group Company or otherwise competes with the business of any Group Company (a "Restricted Business") or the investment in any fund or investment company by Mr. Dong as a limited partner or similar passive investor; (ii) solicit any Person who is or has been at any time a customer of the any Group Company for the purpose of offering to such customer goods or services similar to or competing with those offered by any Group Company, or canvass or solicit any Person who is or has been at any time a supplier or licensor or customer of any Group Company for the purpose of inducing any such Person to terminate its business relationship with such Group Company; (iii) solicit or entice away or endeavor to solicit or entice away any director, officer, consultant or employee of any Group Company; or (iv) utilize or disclose to any Person (other than the Group Companies) any confidential information relating to the Restricted Business or any customers, products, affairs and finances or trade secrets of any Group Company (including technical data and know-how). Mr. Dong expressly agrees that the undertakings and limitations set forth in this Section are reasonably tailored and reasonably necessary in light of the circumstances. Furthermore, if any part of this Section is more restrictive than permitted by the Laws of any jurisdiction in which a Party seeks enforcement thereof, then such part will be severed and this Section will be enforced to the greatest extent permitted by Law. Each of the undertakings and limitations contained in this Section 17.9 shall be enforceable by each of the Group Companies and each Investor separately and independently. Notwithstanding the foregoing, the Parties acknowledge and consent that nothing in this Agreement or other Transaction Documents shall create, imply or constitute a restriction on Mr. Dong to continue to hold his positions or take new positions with YY or YY's Affiliates or to devote his time and attention to the business of YY or YY's Affiliates, or a restriction or limitation over the business activities of YY or YY's Affiliates.

17.10 **No Avoidance; Voting Trust.** The Company will not, by any voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be performed hereunder by the Company, and the Company will at all times in good faith assist and take action as appropriate in the carrying out of all of the provisions of this Agreement. Each holder of Shares agrees that it shall not enter into any other agreements or arrangements of any kind with respect to the voting of any Shares or deposit any Shares in a voting trust or other similar arrangement.

17.11 **Option to Purchase the Domestic Company.** The Parties hereby acknowledge and agree that, as part of the consideration for the Investors' investment in the Company and other valuable consideration, the Company has the option, exercisable by the Company or any then Subsidiary thereof at any time (provided that such purchase by the Company or such Subsidiary is permitted under the then applicable Laws of the PRC), to purchase or transfer to an Affiliate of the Company the entire equity interest of the Domestic Company from the shareholders of the Domestic Company at the lowest amount permitted under the Laws of the PRC then applicable. The Parties further agree to effect such transfer of equity interest in the Domestic Company upon and only upon receipt of the written request of the Majority Series A Preferred Holders and the Majority Series B Preferred Holders, provided that such transfer shall at the time of such request be permissible under the Laws of the PRC then applicable.

17.12 **Confidentiality.**

(i) **Disclosure of Terms**. The terms and conditions of the Transaction Documents and all exhibits, restatements and amendments hereto and thereto (collectively, the "Financing Terms"), including their existence, shall be considered confidential information and shall not be disclosed by any of the Parties to any other Person except as permitted in accordance with the provisions set forth below.

(ii) **Press Releases**. None of the Parties hereto (other than the Investors) shall issue a press release or make any public announcement or other public disclosure with respect to any of the transactions contemplated herein without obtaining the prior written consent of each Investor and the Company, or (a) use the name of PING AN Insurance, □□□□ or any of its Affiliates without obtaining in each instance the prior written consent of Ping An, or (b) use the name of YY, □□□□ or any of its Affiliates without obtaining in each instance the prior written consent of YY.

(iii) **Permitted Disclosure.** Notwithstanding the foregoing, (a) the Company may disclose the existence or content of any of the Financing Terms to its current or bona fide prospective investors, directors, officers, employees, shareholders, investment bankers, lenders, accountants, auditors, insurers, business or financial advisors, and attorneys, in each case only where such Persons are under appropriate nondisclosure obligations imposed by professional ethics, law or otherwise; (b) the Investors may disclose the existence or content of any of the Financing Terms to its Affiliates, the fund manager, auditor, insurer, accountant, consultant or an officer, director, general partner, limited partner, shareholder, investor, bona fide potential investor, counsel, advisor, employee of the Investors and/or its Affiliates, and bona fide prospective purchasers/investors of any Equity Securities of the Company so long as such Persons shall be advised of the confidential nature of the information or are under appropriate nondisclosure obligations imposed by professional ethics, law or otherwise; and (c) the Investors may disclose the existence or content of any of the Financing Terms for fund and inter-fund reporting purposes and any information contained in press releases or public announcements of the Company pursuant to Section 17.12(ii). Any Party hereto may also provide disclosure in order to comply with applicable Laws, as set forth in Section 17.12(iv) below;

(iv) **Legally Compelled Disclosure.** If any Party is requested or becomes legally compelled (including without limitation, pursuant to any applicable Tax, securities, or other Laws and regulations of any jurisdiction or by subpoena or any requirement by governmental, judicial or regulatory body or any stock exchange) to disclose the existence or content of any of the Financing Terms in contravention of the provisions of this Section, such Party shall, to the extent legally and practically permissible, promptly provide the other Parties with written notice of that fact so that such other Parties may seek a protective order, confidential treatment or other appropriate remedy and in any event shall furnish only that portion of the information that is legally required and shall exercise reasonable efforts to obtain reliable assurance that confidential treatment will be accorded such information.

(v) **Other Exceptions**. The confidentiality obligations of the Parties set out in this Section 17.12 shall not apply to (a) information which was in the public domain or otherwise known to the relevant Party before it was furnished to it by another Party hereto or, after it was furnished to that Party, entered the public domain otherwise than as a result of (x) a breach by that Party of this Section 17.12 or (y) a breach of a confidentiality obligation by a third party discloser, where the breach was actually known to that relevant Party; (b) information disclosed by any director or observer of the Company to its appointer or any of its Affiliates or to any Person to whom disclosure would be permitted in accordance with the foregoing provisions of this Section 17.12.

(vi) The provisions of this Section shall terminate and supersede the provisions of any separate nondisclosure agreement executed by any of the Parties hereto with respect to the transactions contemplated hereby, including without limitation, any term sheet, letter of intent, memorandum of understanding or other similar agreement entered into by the Company and the Investors in respect of the transactions contemplated hereby, except for the nondisclosure provision set forth in the Subscription Agreement.

17.13 **Dual Class Voting Structure.**

(i) At the Closing prior to a Qualified IPO, the Company shall adopt a dual voting structure on its shares so that, subject to Section 8.3, the Class B Ordinary Shares, the Series A-2 Preferred Shares and the Series B-2 Preferred Shares (collectively, the "High Vote Shares") shall each have ten votes on all matters in a shareholders meeting of the Company, and the Class A Ordinary Shares, the Series A-1 Preferred Shares and the Series B-1 Preferred Shares (collectively, the "Low Vote Shares") shall each have one vote on all matters in a shareholders meeting of the Company.

(ii) Upon and after the completion of a Qualified IPO, the Company shall continue to have a dual voting structure, where, subject to Section 8.3, Class A Ordinary Shares shall each have one vote on all matters in a shareholders meeting of the Company, and Class B Ordinary Shares shall each have ten votes on all matters in a shareholders meeting of the Company ("High Voting Rights").

(iii) Upon the completion of a Qualified IPO and subject to Section 8.3, all the Preferred Shares that are Low Vote Shares shall be automatically converted into Class A Ordinary Shares, and all the Preferred Shares that are High Vote Shares shall be automatically converted into Class B Ordinary Shares.

(iv) This Section 17.13 shall survive the completion of a Qualified IPO.

17.14 **Capital contribution in Domestic Company**. If Tencent holds not less than 30% of the issued share capital of the Company after the completion of a Qualified IPO, then, at the request of Tencent, the Company shall procure the relevant Group Company to as soon as practicable (i) contribute such an amount to the Domestic Company as additional registered capital of the Domestic Company so that Tencent (or its nominee) will hold a percentage of the registered capital of the Domestic Company that is proportionate to Tencent's shareholding in the Company at such time, (ii) obtain all necessary Consents in connection with the contribution of such additional registered capital, (iii) amend the constitutional documents of the Domestic Company to reflect the additional contribution, and (iv) terminate the Control Documents then in force and effect, and enter into new Control Documents with the WFOE, the Domestic Company and the equity holders of the Domestic Company.

