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

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 UNDER
THE SECURITIES EXCHANGE ACT OF 1934

For the month of November 2018

Commission File Number: 001-35729

YY INC.

Building B-1 North Block of Wanda Plaza
No. 79 Wanbo Er Road, Nancun Town
Panyu District, Guangzhou 511442
People's Republic of China
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F

Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): o

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

YY INC.

By: /s/ Bing Jin
Name: Bing Jin
Title: Chief Financial Officer

Date: November 13, 2018

EXHIBIT INDEX

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|--------------------|
| Exhibit 99.1 | Press release |

YY Reports Third Quarter 2018 Unaudited Financial Results

Guangzhou, China, November 13, 2018 – YY Inc. (NASDAQ: YY) (“YY” or “the Company”), a leading live streaming social media platform in China, today announced its unaudited financial results for the third quarter of 2018.

Third Quarter 2018 Highlights

- Net revenues increased by 32.6% to RMB4,100.5 million (US\$597.0 million) from RMB3,092.3 million in the corresponding period of 2017.
- Net income attributable to YY was RMB650.7 million (US\$94.7 million) compared to RMB636.0 million in the corresponding period of 2017.
- Non-GAAP net income attributable to YY¹ increased by 19.7% to RMB787.0 million (US\$114.6 million) from RMB657.3 million in the corresponding period of 2017.

Mr. David Xueling Li, Chairman and acting Chief Executive Officer of YY, stated, “During the third quarter of 2018 we recorded outstanding operating results, highlighted by a 20.7% year-over-year growth in our mobile live streaming monthly active users (MAU) and a 26.3% year-over-year growth in our total live streaming paying users. Our strong performance in the third quarter was attributable to the continuous market expansion for both YY Live and Huya. For YY Live, we continued to leverage our industry-leading AI technology to increase the accuracy and effectiveness of our content recommendation process. Meanwhile, we have initiated a strategic cooperation with Xiaomi to exclusively operate certain entertainment live streaming services on *Xiaomi Live*. The cooperation will provide Xiaomi’s users with a better experience in entertainment live streaming services and enable both YY and Xiaomi to explore additional monetization opportunities. Looking ahead, we will remain focused on cementing YY’s leadership in the live streaming industry through product innovation and technology advancements.”

Mr. Bing Jin, Chief Financial Officer of YY, further commented, “We once again achieved solid financial performance in the third quarter of 2018. Our total net revenues increased by 32.6% year over year to RMB4,100.5 million, exceeding the high end of our previous guidance range. The increase in net revenues was driven by the robust growth of our live streaming revenues which increased by 35.6% year over year to RMB3,894.5 million. Our non-GAAP net income attributable to YY also increased by 19.7% year over year to RMB787.0 million in the third quarter of 2018. We are confident that our strategies to enhance our content offerings and AI technologies will continue to yield sustainable growth, and increase our market share in the live streaming industry.”

¹ Non-GAAP net income attributable to YY Inc. is a non-GAAP financial measure, which is defined as net income attributable to YY Inc. excluding share-based compensation expenses, impairment of goodwill and investment, gain on deconsolidation and disposal of subsidiary, gain on deemed disposal and disposal of investments (deemed disposal refers to dilution of equity interest in equity-method investments), gain on fair value change of investments and equity investees’ investments, fair value loss on derivative liabilities, deemed dividend to subsidiary’s Series A preferred shareholders, income tax effects on non-GAAP adjustment and non-GAAP adjustment for net (loss) income attributable to non-controlling interests shareholders. These adjustments amounted to RMB136.3 million (US\$19.8 million) and RMB21.3 million in the third quarter of 2018 and 2017, respectively. Please refer to the section titled “Reconciliation of GAAP and Non-GAAP Results” for details.

Third Quarter 2018 Financial Results

NET REVENUES

Net revenues increased by 32.6% to RMB4,100.5 million (US\$597.0 million) in the third quarter of 2018 from RMB3,092.3 million in the corresponding period of 2017, primarily driven by an increase in live streaming revenues. Live streaming revenues increased by 35.6% to RMB3,894.5 million (US\$567.1 million) in the third quarter of 2018 from RMB2,871.6 million in the corresponding period of 2017.

Other revenues² decreased by 6.7% to RMB205.9 million (US\$30.0 million) in the third quarter of 2018 from RMB220.7 million in the corresponding period of 2017.

COST OF REVENUES AND GROSS PROFIT

Cost of revenues increased by 41.6% to RMB2,674.5 million (US\$389.4 million) in the third quarter of 2018 from RMB1,889.3 million in the corresponding period of 2017, primarily attributable to an increase in revenue-sharing fees and content costs to RMB2,212.6 million (US\$322.2 million) in the third quarter of 2018 from RMB1,604.9 million in the corresponding period of 2017. The increase in revenue-sharing fees and content costs paid to performers, guilds and content providers was in line with the increase in live streaming revenues for both YY Live and Huya segments, respectively. In addition, bandwidth costs increased to RMB249.5 million (US\$36.3 million) in the third quarter of 2018 from RMB160.5 million in the corresponding period of 2017, primarily reflecting continued user base expansion and live streaming quality improvements.

Gross profit increased by 18.5% to RMB1,426.0 million (US\$207.6 million) in the third quarter of 2018 from RMB1,203.0 million in the corresponding period of 2017. Gross margin was 34.8% in the third quarter of 2018 compared to 38.9% in the corresponding period of 2017, primarily due to the increase in revenue-sharing fees and content costs. In addition, the relatively low gross margin of the Huya segment had negative impact to the overall gross margin, since the Huya segment's contribution to net revenues increased significantly year-over-year.

² Starting from the first quarter of 2018, the Company re-classified its revenues from online games, revenues from memberships, and other revenues (which mainly represent revenues from the Company's online advertising revenues) to the category "other revenues" in order to better reflect the Company's continued strategic shift towards its live streaming business.