18. Miscellaneous.

18.1 **Representations and Warranties.** Each Party represents and warrants to the other Parties that:

(i) such Party has the full power and authority to enter into, execute and deliver this Agreement and to perform the transactions contemplated hereby and, if such Party is not a natural Person, such party is duly incorporated or organized and existing under the Laws of the jurisdiction of its incorporation or organization;

(ii) the execution and delivery by such Party of this Agreement and the performance by such Party of the transactions contemplated hereby have been duly authorized by all necessary corporate or other action of such Party;

(iii) assuming the due authorization, execution and delivery hereof by the other Parties, this Agreement constitutes the legal, valid and binding obligation of such Party, enforceable against such Party in accordance with its terms, except (a) as limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting creditors' rights generally, and (b) as limited by Laws relating to the availability of specific performance, injunctive relief or other equitable remedies; and

(iv) the execution, delivery and performance of this Agreement by such Party and the consummation of the transactions contemplated hereby will not, (a) violate any provision of the constitutional, organizational or governance documents of such Party to the extent relevant, (b) require such Party to obtain any Consent, approval or action of, or make any filing with or give any notice to, any Governmental Authority in such Party's country of organization or any other Person pursuant to any instrument, contract or other agreement to which such Party is a party or by which such Party is bound, other than any such Consent, approval, action or filing that has already been duly obtained or made, or that is permitted to be, and will be, obtained or made following the date hereof, or that is otherwise required hereunder, (c) conflict with or result in any material breach or violation of any of the terms and conditions of, or constitute (or with notice or lapse of time or both constitute) a material default under, any instrument, contract or other agreement to which such Party is a party or by which such Party is bound, (d) violate any Law applicable to such Party that would materially and adversely affect such Party's ability to execute, deliver or perform its obligations hereunder.

18.2 **Termination**. This Agreement shall terminate upon mutual consent of the Parties hereto, and any right of a Party set forth hereunder (other than the relevant Group Company) shall cease if such Party no longer holds, directly or indirectly, any Equity Securities of the Company. The provisions of Sections 7 through Section 17 (except for Section 17.6, Section 17.9, Section 17.12, Section 17.13 and Section 17.14) shall terminate on the earliest of the consummation of the Qualified IPO or a Deemed Liquidation Event. If this Agreement terminates, the Parties shall be released from their obligations under this Agreement, except in respect of any obligation stated, explicitly or otherwise, to continue to exist after the termination of this Agreement (including without limitation those under Section 17.6, Section 17.9, Section 17.12, Section 17.13, and Section 18). If any Party breaches this Agreement before the termination of this Agreement, it shall not be released from its obligations arising from such breach on termination.

18.3 **Further Assurances.** Upon the terms and subject to the conditions herein, each of the Parties hereto agrees to use its reasonable best efforts to take or cause to be taken all action, to do or cause to be done, to execute such further instruments, and to assist and cooperate with the other Parties hereto in doing, all things necessary, proper or advisable under applicable Laws or otherwise to consummate and make effective, in the most expeditious manner practicable, the transactions contemplated by this Agreement. Mr. Dong irrevocably agrees to cause Dong SPVs to perform and comply with all of their respective covenants and obligations under this Agreement. Mr. Li irrevocably agrees to cause Li SPV to perform and comply with all of its covenants and obligations under this Agreement.

18.4 **Assignments and Transfers; No Third Party Beneficiaries.** Except as otherwise provided herein, this Agreement and the rights and obligations of the Parties hereunder shall inure to the benefit of, and be binding upon, their respective successors, assigns and legal representatives, but shall not otherwise be for the benefit of any third party. Subject to Section 8.2 and Section 8.3 of this Agreement, the rights of any Investor (including, without limitation, registration rights) are assignable, and the obligations of any Investor hereunder are transferrable, in each case, to an Affiliate, or to a third party in connection with the transfer of Equity Securities of the Company held by such Investor to such third party pursuant to this Agreement but only to the extent of such transfer. This Agreement and the rights and obligations of each other Party hereunder shall not otherwise be assigned or transferred without the mutual written consent of the other Parties except as expressly provided herein.

18.5 **Governing Law.** This Agreement shall be governed by and construed under the Laws of Hong Kong, without regard to principles of conflict of Laws thereunder.

18.6 **Dispute Resolution.**

(i) Any dispute, controversy or, claim or difference of any kind whatsoever arising out of, relating to or in connection with this Agreement, including the existence, validity, interpretation, performance, breach or termination thereof, the validity, scope and enforceability of this arbitration provision and any dispute regarding no-contractual obligations arising out of or relating to it (the "Dispute") shall be referred to and finally resolved by arbitration administered by the Hong Kong International Arbitration Center (the "HKIAC") in accordance with the HKIAC Administered Arbitration Rules in force at the time of the commencement of the arbitration. However, if such rules are in conflict with the provisions of this Section 18.6, including the provisions concerning the appointment of arbitrators, the provisions of this Section 18.6 shall prevail.

(ii) The law of this arbitration clause shall be Hong Kong law. The seat of arbitration shall be Hong Kong.

(iii) The number of arbitrators shall be three and the language of the arbitration proceedings and written decisions or correspondence shall be English.

(iv) Any party to the Dispute shall be entitled to seek preliminary injunctive relief, if possible, from any court of competent jurisdiction pending the constitution of the tribunal.

18.7 **Notices.** Any notice required or permitted pursuant to this Agreement shall be given in writing and shall be given either personally or by sending it by next-day or second-day courier service, fax, electronic mail or similar means to the address of the relevant Party as shown on Schedule II attached to the Subscription Agreement (or at such other address as such Party may designate by fifteen (15) days' advance written notice to the other Parties to this Agreement given in accordance with this Section). Where a notice is sent by next-day or second-day courier service, service of the notice shall be deemed to be effected by properly addressing, pre-paying and sending by next-day or second-day service through an internationally-recognized courier a letter containing the notice, with a written confirmation of delivery, and to have been effected at the earlier of (i) delivery (or when delivery is refused) and (ii) expiration of two (2) Business Days after the letter containing the same is sent as aforesaid. Where a notice is sent by fax or electronic mail, service of the notice shall be deemed to be effected by properly addressing, and sending such notice through a transmitting organization, with a written confirmation of delivery, and to have been effected on the day the same is sent as aforesaid, if such day is a Business Day and if sent during normal business hours of the recipient, otherwise the next Business Day. Notwithstanding the foregoing, to the extent a "with a copy to" address is designated, notice must also be given to such address in the manner above for such notice, request, consent or other communication hereunder to be effective.

18.8 **Expenses.** If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, the prevailing Party shall be entitled to reasonable attorneys' fees, costs and necessary disbursements in addition to any other relief to which such Party may be entitled.

18.9 **Rights Cumulative; Specific Performance.** Each and all of the various rights, powers and remedies of a Party hereto will be considered to be cumulative with and in addition to any other rights, powers and remedies which such Party may have at Law or in equity in the event of the breach of any of the terms of this Agreement. The exercise or partial exercise of any right, power or remedy will neither constitute the exclusive election thereof nor the waiver of any other right, power or remedy available to such Party. Without limiting the foregoing, the Parties hereto acknowledge and agree irreparable harm may occur for which money damages would not be an adequate remedy in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Parties shall be entitled to injunction to prevent to address breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement.

18.10 **Successor Indemnification.** If the Company or any of its successors or assignees consolidates with or merges into any other Person and is not the continuing or surviving corporation or entity of such consolidation or merger, then to the extent necessary, proper provision shall be made so that the successors and assignees of the Company assume the obligations of the Company with respect to indemnification of members of the Board as in effect immediately before such transaction, whether such obligations are contained in the Memorandum and Articles, or elsewhere, as the case may be.

18.11 **Severability.** In case any provision of this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby. If, however, any provision of this Agreement shall be invalid, illegal, or unenforceable under any such applicable Law in any jurisdiction, it shall, as to such jurisdiction, be deemed modified to conform to the minimum requirements of such Law, or, if for any reason it is not deemed so modified, it shall be invalid, illegal, or unenforceable only to the extent of such invalidity, illegality, or limitation on enforceability without affecting the remaining provisions of this Agreement, or the validity, legality, or enforceability of such provision in any other jurisdiction.

18.12 **Amendments and Waivers.** Any provision in this Agreement may be amended and the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively), only by the written consent of (i) the Company; (ii) the Investors; and (iii) Persons holding a majority of the Ordinary Shares; provided, however, that (a) no amendment or waiver shall be effective or enforceable in respect of a holder of any particular series of shares of the Company if such amendment or waiver affects such holder materially and adversely differently from the other holders of the same series of shares, respectively, unless such holder consents in writing to such amendment or waiver, and (b) any provision that specifically and expressly gives a right to a named Investor shall not be amended or waived without the prior written consent of such named Investor. Notwithstanding the foregoing, any Party hereunder may waive any of its/his rights hereunder without obtaining the consent of any Parties. Any amendment or waiver effected in accordance with this Section shall be binding upon all the Parties hereto.

18.13 **No Waiver.** Failure to insist upon strict compliance with any of the terms, covenants, or conditions hereof will not be deemed a waiver of such term, covenant, or condition, nor will any waiver or relinquishment of, or failure to insist upon strict compliance with, any right, power or remedy hereunder at any one or more times be deemed a waiver or relinquishment of such right, power or remedy at any other time or times.

18.14 **Delays or Omissions.** No delay or omission to exercise any right, power or remedy accruing to any Party under this Agreement, upon any breach or default of any other Party under this Agreement, shall impair any such right, power or remedy of such non-breaching or non-defaulting Party nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any Party of any breach or default under this Agreement, or any waiver on the part of any Party of any provisions or conditions of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing.

18.15 **No Presumption.** The Parties acknowledge that any applicable Law that would require interpretation of any claimed ambiguities in this Agreement against the Party that drafted it has no application and is expressly waived. If any claim is made by a Party relating to any conflict, omission or ambiguity in the provisions of this Agreement, no presumption or burden of proof or persuasion will be implied because this Agreement was prepared by or at the request of any Party or its counsel.