OPERATING INCOME

Operating expenses were RMB864.7 million (US\$125.9 million) in the third quarter of 2018 compared to RMB560.3 million in the corresponding period of 2017, primarily due to increased investments in talent recruitment as part of the Company's efforts to enhance its research and development capabilities.

Operating income was RMB610.9 million (US\$88.9 million) in the third quarter of 2018 compared to RMB661.4 million in the corresponding period of 2017. Operating margin was 14.9% in the third quarter of 2018 compared to 21.4% in the corresponding period of 2017, primarily due to the increase in research and development expenses and the decrease in gross margin.

Non-GAAP operating income³ increased by 12.9% to RMB774.2 million (US\$112.7 million) in the third quarter of 2018 from RMB685.8 million in the corresponding period of 2017. Non-GAAP operating margin⁴ was 18.9% in the third quarter of 2018 compared to 22.2% in the corresponding period of 2017.

NET INCOME

Net income attributable to YY Inc. increased by 2.3% to RMB650.7 million (US\$94.7 million) in the third quarter of 2018 from RMB636.0 million in the corresponding period of 2017.

Non-GAAP net income attributable to YY Inc. increased by 19.7% to RMB787.0 million (US\$114.6 million) from RMB657.3 million in the corresponding period of 2017. Non-GAAP net margin⁵ was 19.2% in the third quarter of 2018 compared to 21.3% in the corresponding period of 2017.

NET INCOME PER ADS

Diluted net income per ADS⁶ was RMB10.01 (US\$1.46) in the third quarter of 2018 compared to RMB10.51 in the corresponding period of 2017.

Non-GAAP diluted net income per ADS⁷ increased by 11.1% to RMB12.07 (US\$1.76) in the third quarter of 2018 from RMB10.86 in the corresponding period of 2017.

³ Non-GAAP operating income is a non-GAAP financial measure, which is defined as operating income excluding share-based compensation expenses, impairment of goodwill and investments and gain on deconsolidation and disposal of a subsidiary. Please refer to the section titled "Reconciliation of GAAP and Non-GAAP Results" for details.

⁴ Non-GAAP operating margin is a non-GAAP financial measure, which is defined as non-GAAP operating income as a percentage of net revenues. Please refer to the section titled "Reconciliation of GAAP and Non-GAAP Results" for details.

⁵ Non-GAAP net margin is non-GAAP net income attributable to YY Inc. as a percentage of net revenues.

⁶ ADS is American Depositary Share. Each ADS represents twenty Class A common shares of the Company. Diluted net income per ADS is net income attributable to YY Inc. divided by weighted average number of diluted ADS.

⁷ Non-GAAP diluted net income per ADS is a non-GAAP financial measure, which is defined as non-GAAP net income attributable to YY Inc. divided by weighted average number of ADS used in the calculation of diluted net income per ADS. Please refer to the section titled "Reconciliation of GAAP and Non-GAAP Results" for details.

BALANCE SHEET AND CASH FLOWS

As of September 30, 2018, the Company had cash and cash equivalents of RMB4,921.1 million (US\$716.5 million) and short-term deposits of RMB8,302.6 million (US\$1,208.9 million). For the third quarter of 2018, net cash from operating activities was RMB822.4million (US\$119.7 million).

SHARES OUTSTANDING

As of September 30, 2018, the Company had a total of 1,269.6 million common shares, or the equivalent of 63.5 million ADSs, outstanding.

Business Outlook

For the fourth quarter of 2018, the Company expects net revenues to be between RMB4.39 billion and RMB4.54 billion, representing a year-over-year growth of 21.1% to 25.2%. This forecast reflects the Company's current and preliminary views on the market and operational conditions, which are subject to change.

Recent Developments

In October 2018, the Company entered into a strategic cooperation agreement with Xiaomi Corporation ("Xiaomi"). Pursuant to the agreement, YY has the exclusive right to operate certain entertainment live streaming services on *Xiaomi Zhibo*, or *Xiaomi Live*, the primary platform for Xiaomi's live streaming services. Through this partnership, YY will enrich Xiaomi's ecosystem by integrating its high quality streaming content and extensive experience in live streaming operations with *Xiaomi Live*. The agreement will provide Xiaomi's users with a superior experience in entertainment live streaming services, while both parties continue to explore additional monetization opportunities.

Conference Call Information

The Company will hold a conference call on Monday, November 12, 2018, at 9:00 pm Eastern Time or Tuesday, November 13, 2018, at 10:00 am Beijing Time to discuss the financial results. Participants may access the call by dialing the following numbers:

| | |
|-----------------|-----------------|
| United States: | +1-845-675-0437 |
| International: | +65-6713-5090 |
| China Domestic: | 400-6208-038 |
| Hong Kong: | +852-3018-6771 |
| Conference ID: | #8227539 |

The replay will be accessible through November 20, 2018, by dialing the following numbers:

| | |
|----------------|-----------------|
| United States: | +1-646-254-3697 |
| International: | +61-2-8199-0299 |
| Conference ID: | #8227539 |

A live and archived webcast of the conference call will also be available at the Company's investor relations website at <http://ir.yy.com/>.

Exchange Rate

This press release contains translations of certain Renminbi amounts into U.S. dollars at specified rates solely for the convenience of readers. Unless otherwise noted, all translations from Renminbi to U.S. dollars, in this press release, were made at a rate of RMB6.8680 to US\$1.00, the noon buying rate in effect on September 28, 2018 in the City of New York for cable transfers in Renminbi per U.S. dollar as certified for customs purposes by the Federal Reserve Bank of New York.

About YY Inc.

YY Inc. (“YY” or the “Company”) is a leading live streaming social media platform in China. The Company’s highly engaged users contribute to a vibrant social community by creating, sharing, and enjoying a vast range of entertainment content and activities. 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. YY Inc. was listed on the NASDAQ in November 2012.