18.16 **Counterparts.** This Agreement may be executed 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. Facsimile and e-mailed copies of signatures shall be deemed to be originals for purposes of the effectiveness of this Agreement.

18.17 **Entire Agreement.** This Agreement (including the Exhibits and Schedules hereto) together with the other instruments and agreements referenced herein constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all other prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof (including without limitation the Term Sheet between the Company, YY, Mr. Dong and Tencent dated February 3, 2018).

18.18 **Control.** In the event of any conflict or inconsistency between any of the terms of this Agreement and any of the terms of any of the Charter Documents for any of the Group Companies, or in the event of any dispute related to any such Charter Document, the terms of this Agreement shall prevail in all respects, the Parties shall give full effect to and act in accordance with the provisions of this Agreement over the provisions of the Charter Documents, and the Parties hereto shall exercise all voting and other rights and powers (including to procure any required alteration to such Charter Documents to resolve such conflict or inconsistency) to make the provisions of this Agreement effective, and not to take any actions that impair any provisions in this Agreement. For the avoidance of doubt, the Company is not bound by any provision of this Agreement to the extent that it constitutes an unlawful fetter on any statutory power of the Company. This shall not affect the validity of the relevant provision as between the other Parties to this Agreement or the respective obligations on the other Parties as between themselves under this Agreement.

18.19 **Aggregation of Shares**. All Shares held or acquired by any Affiliates shall be aggregated together for the purpose of determining the availability of any rights of any Investor under this Agreement.

18.20 **Adjustments for Share Splits, Etc**. Wherever in this Agreement there is a reference to a specific number of Shares of the Company, then, upon the occurrence of any subdivision, combination or share dividend of the relevant class or series of the Shares, the specific number of shares so referenced in this Agreement shall automatically be proportionally adjusted, as appropriate, to reflect the effect on the outstanding shares of such class or series of Shares by such subdivision, combination or share dividend.

18.21 **Future Ordinary Holders**. Except with the written consent of the Majority Series A Preferred Holders and the Majority Series B Preferred Holders, the Company shall cause a future holder of more than one percent (1%) of the Company's Ordinary Shares or a future holder of Equity Securities (other than the Preferred Shares) convertible, exchangeable or exercisable for more than one percent (1%) of the Company's Ordinary Shares (in any case, as designated by the Preferred Shareholders~~)~~ to enter into this Agreement and become subject to the terms and conditions hereof as a holder of the Company's Ordinary Shares. The Parties hereto hereby agree that such future holders shall become parties to this Agreement by executing the Deed of Adherence, without any amendment of this Agreement, or any consent or approval of any other party.

18.22 **No Promotion**.

(i) The Company agrees that it will not, without the prior written consent of Ping An, in each instance, (a) use in advertising, publicity, or otherwise the name of Ping An (including without limitation PING AN Insurance and □□□□), or any Affiliate of Ping An or any partner or employee of any Affiliate of Ping An nor any trade name, trademark, trade device, service mark, symbol or any abbreviation, contraction or simulation thereof owned by Ping An or its Affiliates, or (b) represent, directly or indirectly, that any product or any service provided by the Company has been approved or endorsed by Ping An or an Affiliate of Ping An. The Company further agrees that it shall obtain the written consent from Ping An prior to the Company's issuance of any public statement detailing such Investor's subscription of Shares pursuant to this Agreement.

(ii) Each Group Company agrees that it will not, without the prior written consent of the holder of the Series B Preferred Shares or Tencent (regardless of whether or not Tencent or its Affiliates are shareholders of any Group Company), in each instance, (a) use in advertising, publicity, or otherwise the name of Tencent, or any Affiliate of Tencent or any partner or employee of any Affiliate of Tencent nor any trade name, trademark, trade device, service mark, symbol or any abbreviation, contraction or simulation thereof owned by Tencent or its Affiliates (whether alone or in combination thereof), or (b) represent, directly or indirectly, that any product or any service provided by the Company has been approved or endorsed by Tencent or an Affiliate of Tencent. The Company further agrees that it shall obtain the written consent from Tencent prior to the Company's issuance of any public statement detailing Tencent's subscription of the Series B-2 Preferred Shares.

18.23 **No Fiduciary Duty.** The Parties hereto acknowledge and agree that nothing in this Agreement or the other Transaction Documents shall create a fiduciary duty of any Investor or its Affiliates to any Group Company or its shareholders.

18.24 **Exculpation Among Investors**. Each Investor acknowledges that it is not relying upon any person, firm or corporation, other than the Group Companies and their officers and directors and the other Warrantors (as defined in the Subscription Agreement), in making its investment or decision to invest in the Company. Each Investor agrees that no Investor nor the respective controlling persons, officers, directors, partners, agents, or employees of any Investor shall be liable to any other Investor for any action heretofore or hereafter taken or omitted to be taken by any of them in connection with the purchase of the Shares.

18.25 **Use of English Language**. This Agreement has been executed and delivered in the English language. Any translation of this Agreement into another language shall have no interpretive effect. All documents or notices to be delivered pursuant to or in connection with this Agreement shall be in the English language or, if any such document or notice is not in the English language, accompanied by an English translation thereof, and the English language version of any such document or notice shall control for purposes thereof.

18.26 **Independent Nature of Investors' Obligations and Rights**. The obligations of the Investors under this Agreement and the other Transaction Documents are several and not joint, and no Investor is responsible in any way for the performance or conduct of any other Investors in connection with the transactions contemplated hereby. Nothing contained herein or in any other Transaction Document, and no action taken by any Investor pursuant hereto or thereto, shall be or shall be deemed to constitute a partnership, association, joint venture, or joint group with respect to the Investors. Each Investor agrees that no other Investor has acted as an agent for such Investor in connection with the transactions contemplated hereby.

18.27 **Effective Date**. This Agreement shall take effect upon the Closing Date.

[The remainder of this page has been intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

COMPANY:

HUYA INC.

By: /s/ DONG Rongjie
Name: DONG Rongjie (□□□)
Title: Director

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

HK COMPANY:

HUYA LIMITED

By: /s/ ZHANG Haifeng
Name: ZHANG Haifeng (□□□)
Title: Director

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

DOMESTIC COMPANY:

□□□□□□□□□□□□
(Guangzhou Huya Information Technology Co., Ltd.)

(Company Seal)

By: /s/ DONG Rongjie
Name: DONG Rongjie (□□□)
Title: Legal Representative

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

WFOE:

□□□□□□□□□□
(Guangzhou Huya Technology Co., Ltd.)

(Company Seal)

By: /s/ DONG Rongjie
Name: DONG Rongjie (□□□)
Title: Legal Representative

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

The undersigned (a) understands that this Agreement imposes obligations on him, (b) understands English and has read and understands the terms of this Agreement or has had this Agreement translated and explained to him, and (c) has considered this Agreement with his own tax and legal advisors and has relied solely on such advisors for tax and legal advice and will be responsible for his own liabilities resulting from this Agreement.

[illegible]

DONG Rongjie (□□□)

By: /s/ DONG Rongjie

Name: DONG Rongjie (□□□)

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

The undersigned (a) understands that this Agreement imposes obligations on him, (b) understands English and has read and understands the terms of this Agreement or has had this Agreement translated and explained to him, and (c) has considered this Agreement with his own tax and legal advisors and has relied solely on such advisors for tax and legal advice and will be responsible for his own liabilities resulting from this Agreement.

[illegible]

LI Xueling ([illegible])

By: /s/ LI Xueling

Name: LI Xueling ([illegible])

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

YY:

YY Inc.

By: /s/ LI Xueling
Name: LI Xueling (□□□)
Title: Authorized Signatory

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

LI SPV:

NEW WALES HOLDINGS LIMITED

By: /s/ LI Xueling
Name: LI Xueling (□□□)
Title: Authorized Signatory

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

MANAGEMENT SPV:

LEGEND RANK VENTURES LIMITED

By: /s/ LI Xueling
Name: LI Xueling (□□□)
Title: Authorized Signatory

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

MANAGEMENT SPV:

Rosy Bay Limited

By: /s/ LI Xueling
Name: LI Xueling (□□□)
Title: Authorized Signatory

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

DONG SPV:

All Worth Limited

By: /s/ DONG Rongjie
Name: DONG Rongjie (□□□)
Title: Authorized Signatory

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

DONG SPV:

Oriental Luck International Limited

By: /s/ DONG Rongjie
Name: DONG Rongjie (□□□)
Title: Director

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

INVESTOR:

BANYAN PARTNERS FUND II, L.P.

By: Banyan Partners II Ltd., its general partner

By: /s/ Anthony Wu
Name: Anthony Wu
Title: Authorized Signatory

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

INVESTOR:

D.I. Alpha Media Company Limited

By: /s/ Irene ZHANG
Name: Irene ZHANG
Title: Authorized Signatory

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

INVESTOR:

HY Streaming Company Limited

By: /s/ Yonghua PANG
Name: Yonghua PANG
Title: Authorized Signatory

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

INVESTOR:

Engage Capital Partners II Limited

By: /s/ WANG ShuMin
Name: WANG ShuMin
Title: Authorized Signatory

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

INVESTOR:

MORNINGSIDE CHINA TMT FUND IV, L.P.
a Cayman Islands exempted limited partnership

By:
MORNINGSIDE CHINA TMT GP IV, L.P.,
a Cayman Islands exempted limited partnership,
its general partner

By:
TMT GENERAL PARTNER LTD.,
a Cayman Islands limited company,
its general partner

in on

By: /s/ Jill Marie Franklin
Name: Jill Marie Franklin
Title: Authorized Signatory

MORNINGSIDE CHINA TMT FUND IV CO-INVESTMENT, L.P.,
a Cayman Islands exempted limited partnership

By:
MORNINGSIDE CHINA TMT GP IV, L.P.,
a Cayman Islands exempted limited partnership,
its general partner

By:
TMT GENERAL PARTNER LTD.,
a Cayman Islands limited company,
its general partner

in on

By: /s/ Jill Marie Franklin
Name: Jill Marie Franklin
Title: Authorized Signatory

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

INVESTOR:

Linen Investment Limited

By: /s/ Huateng MA
Name: Huateng MA
Title: Authorized Signatory

EXHIBIT A

Part I

DEED OF ADHERENCE

DEED OF ADHERENCE made on the [ ] day of, [ ]

BETWEEN:

(1) HUYA Inc., an exempted company incorporated with limited liability under the Laws of the Cayman Islands (the "Company"); and

(2) [Name of New Shareholder] (the "New Shareholder").

RECITALS:

(A) On March 8, 2018, the Company and its Shareholders entered into the Amended and Restated Shareholders Agreement (the "Shareholders Agreement") to which a form of this Deed is attached as Exhibit A.

(B) The New Shareholder wishes to [be allotted/have transferred to him/her/it] [ ] shares (the "Shares") in the capital of the Company from [ ] (the "Old Shareholder") and in accordance with Section 8.2 of the Shareholders Agreement has agreed to enter into this Deed.

(C) The Company enters this Deed on behalf of itself and as agent for all the existing Shareholders of the Company.

NOW THIS DEED WITNESSES as follows:

1. Interpretation. In this Deed, except as the context may otherwise require, all words and expressions defined in the Shareholders Agreement shall have the same meanings when used herein.

2. Covenant. The New Shareholder hereby covenants to the Company as trustee for all other persons who are at present or who may hereafter become bound by the Shareholders Agreement, and to the Company itself to adhere to and be bound by all the duties, burdens and obligations of a Shareholder holding the same class of shares as the Shares imposed pursuant to the provisions of the Shareholders Agreement and all documents expressed in writing to be supplemental or ancillary thereto as if the New Shareholder had been an original party to the Shareholders Agreement since the date thereof.

3. Enforceability. Each existing Shareholder and the Company shall be entitled to enforce the Shareholders Agreement against the New Shareholder, and the New Shareholder shall be entitled to all rights and benefits of the Old Shareholder (other than those that are non-assignable) under the Shareholders Agreement in each case as if the New Shareholder had been an original party to the Shareholders Agreement since the date thereof.

4. Governing Law. THIS DEED OF ADHERENCE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF HONG KONG, EXCEPT TO THE EXTENT THAT THE COMPANIES LAW OF CAYMAN ISLANDS BY ITS TERMS IS APPLICABLE.

IN WITNESS WHEREOF, this Deed of Adherence has been executed as a deed on the date first above written.

HUYA Inc.

By: _____

Name:

Title:

[NAME OF NEW SHAREHOLDER]

By: _____

EXHIBIT A

Part II

DEED OF ADHERENCE

(1) ____ This questionnaire applies to the taxable year of HUYA Inc. (the "**Company**") beginning on [*], 20[*], and ending on [*], 20[*].

(2) ____ PLEASE CHECK HERE IF 75% OR MORE OF THE COMPANY'S GROSS INCOME CONSTITUTES PASSIVE INCOME.

Passive income: For purposes of this test, passive income includes:

- § Dividends, interests, royalties, rents and annuities, *excluding*, however, rents and royalties which are received from an unrelated party in connection with the active conduct of a trade or business.
- § Net gains from the sale or exchange of property—

  which gives rise to dividends, interest, rents or annuities (*excluding*, however, property used in the conduct of a banking, finance or similar business, or in the conduct of an insurance business);

  which is an interest in a trust, partnership, or REMIC; or

  which does not give rise to income.
- § Net gains from transactions in commodities.
- § Net foreign currency gains.
- § Any income equivalent to interest.

Look-through rule: if the Company owns, directly or indirectly, 25% of the stock by value of another corporation, the Company must take into account its proportionate share of the income received by such other corporation.

(3) ____ PLEASE CHECK HERE IF THE AVERAGE FAIR MARKET VALUE DURING THE TAXABLE YEAR OF PASSIVE ASSETS HELD BY THE COMPANY EQUALS 50% OR MORE OF THE AVERAGE FAIR MARKET VALUE OF ALL OF THE COMPANY'S ASSETS.

Note: This test is applied on a gross basis; no liabilities are taken into account.

Passive Assets: For purposes of this test, "**passive assets**" are those assets which generate (or are reasonably expected to generate) passive income (as defined above). Assets which generate partly passive and partly non-passive income are considered passive assets to the extent of the relative proportion of passive income (compared to non-passive income) generated in a particular taxable year by such assets. Please note the following:

- § A trade or service receivable is non-passive if it results from sales
- § or services provided in the ordinary course of business.
- § Intangible assets that produce identifiable items of income, such as patents or licenses, are characterized in terms of the type of income produced.
- § Goodwill and going concern value must be identified to a specific income producing activity and are characterized in accordance with the nature of that activity.
- § Cash and other assets easily convertible into cash are passive assets, even when used as working capital.
- § Stock and securities (including tax-exempt securities) are passive assets, unless held by a dealer as inventory.

Average value: For purposes of this test, "**average fair market value**" equals the average quarterly fair market value of the assets for the relevant taxable year.

Look-through rule: if the Company owns, directly or indirectly, 25% of the stock by value of another corporation, the Company must take into account its proportionate share of the passive assets of such other corporation.

(4) ____ PLEASE CHECK HERE IF (A) MORE THAN 50% OF THE COMPANY'S STOCK (BY VOTING POWER OR BY VALUE) IS OWNED BY FIVE OR FEWER U.S. PERSONS OR ENTITIES AND (B) THE AVERAGE AGGREGATE ADJUSTED TAX BASES (AS DETERMINED UNDER U.S. TAX PRINCIPLES) DURING THE TAXABLE YEAR OF THE PASSIVE ASSETS HELD BY THE COMPANY EQUALS 50% OR MORE OF THE AVERAGE AGGREGATE ADJUSTED TAX BASES OF ALL OF THE COMPANY'S ASSETS.

Average value: For purposes of this test, "**average aggregate adjusted tax bases**" equals the average quarterly aggregate adjusted tax bases of the assets for the relevant taxable year.

Look-through rule: if the Company owns, directly or indirectly, 25% of the stock by value of another corporation, the Company must take into account its proportionate share of the passive assets of such other corporation.

(5) **[**INVESTOR**]** HAS THE FOLLOWING PRO-RATA SHARE OF THE ORDINARY EARNINGS AND NET CAPITAL GAIN OF THE COMPANY AS DETERMINED UNDER U.S. INCOME TAX PRINCIPLES FOR THE TAXABLE YEAR OF THE COMPANY:

Ordinary Earnings: _____ (as determined under U.S. income tax principles)

Net Capital Gain: _____ (as determined under U.S. income tax principles)

Pro Rata Share: For purposes of the foregoing, the shareholder's pro rata share equals the amount that would have been distributed with respect to the shareholder's stock if, on each day during the taxable year of the Company, the Company had distributed to each shareholder its pro rata share of that day's ratable share (determined by allocating to each day of the year, an equal amount of the Company's aggregate ordinary earnings and aggregate net capital gain for such year) of the Company's ordinary earnings and net capital gain for such year. Determination of a shareholder's pro rata share will require reference to the Company's charter, certificate of incorporation, articles of association or other comparable governing document.

(6) The amount of cash and fair market value of other property distributed or deemed distributed by Company to **[**Investor**]** during the taxable year specified in paragraph 1. is as follows:

Cash: _____

Fair Market Value of Property: _____

(7) Company will permit **[**Investor**]** to inspect and copy Company's permanent books of account, records, and such other documents as may be maintained by Company that are necessary to establish that PFIC ordinary earnings and net capital gain, as provided in Section 1293(e) of the U.S. Internal Revenue Code of 1986, as amended (or any successor provision thereto), are computed in accordance with U.S. income tax principles.

The foregoing representations are true and accurate as of the date hereof. If in any respect such representations shall cease to be true and accurate, the undersigned shall give immediate notice of such fact to **[**Investor**]**.