Safe Harbor Statement

This announcement contains forward-looking statements. These statements are made under the “safe harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as “will,” “expects,” “anticipates,” “future,” “intends,” “plans,” “believes,” “estimates” and similar statements. Among other things, the business outlook and quotations from management in this announcement, as well as YY’s strategic and operational plans, contain forward-looking statements. YY may also make written or oral forward-looking statements in its periodic reports to the U.S. Securities and Exchange Commission (“SEC”), in its annual report to shareholders, in press releases and other written materials and in oral statements made by its officers, directors or employees to third parties. Statements that are not historical facts, including statements about YY’s beliefs and expectations, are forward-looking statements. Forward-looking statements involve inherent risks and uncertainties. A number of factors could cause actual results to differ materially from those contained in any forward-looking statement, including but not limited to the following: YY’s goals and strategies; YY’s future business development, results of operations and financial condition; the expected growth of the online communication social platform market in China; the expectation regarding the rate at which to gain active users, especially paying users; YY’s ability to monetize the user base; fluctuations in general economic and business conditions in China and assumptions underlying or related to any of the foregoing. Further information regarding these and other risks is included in YY’s filings with the SEC. All information provided in this press release and in the attachments is as of the date of this press release, and YY does not undertake any obligation to update any forward-looking statement, except as required under applicable law.

Use of Non-GAAP Financial Measures

The unaudited condensed consolidated financial information is prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). YY uses non-GAAP operating income, non-GAAP operating margin, non-GAAP net income attributable to YY Inc., non-GAAP net margin, and basic and diluted non-GAAP net income per ADS, which are non-GAAP financial measures. Non-GAAP operating income is operating income excluding share-based compensation expenses, impairment of goodwill and investments, and gain on deconsolidation and disposal of subsidiary. Non-GAAP operating margin is non-GAAP operating income as a percentage of net revenues. Non-GAAP net income is net income excluding share-based compensation expenses, impairment of goodwill and investments, gain on deconsolidation and disposal of subsidiary, gain on deemed disposal and disposal of investments, gain on fair value change of investments and equity investees’ investments, fair value loss on derivative liabilities, and income tax effects of above non-GAAP reconciling items. Non-GAAP net income attributable to YY Inc. is net income attributable to YY Inc. excluding share-based compensation expenses, impairment of goodwill and investments, gain on deconsolidation and disposal of subsidiary, gain on deemed disposal and disposal of investments, gain on fair value change of investments and equity investees’ investments, fair value loss on derivative liabilities, deemed dividend to subsidiary’s Series A preferred shareholders and income tax effects of above non-GAAP reconciling items and adjustment for non-GAAP reconciling items for the income attributable to non-controlling interests. Non-GAAP net margin is non-GAAP net income attributable to YY Inc. as a percentage of net revenues. Basic and diluted non-GAAP net income per ADS is non-GAAP net income attributable to YY Inc. divided by weighted average number of ADS used in the calculation of basic and diluted net income per ADS. The Company believes that separate analysis and exclusion of the non-cash impact of above reconciling items adds clarity to the constituent parts of its performance. The Company reviews these non-GAAP financial measures together with GAAP financial measures to obtain a better understanding of its operating performance. It uses the non-GAAP financial measure for planning, forecasting and measuring results against the forecast. The Company believes that non-GAAP financial measure is useful supplemental information for investors and analysts to assess its operating performance without the non-cash effect of (i) share-based compensation expenses, which have been and will continue to be significant recurring expenses in its business, (ii) impairment of goodwill and investments, gain on deconsolidation and disposal of subsidiary, gain on deemed disposal and disposal of investments, gain on fair value change of investments and equity investees’ investments, fair value loss on derivative liabilities, and deemed dividend to subsidiary’s Series A preferred shareholders, which may not be recurring in its business, and (iii) income tax expenses and non-GAAP adjustments for net income (loss) attributable to non-controlling interest shareholders, which are affected by above non-GAAP reconciling items. However, the use of non-GAAP financial measures has material limitations as an analytical tool. One of the limitations of using non-GAAP financial measures is that they do not include all items that impact the Company’s net income for the period. In addition, because non-GAAP financial measures are not measured in the same manner by all companies, they may not be comparable to other similar titled measures used by other companies. In light of the foregoing limitations, you should not consider non-GAAP financial measure in isolation from or as an alternative to the financial measure prepared in accordance with U.S. GAAP.

The presentation of these non-GAAP financial measures is not intended to be considered in isolation from, or as a substitute for, the financial information prepared and presented in accordance with U.S. GAAP. For more information on these non-GAAP financial measures, please see the table captioned “YY Inc. Reconciliations of GAAP and Non-GAAP Results” near the end of this release.

Investor Relations Contact

YY Inc.
Matthew Zhao
Tel: +86 (20) 8212-0000
Email: IR@YY.com

ICR, Inc.
Jack Wang
Tel: +1 (646) 915-1611
Email: IR@YY.com

YY INC.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(All amounts in thousands, except share, ADS and per ADS data)

| | December 31, 2017 RMB | September 30, 2018 RMB | September 30, 2018 US\$ |
|---|--------------------------------|---------------------------------|----------------------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 2,617,432 | 4,921,114 | 716,528 |
| Short-term deposits | 6,000,104 | 8,302,609 | 1,208,883 |
| Restricted short-term deposits | 1,000,000 | - | - |
| Short-term investments | 124,550 | 1,249,267 | 181,897 |
| Accounts receivable, net | 153,944 | 206,060 | 30,003 |
| Inventory | 315 | - | - |
| Amounts due from related parties | 11,190 | 70,887 | 10,321 |
| Prepayments and other current assets | 221,939 | 1,030,584 | 150,055 |
| Total current assets | 10,129,474 | 15,780,521 | 2,297,687 |
| Non-current assets | | | |
| Deferred tax assets | 113,017 | 41,432 | 6,033 |
| Investments | 1,153,019 | 4,565,401 | 664,735 |
| Property and equipment, net | 1,016,998 | 1,188,341 | 173,026 |
| Land use rights, net | 1,832,739 | 1,796,663 | 261,599 |
| Intangible assets, net | 37,481 | 74,671 | 10,872 |
| Goodwill | 11,716 | 11,765 | 1,713 |
| Amounts due from related parties | 20,000 | - | - |
| Other non-current assets | 144,275 | 197,061 | 28,693 |
| Total non-current assets | 4,329,245 | 7,875,334 | 1,146,671 |
| Total assets | 14,458,719 | 23,655,855 | 3,444,358 |
| Liabilities, mezzanine equity and shareholders' equity | | | |
| Current liabilities | | | |
| Convertible bonds | - | 6,878 | 1,001 |
| Accounts payable | 76,351 | 109,656 | 15,966 |
| Deferred revenue | 758,044 | 696,785 | 101,454 |
| Advances from customers | 80,406 | 97,987 | 14,267 |
| Income taxes payable | 146,298 | 134,964 | 19,651 |
| Accrued liabilities and other current liabilities | 1,465,963 | 1,978,000 | 288,002 |
| Amounts due to related parties | 30,502 | 20,763 | 3,023 |
| Short-term loans | 588,235 | - | - |
| Total current liabilities | 3,145,799 | 3,045,033 | 443,364 |
| Non-current liabilities | | | |
| Convertible bonds | 6,536 | - | - |
| Deferred revenue | 57,718 | 79,947 | 11,641 |
| Deferred tax liabilities | 10,810 | 25,166 | 3,664 |
| Total non-current liabilities | 75,064 | 105,113 | 15,305 |
| Total liabilities | 3,220,863 | 3,150,146 | 458,669 |

YY INC.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)
(All amounts in thousands, except share, ADS and per ADS data)

| | December 31, 2017 RMB | September 30, 2018 RMB | September 30, 2018 US\$ |
|--|--|---|--|
| Mezzanine equity | 524,997 | - | - |
| Shareholders' equity | | | |
| Class A common shares (US\$0.00001 par value; 10,000,000,000 and 10,000,000,000 shares authorized, 945,245,908 and 981,384,448 shares issued and outstanding as of December 31, 2017 and September 30, 2018, respectively) | 57 | 59 | 9 |
| Class B common shares (US\$0.00001 par value; 1,000,000,000 and 1,000,000,000 shares authorized, 317,982,976 and 288,182,976 shares issued and outstanding as of December 31, 2017 and September 30, 2018, respectively) | 23 | 21 | 3 |
| Additional paid-in capital | 5,339,844 | 11,014,105 | 1,603,684 |
| Statutory reserves | 62,718 | 62,718 | 9,132 |
| Retained earnings ⁽¹⁾ | 5,218,110 | 6,263,853 | 912,035 |
| Accumulated other comprehensive (loss) income ⁽¹⁾ | (9,597) | 350,054 | 50,969 |
| Total YY Inc.'s shareholders' equity | <u>10,611,155</u> | <u>17,690,810</u> | <u>2,575,832</u> |
| Non-controlling interests | 101,704 | 2,814,899 | 409,857 |
| Total shareholders' equity | <u>10,712,859</u> | <u>20,505,709</u> | <u>2,985,689</u> |
| Total liabilities, mezzanine equity and shareholders' equity | <u>14,458,719</u> | <u>23,655,855</u> | <u>3,444,358</u> |

(1) On January 1, 2018, the Company adopted ASU 2016-1, "Classification and Measurement of Financial Instruments". After the adoption of this new guidance, the Company measures long-term investments other than equity method investments at fair value through earnings. For those investments without readily determinable fair values, the Company elects to record these investments at cost, less impairment, and plus or minus subsequent adjustments for observable price changes. Changes in the basis of these investments are reported in current earnings. Following the adoption of this guidance, accumulated fair value gain, amounting to RMB87.8 million, was reclassified from accumulated other comprehensive loss to retained earnings as of January 1, 2018.

YY INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(All amounts in thousands, except share, ADS and per ADS data)