[*]

By: _____

Name: _____

Title: _____

Date: _____

EXHIBIT B

FORM OF POWER OF ATTORNEY

□□□□□

□□□/Authorizing party:

□□/Name:
□□□□/ID card No.:
□ □/Address:
□ □/Postal code:
□ □/Telephone:

□□□□/Authorized party:

□□/Name:
□□□□/ID card No.:
□ □/Address:
□ □/Postal code:
□ □/Telephone:

□□□□□□□□□□___□___□___□□HUYA Inc, □□□□□□□□□□□□□□“□□□□”□□□□□□□□□/□□□□□□□□□□□/□□□□□□□□□□/□□□□□□□□□□□□□□□□□□□□□□□□□□□□□□________□□□□□□□□□□□□□□__%□□□□□□□□□/□□□□□□□□□□□□□□□□□□□□□□□□□□□□

The authorizing party intends to exercise the call/options obtained by it under the warrant/option agreement executed by and between it and HUYA Inc, an exempted company incorporated with limited liability under the laws of the Cayman Islands (the “Offshore Company”), on month/day/year. Upon fulfilment of the appropriate conditions set forth in the warrant/option agreement, the authorizing party will acquire ________ ordinary shares in the Offshore Company (representing __% of the total share capital of the Offshore Company). In connection with the exercise of such call/options, the authorized party is hereby empowered to go through relevant foreign exchange registration formalities on behalf of the authorizing party.

□□

The delegated authority of the authorized party includes, on behalf of the authorizing party, filing application, going through the formalities for declaration, acknowledgement, amendment or waiver, collecting relevant notice, certificates, documents and other materials and handing all matters relating to the foreign exchange registration.

□□□/Authorizing party□_____□□□/Signature□

___□___□___□/Month/Day/Year

Exhibit 4.38

NON-COMPETE AGREEMENT

The Non-Compete Agreement (the "Agreement") has been made and entered into on March 8, 2018, by and between the two parties hereunder in Guangzhou, the People's Republic of China (the "PRC"):

(1) Guangzhou Huaduo Network Technology Co., Ltd., a limited liability company duly established and validly existing under the PRC laws, located at 28F, Building B-1, North Block of Wanda Commercial Plaza, Wanbo Business District, No. 79 Wanbo Er Road, Nancun Town, Panyu District, Guangzhou (the "Party A");

(2) Guangzhou Huya Information Technology Co., Ltd., a limited liability company duly established and validly existing under the PRC laws, located at Unit 10, 28F, Building B-1, North Block of Wanda Plaza, No. 79 Wanbo Er Road, Nancun Town, Panyu District, Guangzhou (the "Party B").

Party A and Party B are referred to as the "Parties" collectively and a "Party" individually hereunder. This Agreement has been hereby made between Party A and Party B with regard to the non-compete arrangement through friendly consultation.

I. Definitions and Interpretations

1.1 Definitions

For the purpose of the Agreement, words and terms used hereunder shall have the meanings as specified below (except those otherwise required by the subject or the context), unless otherwise stated.

Subsidiary	Any entity that is directly or indirectly (through one or more intermediaries) controlled by another party. The term "control" here means that a party's effective control by (i) directly or indirectly holding over 50% voting shares, registered capital or other interests in such entity in the form of voting shares or contracts or otherwise; or (ii) having the right to appoint or nominate the general manager, legal representative or a majority of members of the management committee, the board of directors or other equivalent decision-making bodies.
Affiliate	Any entity that, directly or indirectly (through one or more intermediaries), controls or is controlled by another party, or is under common control of other entities. The term "control" here means that a party's effective control by (i) directly or indirectly holding over 50% voting shares, registered capital or other interests in such entity in the form of voting shares or contracts or otherwise; or (ii) having the right to appoint or nominate the general manager, legal representative or a majority of members of the management committee, the board of directors or other equivalent decision-making bodies, or effective control such entity by any other means, including but not limited to the management of financial, human resource and business.

Third party	Any entity or individual which or who is not a Party hereto and is unrelated to the Parties and their respective related parties.
Party A's platform	All platform websites and platform software that are owned, controlled or operated by Party A and/or its subsidiaries for providing application (including game software) access services to itself and to the third parties, including but not limited to the existing live streaming platforms (www.yy.com and YY App) of Party A and/or its subsidiaries (effects of the Agreement shall not be affected when Party A and/or its subsidiaries changes the operator of the aforesaid live streaming platforms).
Huya Inc.	A company duly established and existing under Cayman Islands laws, with the registered address at Vistra (Cayman) Limited, P.O. Box, 31119 Grand Pavilion, Hisbiscus Way, 802 West Bay Road, Grand Cayman, KY1 - 1205 Cayman Islands. Huya is an offshore affiliate of Party B.
Tencent	Tencent Computer System Co., Ltd. and its onshore and offshore affiliates.

1.2 Interpretations

1.2.1 The title of each Article is for easy access and reference only. It shall not be deemed as definition, interpretation or description of the clause thereof, and shall not impact meanings of such clause.

1.2.2 Any "Clause" mentioned shall refer to the specific clause hereunder.

1.2.3 The term "a party" shall be taken to include their respective successor, inheritor or transferee.

1.2.4 Any laws, regulations, rules, notices or statutory provisions mentioned hereunder shall include any of their additions, revisions or re-enactment made by the legislative body.

II. Non-compete Arrangement

2.1 The Parties agree to set up non-compete arrangements to avoid competition between the parties during operation. During the non-compete period (see Article IV for detailed definition), Party A is bound by the following obligations:

2.1.1 Party A shall not recommend, place advertisement or distribute any online game products operated by any of Party B's competitors ("Competitors") or their respective affiliates on its platform, and shall not engage in live streaming related to such products or disseminate games or other derivative works associated with such product;

2.1.2 Regarding online game products other than those described under 2.1.1 ("Competitive Products"), Party A shall not engage in live streaming related to the competitive product or disseminate games or other derivative works associated with the competitive products.

The scope of competitors and competitive products is subject to discussion and mutual agreement between the Parties.

2.2 During the non-compete period, Party B shall update the competitive product list on a quarterly basis, if any. The updated list shall be effective upon written confirmation from Tencent's representative on Huya Inc.'s board; in the case that Tencent no longer holds any seat on Huya Inc.'s board as a result of board seat adjustments at Huya Inc., the updated list shall come into effect upon approval from a representative with separate written designation from Tencent. Tencent approval may not be required, if Tencent or its affiliates' holding in Huya Inc. falls below 1/3 (not inclusive) of the Series B shares they acquired upon closing on March 8, 2018.

III. Confidentiality

3.1 Confidentiality

The Parties agree to keep the non-compete relationship established based on the Agreement, the existence and any part of the Agreement, as well as the negotiation, communication and other details relating to the execution of the Agreement in the strict confidence. Party with the intention to disclose any such information shall seek written consent from the other, except for disclosures required under applicable exchange rules or laws, or according to any judicial or regulatory procedures, or as a result of any proceedings, cases or procedures arising from or in connection with the Agreement, where in such cases prior notice shall be given to the other party with confidential arrangements followed to the extent possible. Such confidentiality responsibilities and obligations shall survive the termination of the Agreement and continue in full force and effect.

3.2 Non-disclosure

A party shall deal with the trade secrets disclosed by the other party to it or it becomes aware through business contact or other channels (i.e., technical, financial, commercial or other confidential information not in the public domain owned by the other party and/or its affiliates which can generate economic benefits to the other party and/or its affiliates and the other party and/or its affiliates keep strictly confidential) in the strict confidence. Without the prior written consent of the other party, a party shall not provide, disclose or transfer the other party's trade secrets to any third party on a paid or unpaid basis. A party may use the trade secrets of the other party it obtains or becomes aware of for the sole purpose of performing the Agreement.

IV. Non-compete period

4.1 Non-compete period

The non-compete period under the Agreement is four (4) years and shall take effect as of the date on which both parties affix the official seals or contract seals (if the dates of their seals are different, the Agreement shall be effective as of the date of the last-executed seal). Within thirty (30) days before the expiry of the non-compete period, both parties may renegotiate whether the Agreement shall be renewed.

V. Other provisions

5.1 Breach of Agreement

Any party that fails to perform the Agreement or performance of the Agreement does not comply with the provisions shall be deemed to be in breach of Agreement. The defaulting party shall indemnify the non-defaulting party for any and all losses resulting therefrom, and the non-defaulting party may require the defaulting party to assume other liabilities for breach of the Agreement in accordance with the applicable regulations and laws.

5.2 Governing laws

The establishment, validity, interpretation and performance of the Agreement and settlement of disputes under the Agreement shall be governed by the laws of PRC (excluding its conflict of laws).

5.3 Notice and delivery

All the notices sent by one party to the other party shall be made in writing in Chinese and shall be delivered in person (including express courier services) or by registered mail, except as otherwise agreed by both parties to be delivered in the form of email. Notices in the mail or in writing under the Agreement shall be deemed valid only if sent to the following physical address or email address:

Deliver to Guangzhou Huaduo Network Technology Co., Ltd.

Designated contact: Xueling LI

Address: 24F, Building B-1, North Block of Wanda Commercial Plaza, Wanbo Business District, No. 79 Wanbo Er Road, Nancun Town, Panyu District, Guangzhou, China

Tel:

Email:

Deliver to Guangzhou Huya Information Technology Co., Ltd.