| | Three Months Ended | | | | Nine Months Ended | | |
|--|---------------------------------|----------------------------|---------------------------------|----------------------------------|---------------------------------|---------------------------------|----------------------------------|
| | September 30, 2017 RMB | June 30, 2018 RMB | September 30, 2018 RMB | September 30, 2018 US\$ | September 30, 2017 RMB | September 30, 2018 RMB | September 30, 2018 US\$ |
| Net revenues⁽¹⁾ | | | | | | | |
| Live streaming | 2,871,610 | 3,559,666 | 3,894,548 | 567,057 | 7,302,434 | 10,486,249 | 1,526,827 |
| Others | 220,695 | 213,564 | 205,924 | 29,983 | 665,820 | 636,384 | 92,659 |
| Total net revenues | 3,092,305 | 3,773,230 | 4,100,472 | 597,040 | 7,968,254 | 11,122,633 | 1,619,486 |
| Cost of revenues⁽²⁾ | | | | | | | |
| | (1,889,313) | (2,313,772) | (2,674,502) | (389,415) | (4,829,753) | (7,004,071) | (1,019,812) |
| Gross profit | 1,202,992 | 1,459,458 | 1,425,970 | 207,625 | 3,138,501 | 4,118,562 | 599,674 |
| Operating expenses⁽²⁾ | | | | | | | |
| Research and development expenses | (166,139) | (295,946) | (314,128) | (45,738) | (499,059) | (859,539) | (125,151) |
| Sales and marketing expenses | (249,480) | (246,130) | (343,839) | (50,064) | (542,516) | (825,627) | (120,214) |
| General and administrative expenses | (144,678) | (237,532) | (206,738) | (30,102) | (325,875) | (608,246) | (88,562) |
| Total operating expenses | (560,297) | (779,608) | (864,705) | (125,904) | (1,367,450) | (2,293,412) | (333,927) |
| Gain on deconsolidation and disposal of subsidiaries | - | - | - | - | 37,989 | - | - |
| Other income | 18,667 | 33,922 | 49,640 | 7,228 | 68,653 | 95,936 | 13,969 |
| Operating income | 661,362 | 713,772 | 610,905 | 88,949 | 1,877,693 | 1,921,086 | 279,716 |
| Interest expense | (3,651) | (1,548) | (4,910) | (715) | (28,378) | (8,477) | (1,234) |
| Interest income and investment income | 47,505 | 128,850 | 141,110 | 20,546 | 105,853 | 362,151 | 52,730 |
| Foreign currency exchange (losses) gains, net | (251) | (2,823) | (3,072) | (447) | (1,825) | 824 | 120 |
| Gain on deemed disposal and disposal of investments | - | 13,999 | - | - | 45,861 | 13,999 | 2,038 |
| Gain on fair value change of investments | - | 1,205,049 | 31,670 | 4,611 | - | 1,663,266 | 242,176 |
| Fair value loss on derivative liabilities | - | (2,273,355) | - | - | - | (2,285,223) | (332,735) |
| Other non-operating expenses | - | (2,000) | - | - | - | (2,000) | (291) |
| Income (loss) before income tax expenses | 704,965 | (218,056) | 775,703 | 112,944 | 1,999,204 | 1,665,626 | 242,520 |
| Income tax expenses | (74,684) | (147,419) | (74,929) | (10,910) | (264,288) | (370,593) | (53,959) |
| Income (loss) before share of income in equity method investments, net of income taxes | 630,281 | (365,475) | 700,774 | 102,034 | 1,734,916 | 1,295,033 | 188,561 |
| Share of income (loss) in equity method investments, net of income taxes | 6,806 | 88,992 | (19,957) | (2,906) | 15,467 | 78,214 | 11,388 |
| Net income (loss) | 637,087 | (276,483) | 680,817 | 99,128 | 1,750,383 | 1,373,247 | 199,949 |
| Less: Net income (loss) income attributable to the non-controlling interest shareholders and the mezzanine equity classified non-controlling interest shareholders | | | | | | | |
| | 1,120 | (139,596) | 30,127 | 4,387 | (2,446) | (73,978) | (10,771) |
| Deemed dividend to subsidiary's Series A preferred shareholders | - | - | - | - | - | (489,284) | (71,241) |

Net income (loss) attributable to
YY Inc.

635,967

(136,887)

650,690

94,741

1,752,829

957,941

139,479

YY INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (CONTINUED)
(All amounts in thousands, except share, ADS and per ADS data)

| | Three Months Ended | | | | Nine Months Ended | | |
|--|---|--------------------------------------|---|--|---|---|--|
| | September 30, 2017 RMB | June 30, 2018 RMB | September 30, 2018 RMB | September 30, 2018 US\$ | September 30, 2017 RMB | September 30, 2018 RMB | September 30, 2018 US\$ |
| Net income (loss) per ADS | | | | | | | |
| —Basic | 10.60 | (2.14) | 10.12 | 1.47 | 30.30 | 14.98 | 2.18 |
| —Diluted | 10.51 | (2.14) | 10.01 | 1.46 | 29.72 | 14.80 | 2.15 |
| Weighted average number of ADS used in calculating net income (loss) per ADS | | | | | | | |
| —Basic | 60,008,235 | 63,839,293 | 64,301,796 | 64,301,796 | 57,857,025 | 63,952,614 | 63,952,614 |
| —Diluted | 60,503,529 | 63,839,293 | 64,829,757 | 64,829,757 | 59,681,394 | 64,738,363 | 64,738,363 |

(1) On January 1, 2018, the Company adopted ASC 606, "Revenue from Contracts with Customers" using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. Based on the Company's assessment, the adoption of ASC 606 did not have any material impact on the Company's consolidated financial statements.

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

| | Three Months Ended | | | | Nine Months Ended | | |
|-------------------------------------|-----------------------------------|------------------------------|---|--|---|---|--|
| | September 30, 2017 | June 30, 2018 | September 30, 2018 RMB | September 30, 2018 US\$ | September 30, 2017 RMB | September 30, 2018 RMB | September 30, 2018 US\$ |
| Cost of revenues | (434) | 24,059 | 16,022 | 2,333 | 6,210 | 59,689 | 8,691 |
| Research and development expenses | (6,049) | 67,912 | 52,752 | 7,681 | 15,847 | 175,131 | 25,500 |
| Sales and marketing expenses | (74) | 2,406 | 290 | 42 | 738 | 4,565 | 665 |
| General and administrative expenses | 9,700 | 124,978 | 92,340 | 13,445 | 26,406 | 253,881 | 36,966 |

YY INC.
RECONCILIATION OF GAAP AND NON-GAAP RESULTS
(All amounts in thousands, except share, ADS and per ADS data)

| | Three Months Ended | | | | Nine Months Ended | | |
|---|---------------------------------|----------------------------|---------------------------------|----------------------------------|---------------------------------|---------------------------------|----------------------------------|
| | September 30, 2017 RMB | June 30, 2018 RMB | September 30, 2018 RMB | September 30, 2018 US\$ | September 30, 2017 RMB | September 30, 2018 RMB | September 30, 2018 US\$ |
| Operating income | 661,362 | 713,772 | 610,905 | 88,949 | 1,877,693 | 1,921,086 | 279,716 |
| Share-based compensation expenses | 3,143 | 219,355 | 161,404 | 23,501 | 49,201 | 493,266 | 71,822 |
| Impairment of goodwill and investments | 21,285 | - | 1,900 | 277 | 41,619 | 20,249 | 2,948 |
| Gain on deconsolidation and disposal of a subsidiary | - | - | - | - | (37,989) | - | - |
| Non-GAAP operating income | 685,790 | 933,127 | 774,209 | 112,727 | 1,930,524 | 2,434,601 | 354,486 |
| Net income (loss) | 637,087 | (276,483) | 680,817 | 99,128 | 1,750,383 | 1,373,247 | 199,949 |
| Share-based compensation expenses | 3,143 | 219,355 | 161,404 | 23,501 | 49,201 | 493,266 | 71,822 |
| Impairment of goodwill and investments | 21,285 | - | 1,900 | 277 | 41,619 | 20,249 | 2,948 |
| Gain on deconsolidation and disposal of a subsidiary | - | - | - | - | (37,989) | - | - |
| Gain on deemed disposal and disposal of investments | - | (13,999) | - | - | (45,861) | (13,999) | (2,038) |
| (Gain) loss on fair value change of investments and equity investees' investments | - | (1,287,301) | 3,428 | 499 | - | (1,710,420) | (249,042) |
| Fair value loss on derivative liabilities | - | 2,273,355 | - | - | - | 2,285,223 | 332,735 |
| Income tax effects on non-GAAP adjustments | (3,000) | 30,601 | 1,014 | 148 | 9,264 | 76,081 | 11,078 |
| Non-GAAP net income | 658,515 | 945,528 | 848,563 | 123,553 | 1,766,617 | 2,523,647 | 367,452 |
| Net income (loss) attributable to YY Inc. | 635,967 | (136,887) | 650,690 | 94,741 | 1,752,829 | 957,941 | 139,479 |
| Share-based compensation expenses | 3,143 | 219,355 | 161,404 | 23,501 | 49,201 | 493,266 | 71,822 |
| Impairment of goodwill and investments | 21,285 | - | 1,900 | 277 | 41,619 | 20,249 | 2,948 |
| Gain on deconsolidation and disposal of a subsidiary | - | - | - | - | (37,989) | - | - |
| Gain on deemed disposal and disposal of investments | - | (13,999) | - | - | (45,861) | (13,999) | (2,038) |
| (Gain) loss on fair value change of investments and equity investees' investments | - | (1,287,301) | 3,428 | 499 | - | (1,710,420) | (249,042) |
| Fair value loss on derivative liabilities | - | 2,273,355 | - | - | - | 2,285,223 | 332,735 |
| Deemed dividend to subsidiary's Series A preferred shareholders | - | - | - | - | - | 489,284 | 71,241 |
| Income tax effects on non-GAAP adjustments | (3,000) | 30,601 | 1,014 | 148 | 9,264 | 76,081 | 11,078 |
| Non-GAAP adjustments for net loss attributable to the non-controlling interest shareholders | (84) | (211,884) | (31,449) | (4,579) | (1,678) | (237,513) | (34,583) |
| Non-GAAP net income attributable to YY Inc. | 657,311 | 873,240 | 786,987 | 114,587 | 1,767,385 | 2,360,112 | 343,640 |
| Non-GAAP net income per ADS | | | | | | | |
| —Basic | 10.95 | 13.68 | 12.24 | 1.78 | 30.55 | 36.90 | 5.37 |
| —Diluted | 10.86 | 13.46 | 12.07 | 1.76 | 29.96 | 36.31 | 5.29 |
| Weighted average number of ADS used in calculating Non-GAAP net income per ADS | | | | | | | |
| —Basic | 60,008,235 | 63,839,293 | 64,301,796 | 64,301,796 | 57,857,025 | 63,952,614 | 63,952,614 |
| —Diluted | 60,503,529 | 64,701,643 | 64,829,757 | 64,829,757 | 59,681,394 | 64,738,363 | 64,738,363 |

YY INC.
UNAUDITED SEGMENT REPORT
(All amounts in thousands, except share, ADS and per ADS data)

| | Three Months Ended | | | | |
|---|---------------------------|------------------|----------------------------------|------------------|------------------|
| | September 30, 2018 | | | | |
| | YY Live | Huya | Elimination⁽¹⁾ | Total | Total |
| | RMB | RMB | RMB | RMB | US\$ |
| Net revenues | | | | | |
| Live streaming | 2,678,081 | 1,216,467 | - | 3,894,548 | 567,057 |
| Others | 145,894 | 60,130 | (100) | 205,924 | 29,983 |
| Total net revenues | 2,823,975 | 1,276,597 | (100) | 4,100,472 | 597,040 |
| Cost of revenues ⁽²⁾ | (1,591,645) | (1,082,857) | - | (2,674,502) | (389,415) |
| Gross profit | 1,232,330 | 193,740 | (100) | 1,425,970 | 207,625 |
| Operating expenses⁽²⁾ | | | | | |
| Research and development expenses | (239,503) | (74,625) | - | (314,128) | (45,738) |
| Sales and marketing expenses | (282,237) | (61,702) | 100 | (343,839) | (50,064) |
| General and administrative expenses | (135,537) | (71,201) | - | (206,738) | (30,102) |
| Total operating expenses | (657,277) | (207,528) | 100 | (864,705) | (125,904) |
| Other income | 38,568 | 11,072 | - | 49,640 | 7,228 |
| Operating income (loss) | 613,621 | (2,716) | - | 610,905 | 88,949 |
| Interest expenses | (4,910) | - | - | (4,910) | (715) |
| Interest income and investment income | 90,292 | 50,818 | - | 141,110 | 20,546 |
| Foreign currency exchange (losses) gains, net | (3,170) | 98 | - | (3,072) | (447) |
| Gain on fair value change of investments | 31,670 | - | - | 31,670 | 4,611 |
| Income before income tax expenses | 727,503 | 48,200 | - | 775,703 | 112,944 |
| Income tax (expenses) benefits | (83,491) | 8,562 | - | (74,929) | (10,910) |
| Income before share of (loss) income in equity method investments, net of income taxes | 644,012 | 56,762 | - | 700,774 | 102,034 |
| Share of (loss) income in equity method investments, net of income taxes | (19,967) | 10 | - | (19,957) | (2,906) |
| Net income | 624,045 | 56,772 | - | 680,817 | 99,128 |

(1) The elimination mainly consists of revenues and expenses generated from advertising services among YY Live and Huya segments.