Designated contact: Rongjie DONG

Address: 24F, Building B-1, North Block of Wanda Commercial Plaza, Wanbo Business District, No. 79 Wanbo Er Road, Nancun Town, Panyu District, Guangzhou, China

Tel:

Email:

5.4 Resolution of disputes

For any disputes ("disputes") arising from the Agreement or related to the Agreement, both parties shall resolve it in a friendly manner through negotiation. The party making the request for resolution shall inform the other party promptly of the existence and nature of the dispute with a written notice containing the date. In the case that the parties fail to resolve the dispute through negotiation within sixty (60) days after the date set forth in such written notice, either party may submit the dispute to Guangzhou Arbitration Commission for resolution.

5.5 Duplicates

The Agreement has been executed in two (2) duplicate originals; each party holds one (1) original and each duplicate original shall have the same legal effect.

(Remainder of this page intentionally left blank)

(Signature page of Non-compete Agreement)

In witness whereof, respective authorized representatives of both parties have signed the Agreement on the date set forth at the beginning of the Agreement.

Guangzhou Huaduo Network Technology Co., Ltd.

[*Company seal is affixed*]

Authorized representative: /s/ Xueling LI

Date:

Guangzhou Huya Information Technology Co., Ltd.

[*Company seal is affixed*]

Authorized representative: /s/ Rongjie DONG

Date:

Exhibit 4.39

Business Cooperation Agreement

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is entered into by

【Shenzhen Tencent Computer Systems Company Ltd.】

and

【Guangzhou Huya Information Technology Co., Ltd.】

on February 5th, 2018

Business Cooperation Agreement

The Business Cooperation Agreement (this "**Agreement**") is entered into by the following parties in Nanshan district, Shenzhen city, the People's Republic of China (the "**PRC**") on February 5, 2018 :

(1) **Shenzhen Tencent Computer Systems Company Ltd.**, is a limited liability company legally established and existing under the laws of PRC, with its address in Floors 5-10, Fiyta Building, Gao Xin Nan Yi Street, High-tech Park, Nanshan District, Shenzhen (hereinafter referred to as "**Party A**");

(2) **Guangzhou Huya Information Technology Co., Ltd.**, is a limited liability company legally established and existing under the laws of PRC, with its address in Unit 10, Floor 28, Block B-1,Wanda Plaza North Zone, No.79 Wanbo Er Road, Nancun Town, Panyu District, Guangzhou (hereinafter referred to as "**Party B**");

In this Agreement, Party A and Party B are referred to as the "Parties" collectively or "a Party" individually.

WHEREAS:
The Parties have carried out long-term cooperation in areas including game promotion and game copyright authorization. The Parties are now negotiating strategic cooperation on resource cooperation, content cooperation, information synchronization and industry norms, and reaching an agreement on the establishment of a strategic cooperative relationship. On the date of signing this Agreement, Party A's overseas affiliate (hereinafter referred to as "Tencent Investment Subject" or "Tencent") is negotiating with Party B's overseas affiliate (i.e. Huya Inc., hereinafter referred to as "Overseas Shareholding Entity") and other interested parties on certain Investment Agreements (see definition below), and it is intended that the signing of this Agreement is one of the conditions precedent to the transaction under the Investment Agreements.

The Parties reach and agree to the following after friendly negotiation in accordance with the principle of equality and mutual benefit, honesty and mutual trust, and complementary advantages:

Article 1 Definitions and Interpretation

1.1 **Definitions**
For the purposes of this Agreement, unless otherwise specified in the articles of this Agreement, the following words and phrases used in this Agreement shall have the following defined meanings (unless the subject or context otherwise requires).

Affiliates	refer to any person who directly or indirectly (through one or more intermediaries) controls or is controlled by a Party, or who is directly or indirectly jointly controlled by other subjects. The term "control" refers to a Party (i) directly or indirectly, through shares with voting rights, contracts or other means, holds over fifty percent (50%) shares with voting rights, registered capital or other equity interests, or (ii) has the power to appoint or nominate a general manager, legal representative or a majority of members of management committee, the board or other equivalent decision-making bodies, or any other form of substantive control, including but not limited to management of finance, personnel and operations. For avoidance of doubt, Party A's Affiliates in Article 2.3.3 hereof refer in particular to Tencent Technology (Shenzhen) Co., Ltd., Tencent Technology (Shanghai) Co., Ltd., Tencent Technology (Chengdu) Co., Ltd., Tencent Technology (Beijing) Co., Ltd., and Tencent Technology (Wuhan) Co., Ltd.
Online Games	refer to game products and services composed by software programs and information data, provided through information networks including the internet and mobile communication network, mainly including online games run in the form of clients, web browsers and other terminals, and stand-alone games made available to the public through information network. Other terminals refer to mobile phones, personal digital processors, connected game machines and all kinds of information devices connecting to the information network.
Online Game Distribution	refer to download or linking services that are provided to the public through its own or controlled platforms (including but not limited to browsers, webpages, Apps, etc.). For avoidance of doubt, the "Online Game Distribution" mentioned in this Agreement only refers to the online game center of Party B's platforms (i.e. "Huya Live App-discovery-play game", the change of the game center name or entry location does not affect the effectiveness of this Agreement)
Party B's Platforms	collectively refer to all platform websites and platform software that Party B or the Affiliates controlled by Party B own, control, and operate to provide application software (including game software) connection service to itself and third parties, currently including but not limited to Party B or the Affiliates controlled by Party B's existing live platforms [huya.com and Huya Live App].
third party	refer to any subject that is not one of the Parties hereto and has no affiliated relationship with the Parties or their respective Affiliates.

Investment Agreements refer to a series of documents in relation to the investment in overseas investment entities by Tencent Investment Subject signed after the date of signing this Agreement by Overseas Shareholding Entity, Tencent Investment Subject and other interested parties, on the basis of reaching an agreement through negotiation, including but not limited to share subscription agreement and shareholders agreement.

1.2 **Interpretation**

(1) The titles of the articles are for convenience of reference only and is not the definition, limitation, interpretation or description of the article to which the title belongs and does not affect the meaning of the article to which the title belongs;

(2) Any reference to "articles" or "annexes" refer to specific articles or annexes in this Agreement;

(3) The term "a Party" shall be deemed to include its respective successors, heirs or assignees;

(4) Any laws, regulations, regulations, notices or statutory provisions referred to in this Agreement shall include any supplement, amendment or reenactment by the legislature.

Article 2 Cooperation Arrangement

2.1 **Online Game Distribution**

2.1.1 **Exclusive Operation Right**

Party B agrees to cooperate with Party A on the Online Game Distribution business of Party B's game center. During the term of cooperation agreed in this Agreement, Party A shall obtain the exclusive operation right of the Online Game Distribution business of Party B's game center. The Parties will make further negotiation on the game distribution business outside Party B's game center.

2.1.2 **Exercise of right**

Party B provides written lists of promotion resources (the display carriers of such promotion resources include but are not limited to websites, APPs, bumper advertisements and content placement) that can be used for distribution of Online Games. Party A has the right to decide whether or not to introduce a certain online game, and has the right to request Party A's online game products that are distributed through Party B's game center, to use SDK provided by Party A. The Parties will further negotiate profit sharing proportion according to the size/amount of Online Games and distribution and promotion resources and sign a separate memorandum of cooperation. In addition, the Parties further agreed that the assessment objectives of Online Game Distribution business of Party B's game center shall be confirmed by both Parties.

2.1.3 **Game Distribution Area**
In order to improve the distribution result of Party A's Online Games, Party B undertakes that it will set up a distribution area (see definition 2.2.1 below) for Party A's Online Games on its platform. The specific location of the game area shall be decided by the Parties' business teams based on market-oriented principle.

2.1.4 **Limitation and reservation of right**

Notwithstanding the foregoing, the relevant games as otherwise agreed by the Parties ("Excluded Games") shall not be affected. Party B undertakes and guarantees:

(1) After expiration of the term of the cooperation on the Excluded Games, during the term of cooperation agreed in this Agreement, Party B shall not carry out any cooperation on Excluded Games that will conflict with Party A's rights under articles 2.1.1 and 2.1.2 hereof;

(2) For distribution of and cooperation on Online Games other than the Excluded Games, Party A shall exercise the exclusive operation right of Online Game Distribution business in accordance with articles 2.1.1 and 2.1.2 hereof.

2.2 **Party A's Online Game Specific Area**

2.2.1 **Set Up of Specific Area**
Under the principle of article 2.1.3, Party B undertakes that it will set up a specific game area for Party A's Online Games (hereinafter referred to as "**Party A's Game Area**"), at notable positions on Party B's Platforms including but not limited to the primary interface of Party B's APP, first screen of Party B's Web/PC client or other notable positions, for publicity and promotion of Party A's Online Games live streaming, game competition and other game derivative contents, etc.

2.2.2 **Content And Operation of Specific Area**
In addition to the regular live streaming content, Party A's Game Area is responsible for the functions including the game user community sediment and related official promotion and official information release, and shall prepare corresponding programs or live streaming contents to fit material time points and events of Party A's game operation. The specific contents and operations of Party A's Game Area will be further determined by both Parties' business teams after negotiation in accordance with the market-oriented principle. Party A agrees to equip full-time teams for Party A's Game Area .