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

| | Three Months Ended | | | |
|-------------------------------------|---------------------------|-------------|--------------|--------------|
| | September 30, 2018 | | | |
| | YY Live | Huya | Total | Total |
| | RMB | RMB | RMB | US\$ |
| Cost of revenues | 12,120 | 3,902 | 16,022 | 2,333 |
| Research and development expenses | 41,139 | 11,613 | 52,752 | 7,681 |
| Sales and marketing expenses | 215 | 75 | 290 | 42 |
| General and administrative expenses | 43,701 | 48,639 | 92,340 | 13,445 |

YY INC.
RECONCILIATION OF GAAP AND NON-GAAP RESULTS OF UNAUDITED SEGMENT REPORT
(All amounts in thousands, except share, ADS and per ADS data)

| | Three Months Ended | | | |
|--|---------------------------|----------------|----------------|----------------|
| | September 30, 2018 | | | |
| | YY Live | Huya | Total | Total |
| | RMB | RMB | RMB | US\$ |
| Operating income (loss) | 613,621 | (2,716) | 610,905 | 88,949 |
| Share-based compensation expenses | 97,175 | 64,229 | 161,404 | 23,501 |
| Impairment of goodwill and investments | 1,900 | - | 1,900 | 277 |
| Non-GAAP operating income | <u>712,696</u> | <u>61,513</u> | <u>774,209</u> | <u>112,727</u> |
| Net income | 624,045 | 56,772 | 680,817 | 99,128 |
| Share-based compensation expenses | 97,175 | 64,229 | 161,404 | 23,501 |
| Impairment of goodwill and investments | 1,900 | - | 1,900 | 277 |
| Loss on fair value change of investments and equity investees' investments | 3,428 | - | 3,428 | 499 |
| Income tax effects on non-GAAP adjustments | 1,014 | - | 1,014 | 148 |
| Non-GAAP net income | <u>727,562</u> | <u>121,001</u> | <u>848,563</u> | <u>123,553</u> |

YY INC.
UNAUDITED SEGMENT REPORT

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

| | Three Months Ended | | | | |
|---|---------------------------|--------------------|----------------------------------|------------------|------------------|
| | June 30, 2018 | | | | |
| | YY Live | Huya | Elimination⁽¹⁾ | Total | Total |
| | RMB | RMB | RMB | RMB | US\$ |
| Net revenues | | | | | |
| Live streaming | 2,567,854 | 991,812 | - | 3,559,666 | 537,950 |
| Others | 167,044 | 46,520 | - | 213,564 | 32,275 |
| Total net revenues | 2,734,898 | 1,038,332 | - | 3,773,230 | 570,225 |
| Cost of revenues ⁽²⁾ | (1,441,807) | (871,965) | - | (2,313,772) | (349,666) |
| Gross profit | 1,293,091 | 166,367 | - | 1,459,458 | 220,559 |
| Operating expenses⁽²⁾ | | | | | |
| Research and development expenses | (235,982) | (59,964) | - | (295,946) | (44,724) |
| Sales and marketing expenses | (204,448) | (41,682) | - | (246,130) | (37,196) |
| General and administrative expenses | (149,059) | (88,473) | - | (237,532) | (35,897) |
| Total operating expenses | (589,489) | (190,119) | - | (779,608) | (117,817) |
| Other income | 27,463 | 6,459 | - | 33,922 | 5,126 |
| Operating income (loss) | 731,065 | (17,293) | - | 713,772 | 107,868 |
| Interest expenses | (1,548) | - | - | (1,548) | (234) |
| Interest income and investment income | 86,406 | 42,444 | - | 128,850 | 19,472 |
| Foreign currency exchange losses, net | (2,823) | - | - | (2,823) | (427) |
| Gain on deemed disposal and disposal of investments | 13,999 | - | - | 13,999 | 2,116 |
| Gain on fair value change of investments | 1,003,050 | - | 201,999 | 1,205,049 | 182,111 |
| Fair value loss on derivative liabilities | - | (2,273,355) | - | (2,273,355) | (343,558) |
| Other non-operating expenses | (2,000) | - | - | (2,000) | (302) |
| Income (loss) before income tax expenses | 1,828,149 | (2,248,204) | 201,999 | (218,056) | (32,954) |
| Income tax (expenses) benefits | (126,522) | 6,070 | (26,967) | (147,419) | (22,278) |
| Income (loss) before share of income in equity method investments, net of income taxes | 1,701,627 | (2,242,134) | 175,032 | (365,475) | (55,232) |
| Share of income in equity method investments, net of income taxes | 147,337 | 116,687 | (175,032) | 88,992 | 13,449 |
| Net income (loss) | 1,848,964 | (2,125,447) | - | (276,483) | (41,783) |

(1) Elimination represents the gain resulting from change in fair value of an investment of one of the Company's subsidiaries, on which YY Live segment and Huya segment have joint control and accounted for as equity method investment.