2.3 **Broadcaster Resource Cooperation**

2.3.1 **Broadcaster Cooperation**

The Parties hereto will provide high-quality broadcaster resource support to Party A under the cooperative framework hereof, including but not limited to cultivation and promotion of Party A's certified broadcasters, safeguarding the broadcasters' interests. The Parties will further determine the specific contents of the cooperation .

2.3.2 **Content Authorization**

In order to promote Party A's Online Games and increase the exposure of quality content on the Party B's Platforms, Party A has the right to use the contents (including but not limited to video, audio, pictures), relevant to Party A's Online Games, which have been published on Party B's Platforms, on the platforms (including but not limited to Party A's Online Games, game official Weibo account, game official WeChat account, Tencent video, etc.) operated by Party A or its Affiliates, provided that Party A has the full intellectual property rights or has been legally authorized to license third parties to use the above-mentioned contents. When using the above-mentioned contents, Party A shall specify that the contents come from Party B's Platforms and broadcasters and specify the broadcaster and author information, and shall not defame or banter Party B, Party B's Platforms and the broadcasters.

2.3.3 **Live Streaming Authorization**

Within twelve (12) months from the date of this Agreement comes into effect (" Live Streaming Authorization Term"), Party A authorizes Party B to use live streaming and video contents relevant to Party A's Online Games (in particular online game products of Party A and its Affiliates as copyright owners and online game products which Party A operate as agent and has the right to sub-authorize Party B to use), including provision of network services to users on the Party B's Platforms for playing Party A's games and relevant contents. For avoidance of doubt, the Parties further specify that (i) for the online game products Party A operate as agent, Party A shall sub-authorize Party B to live stream, except those for which Party A fails to obtain authorization or agreed otherwise with the original copyright owner, and for such products Party A shall otherwise negotiate with Party B on sub-authorization matters; (ii) the aforementioned authorized contents do not include e-sport competition and derivative programs organized by Party A or its Affiliates in relation to Party A's Online Games, as well as other variety shows, movie and television works or other video contents ("Excluded Contents") created and recomposed based on Party A's Online Games. If Party B intends to obtain authorization for the Excluded Contents, it shall separately sign an authorization agreement with Party A or its Affiliates and pay the authorization fee. Within thirty (30) calendar days before the expiration of the aforementioned Live Streaming Authorization Term, Party B shall submit an execution report (hereinafter referred to as "Execution Report", the details of which will be agreed separately by the Parties) of this Agreement within the authorization term to Party A. If Party A fails to explicitly notify Party B in writing not to extend the authorization within ten (10) calendar days after receipt of the Execution Report, the Live Streaming Authorization Term shall be automatically extended for twelve (12) months after the expiration of the term. By that analogy, Live Streaming Authorization Term shall count twelve (12) months as a period, Party B shall submit an Execution Report to Party A for evaluation within thirty (30) calendar days before the expiration of every Live Streaming Authorization Term, until the expiration of the term hereof or termination according to article 5.1 herein.

The Parties further make clear that the content and scope of the authorization obtained by Party B under this article 2.3.3 shall not be less or smaller than the rights given by Party A to the relevant live streaming platforms separately agreed upon by the Parties under equivalent conditions.

2.4 **Restrictive Covenants**

Based on the cooperation contents agreed in this Agreement, Party B agrees to undertake the following restrictive obligations:

2.4.1 **Area Restriction**
During the term of cooperation, in order to protect the legitimate interests of Party A's resource investment, Party B shall not set up specific areas for any of Party A's core competitive games (hereinafter referred to as "Party A's Core Competitive Games" or "Core Competitive Games") in relation to promoting Core Competitive Games, the corresponding competition events and other derivative game contents at any notable position of Party B's Platforms including but not limited to primary interfaces of Party B's App, first screen of Party B's Web/PC client or other notable positions.

2.4.2 **Resources Promotion Restriction**
During the term of cooperation, in order to protect the legitimate interests of Party A's resource investment, Party B shall not directly or indirectly promote any Core Competitive Games and competition events of Party A, and shall not directly or indirectly conduct publicity and promotion cooperation with Party A's Core Competitive Games and the corresponding competition events. The restriction includes but is not limited to prohibition of provision to users of Party B's Platforms of living streaming services or services of other contents for watching the aforementioned games, prohibition of display at recommended or advertisement positions at Party B's Platforms and prohibition of recommendation through Party B's Weibo and Wechat public accounts.

2.4.3 **Manage conduct of broadcasters**

During the term of cooperation, in order to protect the legitimate interests of Party A's resource investment, Party B shall have the obligation to manage conducts of the broadcasters under Party A's Game Area, to ensure the above broadcasters not to live stream or promote Party A's Core Competitive Games and the corresponding competition events in Party A's Game Area, and shall not directly or indirectly induce the fans to transfer to other live streaming platforms (other than the active transfer by the fans) or invite the fans to watch their live streaming of Party A's Core Competitive Games. If any such above situation occurs, Party B shall immediately cause it to stop and actively take remedial measures. Once Party A finds the situation, Party B shall delete or block the users from the contents of live streaming or promoting Party A's Core Competitive Games, within 24 hours upon receipt, verification and confirmation of Party A's notice (including Email, telephone call, text message, WeChat and other means of communication). However, the Parties further clarify that Party A shall not interfere with the non-commercial personal conducts of broadcasters of Party B's Platforms live streaming Party A's Core Competitive Games on their own , provided that Party B shall comply with the non-promotion requirement in article 2.4.2, and the specific communication mechanism shall be determined through further negotiation between the Parties.

2.5 **Information Synchronization**

2.5.1 **Information Synchronization Scope**

Party B shall synchronize relevant information to Party A under the framework of this Agreement , and details shall be agreed separately by the Parties.

2.5.2 **Information Synchronization Method**

The Parties agree, within five (5) working days after this Agreement become effective, to communicate in respect of synchronizing the information stipulated in article 2.5.1 in the manner of system docking (including but not limited to providing Party A with the authority to search for information on Party B's Platforms, and transmitting information to the port designated by Party A in accordance with fixed terms), and complete system docking before June 1, 2018. Subject to mutual agreement, the above term for completion may be reasonably extended.

2.6 **Code of Live Streaming Conduct**

2.6.1 **Ensure Code Compliance**

Party B shall regulate the conducts of broadcasters of Party B's Platforms when live streaming Party A's Online Games, and ensure that broadcasters of Party B's Platforms comply with the Live Streaming Convention issued by Party A from time to time, and shall prohibits the occurrence of such conducts including but not limited to:

(1) Any conduct that violates laws, regulations and ethical norms, such as physical violence, verbal assault or abuse, etc.;

(2) Any conduct that violates the rules of the games or the spirit of competition, such as negative competition, malicious hanging up, etc.

(3) Any conduct that endangers the physical and mental health of game users, such as smoking, alcoholism or over-revealing clothes, etc.

(4) Any conduct that harms the fairness of game competitiveness, such as issuing game leveling, plugging advertisement, spreading game loopholes, etc. ;

(5) Any conduct that damages the user experience of the games and the brands of Party A's games.

2.6.2 **Cooperate to Take Measures**
If the broadcasters of Party B's Platforms fail to comply with the code of conduct stipulated in article 2.6.1, Party A has the right to require Party B to restrict the above mentioned broadcasters to continue to live stream Party A's Online Games, and to take measures including but not limited to temporarily or permanently closing or suspending the broadcasters' live streaming accounts on Party B's Platforms, and deletion or blocking of links to the live streams content, etc., and Party B shall cooperate.

Article 3 Confidentiality

3.1 **Confidentiality**
The Parties agree to keep strictly confidential the cooperation relations reached between the Parties based on this Agreement, the existence of this Agreement and terms herein, as well as the process and details of negotiation and communication relating to the execution of this Agreement, if any Party intends to publish any of the contents mentioned above which should be kept in confidential, such Party shall obtain the prior written consent of the other Party, unless it is required to make disclosure in accordance with the rules of the relevant stock exchanges, applicable laws, or make disclosure by reason of any judicial or regulatory proceedings, or make disclosure by any judicial proceeding arising out of, or relating to, any lawsuit or case or proceeding, but such Party shall give prior notice to other Party and shall comply with any practical confidentiality arrangement. The confidentiality duties and obligations hereunder shall remain valid and be legally binding after termination of this Agreement.

3.2 **Non-disclosure**
Each Party shall keep confidential the commercial information disclosed by the other Party or accessed for reason of work or acquired through other channels (i.e, all technological, financial, commercial or other confidential information not known to the public owned by the other Party and / or its Affiliates, and information or data that can bring economic benefits to such other Party and / or its Affiliates and for which such other Party and / or its Affiliates take confidentiality measures). Without prior written consent by such other Party, a Party shall not provide, disclose or transfer the other Party's trade secrets to any third party, with or without consideration. Each Party shall use the other Party's trade secrets acquired or known by such Party solely for the purpose of this Agreement.

Article 4 Term of Cooperation

4.1 **Term of Cooperation**

The agreed term of this Agreement shall be 3 years, this Agreement shall be entered into on the date the Parties affix seal or special seal for contractual uses (in case that the two Parties' sealing dates differ, whichever is later), and shall become effective from the date the Investment Agreements come into force. Within thirty (30) days before the expiry of the agreed term, the Parties may renegotiate whether to renew this Agreement. If neither Party has given any written notice to the other Party within the foregoing period, on the premise that the number of shares of Overseas Shareholding Entity held by Tencent at that time is no less than 50% of those actually held by Tencent on the date of completion of the transaction under the Investment Agreements, upon expiry, this Agreement shall be automatically renewed for 3 years.