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

| | Three Months Ended | | | |
|-------------------------------------|---------------------------|-------------|--------------|--------------|
| | June 30, 2018 | | | |
| | YY Live | Huya | Total | Total |
| | RMB | RMB | RMB | US\$ |
| Cost of revenues | 21,406 | 2,653 | 24,059 | 3,636 |
| Research and development expenses | 62,071 | 5,841 | 67,912 | 10,263 |
| Sales and marketing expenses | 1,674 | 732 | 2,406 | 364 |
| General and administrative expenses | 60,100 | 64,878 | 124,978 | 18,887 |

YY INC.
RECONCILIATION OF GAAP AND NON-GAAP RESULTS OF UNAUDITED SEGMENT REPORT
(All amounts in thousands, except share, ADS and per ADS data)

| | Three Months Ended | | | | |
|--|---------------------------|----------------|--------------------|----------------|----------------|
| | June 30, 2018 | | | | |
| | YY Live | Huya | Elimination | Total | Total |
| | RMB | RMB | RMB | RMB | US\$ |
| Operating income (loss) | 731,065 | (17,293) | - | 713,772 | 107,868 |
| Share-based compensation expenses | 145,251 | 74,104 | - | 219,355 | 33,150 |
| Non-GAAP operating income | 876,316 | 56,811 | - | 933,127 | 141,018 |
| Net income (loss) | 1,848,964 | (2,125,447) | - | (276,483) | (41,783) |
| Share-based compensation expenses | 145,251 | 74,104 | - | 219,355 | 33,150 |
| Gain on deemed disposal and disposal of investments | (13,999) | - | - | (13,999) | (2,116) |
| Gain on fair value change of investments and equity investees' investments | (1,143,680) | (116,654) | (26,967) | (1,287,301) | (194,541) |
| Fair value loss on derivative liabilities | - | 2,273,355 | - | 2,273,355 | 343,558 |
| Income tax effects on non-GAAP adjustments | 3,634 | - | 26,967 | 30,601 | 4,625 |
| Non-GAAP net income | 840,170 | 105,358 | - | 945,528 | 142,893 |

YY INC.
UNAUDITED SEGMENT REPORT

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

| | Three Months Ended | | | |
|---|---------------------------|------------------|------------------|-----------------|
| | September 30, 2017 | | | |
| | YY Live | Huya | Total | Total |
| | RMB | RMB | RMB | US\$ |
| Net revenues | | | | |
| Live streaming | 2,319,251 | 552,359 | 2,871,610 | 431,607 |
| Others | 189,520 | 31,175 | 220,695 | 33,171 |
| Total net revenues | 2,508,771 | 583,534 | 3,092,305 | 464,778 |
| Cost of revenues ⁽¹⁾ | (1,379,016) | (510,297) | (1,889,313) | (283,966) |
| Gross profit | 1,129,755 | 73,237 | 1,202,992 | 180,812 |
| Operating expenses⁽¹⁾ | | | | |
| Research and development expenses | (117,231) | (48,908) | (166,139) | (24,971) |
| Sales and marketing expenses | (228,318) | (21,162) | (249,480) | (37,497) |
| General and administrative expenses | (107,342) | (37,336) | (144,678) | (21,745) |
| Total operating expenses | (452,891) | (107,406) | (560,297) | (84,213) |
| Other income | 18,569 | 98 | 18,667 | 2,806 |
| Operating income (loss) | 695,433 | (34,071) | 661,362 | 99,405 |
| Interest expenses | (3,651) | - | (3,651) | (549) |
| Interest income and investment income | 42,738 | 4,767 | 47,505 | 7,140 |
| Foreign currency exchange losses, net | (251) | - | (251) | (38) |
| Income (loss) before income tax expenses | 734,269 | (29,304) | 704,965 | 105,958 |
| Income tax expenses | (74,684) | - | (74,684) | (11,225) |
| Income (loss) before share of income in equity method investments, net of income taxes | 659,585 | (29,304) | 630,281 | 94,733 |
| Share of income in equity method investments, net of income taxes | 6,806 | - | 6,806 | 1,023 |
| Net Income (loss)⁽²⁾ | 666,391 | (29,304) | 637,087 | 95,756 |

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

| | Three Months Ended | | | |
|-------------------------------------|---------------------------|-------------|--------------|--------------|
| | September 30, 2017 | | | |
| | YY Live | Huya | Total | Total |
| | RMB | RMB | RMB | US\$ |
| Cost of revenues | (1,190) | 756 | (434) | (65) |
| Research and development expenses | (7,973) | 1,924 | (6,049) | (909) |
| Sales and marketing expenses | (106) | 32 | (74) | (11) |
| General and administrative expenses | 8,473 | 1,227 | 9,700 | 1,458 |

(2) 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 three months ended December 31, 2017

YY INC.
RECONCILIATION OF GAAP AND NON-GAAP RESULTS OF UNAUDITED SEGMENT REPORT
(All amounts in thousands, except share, ADS and per ADS data)

| | Three Months Ended | | | |
|--|---------------------------|-----------------|----------------|----------------|
| | September 30, 2017 | | | |
| | YY Live | Huya | Total | Total |
| | RMB | RMB | RMB | US\$ |
| Operating income (loss) | 695,433 | (34,071) | 661,362 | 99,405 |
| Share-based compensation expenses | (796) | 3,939 | 3,143 | 473 |
| Impairment of goodwill and investments | 21,285 | - | 21,285 | 3,199 |
| Non-GAAP operating income (loss) | 715,922 | (30,132) | 685,790 | 103,077 |
| Net income (loss) | 666,391 | (29,304) | 637,087 | 95,756 |
| Share-based compensation expenses | (796) | 3,939 | 3,143 | 473 |
| Impairment of goodwill and investments | 21,285 | - | 21,285 | 3,199 |
| Income tax effects on non-GAAP adjustments | (3,000) | - | (3,000) | (451) |
| Non-GAAP net income (loss) | 683,880 | (25,365) | 658,515 | 98,977 |