Article 5 Miscellaneous

5.1 **Default**

Non-performance of this Agreement or non-compliance of the performance with the provisions hereof by either Party shall be deemed as a default. The defaulting Party shall compensate the non-defaulting Party for any and all losses resulting therefrom, and the non-defaulting Party shall require the defaulting Party to bear other default liabilities according to the provisions of the applicable law.

5.2 **Governing law**

The execution, effectiveness, performance of and the settlement of disputes over this Agreement shall be governed by PRC laws.

5.3 **Notices and service**

All notices sent by one Party to the other Party shall be made in Chinese in writing, and shall be delivered in person (including express mail service) or by registered mail, unless the Parties agree to deliver by email. Emails or written notices under the agreement shall be deemed as being served upon sending them to the following addresses and e-mails:

Send to Shenzhen Tencent Computer System Company Ltd.

Contact 1: Yang Shen
Address: ******

Tel: ******
Email: ******

Contact2: Chan Zhao
Address: ******
Tel: ******
Email: ******

Send to Guangzhou Huya Information Technology Co., Ltd.

Contact: Dachuan Sha
Address: ******
Tel: ******
Email: ******

5.4 **Settlement of disputes**
When any dispute occurs due to or in connection with this Agreement (the "**dispute**"), the Parties shall settle the dispute through friendly negotiation. The Party who proposes to settle the dispute shall immediately inform the other Party of the occurrence and nature of the dispute by a written notice containing date. Where the Parties fail to settle the dispute within sixty (60) days from the date contained in such written notice through negotiation, either Party may submit the dispute to the People's Court with jurisdiction in Nanshan District, Shenzhen for determination.

5.5 **Counterpart**
This Agreement is executed in two counterparts, of which each Party respectively holds one and all enjoy equal legal effectiveness.

(the remainder of the page is intentionally left blank)

(Signature Page)

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their respective duly authorized representatives and delivered as of the day and year first above written.

Shenzhen Tencent Computer System Company Ltd.
/seal/ Shenzhen Tencent Computer System Co., Ltd.

Guangzhou Huya Information Technology Co., Ltd.
/s/ Rongjie Dong
/seal/ Guangzhou Huya Information Technology Co., Ltd.

Exhibit 8.1

List of Principal Subsidiaries and Consolidated Affiliated Entities of YY Inc.

	Place of Incorporation
Subsidiaries	
Duowan Entertainment Corporation	BVI
NeoTasks Inc.	Cayman Islands
NeoTasks Limited	Hong Kong
Guangzhou Huanju Shidai Information Technology Co., Ltd.	PRC
Huanju Shidai Technology (Beijing) Co., Ltd.	PRC
Zhuhai Duowan Information Technology Co., Ltd.	PRC
HUYA Inc.	Cayman Islands
Huya Limited	Hong Kong
Guangzhou Huya Technology Co., Ltd.	PRC
Engage Capital Partners I. L.P.	Cayman Islands
BiLin Information Technology Co., Ltd.	Cayman Islands
BiLin Information Technology Co., Limited	Hong Kong
Beijing Bilin Changxiang Information Technology Co., Ltd.	PRC
Consolidated Affiliated Entities	
Beijing Tuda Science and Technology Co., Ltd.	PRC
Guangzhou Huaduo Network Technology Co., Ltd.	PRC
Guangzhou Juhui Information Technology Co., Ltd.*	PRC
Guangzhou Huanju Media Co., Ltd.*	PRC
Guangzhou Huanju Electronic Commerce Co., Ltd.*	PRC
Zhuhai Huanju Interactive Entertainment Technology Co., Ltd.*	PRC
Guangzhou Huanju Microfinance Co., Ltd.*	PRC
Guangzhou Bilin Online Information Technology Co., Ltd.	PRC
Guangzhou Huya Information Technology Co.,Ltd.	PRC
Guangzhou Wanhe Technology Co., Ltd.	PRC
Guangzhou Sanrenxing 100-Education Technology Co., Ltd.	PRC
Shanghai Yilian Equity Investment Partnership(LP)	PRC
Guagnzhou Yilian Yixing Equity Investment Partnership(LP)	PRC

* Wholly owned subsidiaries of Guangzhou Huaduo Network Technology Co., Ltd..

Exhibit 12.1

Certification by the Principal Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, David Xueling Li, certify that:

1. I have reviewed this annual report on Form 20-F of YY Inc. (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

   (a) (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) (c) evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) (d) disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and(a)

   (b) (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: April 26, 2018

By: /s/ David Xueling Li
Name: David Xueling Li
Title: Acting Chief Executive Officer

Exhibit 12.2

Certification by the Principal Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Bing Jin, certify that:

1. I have reviewed this annual report on Form 20-F of YY Inc. (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: April 26, 2018

By: /s/ Bing Jin
Name: Bing Jin
Title: Chief Financial Officer

Exhibit 13.1

Certification by the Principal Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of YY Inc. (the "Company") on Form 20-F for the year ended December 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David Xueling Li, Acting Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 26, 2018

By: /s/ David Xueling Li
Name: David Xueling Li
Title: Acting Chief Executive Officer

Exhibit 13.2

Certification by the Principal Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of YY Inc. (the "Company") on Form 20-F for the year ended December 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Bing Jin, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 26, 2018

By: /s/ Bing Jin
Name: Bing Jin
Title: Chief Financial Officer

Exhibit 15.1

Our ref VSL/665661-000001/12645224v1
Direct tel +852 3690 7513
E-mail vivian.lee@maplesandcalder.com

YY Inc.
Building B-1, North Block of Wanda Plaza
No. 79 Wanbo Er Road
Nancun Town, Panyu District
Guangzhou 511442
The People's Republic of China

26 April 2018

Dear Sir

YY Inc.

We have acted as legal advisors as to the laws of the Cayman Islands to YY Inc., an exempted limited liability company incorporated in the Cayman Islands (the "Company"), in connection with the filing by the Company with the United States Securities and Exchange Commission (the "SEC") of an annual report on Form 20-F for the year ended 31 December 2017 (the "Annual Report"), which will be filed with the Securities and Exchange Commission in the month of April 2018.

We hereby consent to the reference of our name under the heading "Taxation" in the Annual Report, and further consent to the incorporation by reference into the Registration Statements on Form S-8 No. 333-187074 and No. 333-215742 pertaining to YY Inc.'s 2009 Employee Equity Incentive Scheme and 2011 Share Incentive Plan, and the Registration Statement on Form F-3 No. 333-219961, of the summary of our opinion under the headings "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Discussion of Selected Statements of Operations Items—Taxation—Cayman Islands" and "Item 10. Additional Information—Taxation—Cayman Islands Taxation". We also consent to the filing with the SEC of this consent letter as an exhibit to the Annual Report.

Yours faithfully
/s/ Maples and Calder (Hong Kong) LLP
Maples and Calder (Hong Kong) LLP

Exhibit 15.2

方達律師事務所
FANGDA PARTNERS

Shanghai·Beijing·Shenzhen·Hong Kong
http://www.fangdalaw.com

E-mail: email@fangdalaw.com
Tel.: 86-21-2208-1166
Fax: 86-21-5298-5599
Ref.: 18GC0062

32/F, Plaza 66 Tower 1
1266 Nan Jing West Road
Shanghai 200040, PRC

To:

YY Inc.
Building B-1, North Block of Wanda Plaza
No. 79 Wanbo Er Road
Nancun Town, Panyu District
Guangzhou 511442
The People's Republic of China

April 26, 2018

Re: 2017 Annual Report on Form 20-F of YY Inc.

Dear Sirs,

We consent to the reference to our firm under the headings "Item 3. Key Information—D. Risk Factors," "Item 4. Information on the Company—B. Business Overview—PRC Regulation," and "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Critical Accounting Policies" in YY Inc.'s Annual Report on Form 20-F for the year ended December 31, 2017 (the "**Annual Report**"), which will be filed with the Securities and Exchange Commission (the "SEC") in the month of April 2018, and further consent to the incorporation by reference of the summaries of our opinions under these captions into the Company's registration statement on Form S-8 (No. 333-187074) pertaining to YY Inc.'s 2009 Employee Equity Incentive Scheme and 2011 Share Incentive Plan, the Company's registration statement on Form S-8 (No. 333-215742) pertaining to YY Inc.'s 2009 Employee Equity Incentive Scheme and 2011 Share Incentive Plan, and the Company's registration statement on Form F-3 (No. 333-219961). We also consent to the filing with the SEC of this consent letter as an exhibit to the Annual Report on Form 20-F for the year ended December 31, 2017.

Yours sincerely,

/s/ Fangda Partners
Fangda Partners

Exhibit 15.3

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-187074 and No. 333-215742) and Form F-3 (No. 333-219961) of YY Inc. of our report dated April 26, 2018 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 20-F.

/s/ PricewaterhouseCoopers Zhong Tian LLP
Guangzhou, the People's Republic of China

April 26, 2018